

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company remain investment holding of the four major businesses: toll roads, properties, paper and cement. The principal activities of its principal subsidiaries, associated companies and jointly controlled entities are set out in the Group Structure section on pages 78 to 92.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 35.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 10 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for development, sale and for investment purposes are set out in the List of Properties section on pages 14 to 22.

SHARE CAPITAL AND OPTIONS

Details of movements in share capital and options of the Company during the year are set out in notes 22 and 23 to the accounts respectively.

CONVERTIBLE BONDS

Details of the movements in convertible bonds of the Group and the Company during the year are set out in note 27 to the accounts.

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FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 13.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December 2000 are set out in the Group Structure section on pages 78 to 90.

INTEREST CAPITALISED

During the year, interest capitalised as development cost in respect of properties under development and production facilities under construction amounted to approximately HK\$26,478,000.

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DIRECTORS

The Directors during the year were:

Mr Liu Jinxiang

Mr Zhang Bohua

Mr Xie Shuwen

Mr Liang Ningguang

Mr Xiao Boyan

Mr Cai Hanxiang

Mr Dong Huiyan

Mr Li Jiaqiang

Mr Shi Jinling

Mr Wong Chi Keung

Ms Yan Yuk Fung

Mr Yu Lup Fat Joseph*

Mr Lee Ka Lun* - appointed on 7th April 2000

Mr Chu Lap Lik Victor* - retired on 16th June 2000

* Independent non-executive directors

Mr Dong Huiyan, Mr Li Jiaqiang, Mr Shi Jinling and Mr Wong Chi Keung retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Directors' Profiles are set out on pages 23 and 24.

Mr Liu Jinxiang is a director of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), Excellence Enterprises Co., Ltd., Bosworth International Limited, Sun Peak Enterprises Ltd. and Novena Pacific Limited. Mr Zhang Bohua is a director of Yue Xiu, Excellence Enterprises Co., Ltd., Bosworth International Limited and Sun Peak Enterprises Ltd. Messrs Xie Shuwen and Xiao Boyan are directors of Yue Xiu and Excellence Enterprises Co., Ltd. Messrs Liang Ningguang, Cai Hanxiang and Dong Huiyan are directors of Yue Xiu, Excellence Enterprises Co., Ltd. and Bosworth International Limited. Messrs Shi Jinling and Wong Chi Keung are directors of Bosworth International Limited. Each of Yue Xiu, Excellence Enterprises Co., Ltd., Bosworth International Limited, Sun Peak Enterprises Ltd. and Novena Pacific Limited has an interest in the share capital of the Company as disclosed under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

DIRECTOR'S SERVICE CONTRACT

Mr Liu Jinxiang has entered into a service agreement with GZI Transport Limited ("GZI Transport"), a subsidiary of the Company, which is for an initial fixed term of one year commencing on 1st August 1999 unless terminated sooner by GZI Transport giving to him three months' prior written notice and thereafter, extendable for a further term of two years unless terminated sooner by GZI Transport giving to him three months' prior written notice or by him giving to GZI Transport six months' prior written notice.

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DIRECTOR'S SERVICE CONTRACT (cont'd)

Save as disclosed herein, none of the Directors has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party, and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The Group has significant related party transactions which also constitute as connected transactions under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in notes 33(b)(i), 34(b) and 36 to the accounts. In respect of transaction as referred in note 36(b) to the accounts, Messrs Yu Lup Fat Joseph and Lee Ka Lun, the independent non-executive directors of the Company, have confirmed that the transactions have been performed in accordance with the terms of the agreements covering such transactions.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December 2000, the interests of Directors in the equity or debt securities of the Company and its associated corporation as recorded in the register maintained under Section 29 of the SDI Ordinance were as follows:

Name	Personal Interests	
	Number of ordinary shares of the Company held	Number of ordinary shares of GZI Transport held
Mr Wong Chi Keung	200,000	24,000
Ms Yan Yuk Fung	500,000	100,000

As at 31st December 2000, the following directors of the Company had interests recorded in the register maintained under Section 29 of the SDI Ordinance being options granted under the share option schemes of (i) the Company and (ii) GZI Transport, a subsidiary of the Company, to subscribe for ordinary shares in the respective companies:

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DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (cont'd)

(i) The Company

Name	Note	Exercise price per share HK\$	Balance outstanding as at 1st January and 31st December 2000
Mr Liu Jinxiang	(c)&(d)	0.5008	1,400,000
Mr Zhang Bohua	(a)	1.0016	600,000
	(b)	0.7344	1,200,000
	(c)	0.5008	1,100,000
Mr Xie Shuwen	(b)	0.7344	1,000,000
	(c)	0.5008	1,000,000
Mr Liang Ningguang	(a)	1.0016	550,000
	(b)	0.7344	1,000,000
	(c)&(d)	0.5008	1,200,000
Mr Xiao Boyan	(b)	0.7344	1,000,000
	(c)	0.5008	1,000,000
Mr Cai Hanxiang	(a)	1.0016	550,000
	(c)	0.5008	1,000,000
Mr Dong Huiyan	(a)	1.0016	550,000
	(b)	0.7344	1,000,000
	(c)	0.5008	1,000,000
Mr Li Jiaqiang	(b)	0.7344	1,000,000
	(c)	0.5008	1,000,000
Mr Shi Jinling	(c)	0.5008	1,000,000
Mr Wong Chi Keung	(c)	0.5008	1,000,000
Ms Yan Yuk Fung	(c)	0.5008	800,000

Notes:

- (a) The share options were expired on 5th March 2001.
- (b) The share options are exercisable from the date of grant to the business day preceding 21st November 2002.
- (c) The share options are exercisable from the first anniversary of the date of grant to the business day preceding the sixth anniversary of the date of grant, of which a maximum of 30 per cent and 100 per cent thereof are exercisable from the first and second anniversaries of the date of grant respectively.
- (d) These interests include options to subscribe for 200,000 shares in the Company granted to each of their spouse.
- (e) The consideration paid by each director of the Company for each grant of option by the Company was HK\$10.

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DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (cont'd)

(ii) GZI Transport

Name	Exercise price per share HK\$	Balance outstanding as at 1st January 2000	Number of options granted during the year	Balance outstanding as at 31st December 2000
Mr Liu Jinxiang	0.9984	10,000,000	-	10,000,000
Mr Zhang Bohua	0.7520	-	900,000	900,000
Mr Xie Shuwen	0.7520	-	800,000	800,000
Mr Liang Ningguang	2.4080	500,000	-	500,000
	0.9984	8,670,000	-	8,670,000
Mr Xiao Boyan	2.4080	500,000	-	500,000
Mr Cai Hanxiang	2.4080	500,000	-	500,000
Mr Dong Huiyan	0.7520	-	800,000	800,000
Mr Li Jiaqiang	0.7520	-	450,000	450,000
Mr Shi Jinling	0.7520	-	450,000	450,000
Mr Wong Chi Keung	0.7520	-	450,000	450,000
Ms Yan Yuk Fung	0.7520	-	450,000	450,000

The share options are exercisable from the first anniversary of the date of grant to the business day preceding the sixth anniversary of the date of grant, of which a maximum of 30 per cent, 60 per cent and 100 per cent thereof are exercisable from the first, second and third anniversaries of the date of grant respectively. The consideration paid by each director of the Company for each grant of option by GZI Transport was HK\$10.

Save as disclosed herein, none of the directors of the Company (including their spouse and children under 18 years of age) had, as at 31st December 2000, any interests in the equity or debt securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangements to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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SUBSTANTIAL SHAREHOLDERS

As at 31st December 2000, those persons or corporations having an interest in 10 per cent or more of the issued share capital of the Company as recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance were as follows:

Substantial shareholders	Number of ordinary shares held	Note
Yue Xiu	1,702,182,734	(a)
Excellence Enterprises Co., Ltd.	1,669,474,734	(b)
Bosworth International Limited	774,772,574	(c)
Sun Peak Enterprises Ltd.	565,683,000	(c)
Novena Pacific Limited	565,683,000	(d)

Notes:

- (a) This interest represents the total number of ordinary shares of the Company held by Yue Xiu and its subsidiaries where Yue Xiu is taken to be interested in such shares under Section 8 of the SDI Ordinance.
- (b) Subsidiary of Yue Xiu and its interest in the ordinary shares of the Company are duplicated in the interest of Yue Xiu.
- (c) Subsidiaries of Excellence Enterprises Co., Ltd. and their interests in the ordinary shares of the Company are duplicated in the interest of Excellence Enterprises Co., Ltd.
- (d) Subsidiary of Sun Peak Enterprises Ltd. and its interest in the ordinary shares of the Company is duplicated in the interest of Sun Peak Enterprises Ltd.

Save as disclosed herein, no other person is recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance as having an interest in 10 per cent or more of the issued share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES

Three independent non-executive directors of the Company each received HK\$38,000 as directors' fees for the year ended 31st December 2000.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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MAJOR CUSTOMERS AND SUPPLIERS

No disclosures with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30 per cent of the Group's total sales and purchases respectively.

PENSION SCHEME ARRANGEMENTS

The Group operates a pension scheme for Hong Kong employees. The scheme is a defined contribution scheme and is administered by independent trustees. In relation to each employee, the employee contributes 5 per cent and the Group contributes 5 per cent to 15 per cent of the employee's basic salary to the scheme. The Group's contribution is charged to its profit and loss account and amounted to HK\$1,947,000 for the year ended 31st December 2000. There were no significant forfeited contributions in respect of employees who left the scheme prior to vesting fully in the contributions during the year and as at 31st December 2000.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF" Scheme) for Hong Kong employees. The Group's MPF Scheme contributions are at 5 per cent of the employee's relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF scheme from 31 December 2000 if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Certain subsidiaries of the Company in the Mainland of China ("China") are required to participate in a defined contribution retirement plan organised by the Guangzhou Municipal People's Government. All Chinese workers are entitled to a pension equal to a fixed proportion of their ending basic salary amount at their retirement date except for a substantial number of staff members of five subsidiaries in China who are employed by Guangzhou Highways Development Company ("GHDC"), the local partner, pursuant to fixed cost services agreements (the "Services Agreements") executed between these subsidiaries and GHDC. Pursuant to the Services Agreements, details of which are disclosed in note 36(b) to the accounts, GHDC assumes full responsibility for the salaries and all statutory benefits, insurance and welfare funds required to be paid pursuant to relevant laws and regulations of China to the staff members and workers employed by GHDC to perform their duties required under the Services Agreements. The other subsidiaries are required to make contributions to the retirement plan at the rates of 16 per cent to 24 per cent of the basic salaries of their staff members. Expenses incurred for the year amounted to approximately HK\$45,744,000. Contributions made in respect of resigned workers are not refundable.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in appendix 14 of the Listing Rules throughout the year ended 31st December 2000. The independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

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AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee (the "Audit Committee"), comprising two independent non-executive directors, namely Mr Yu Lup Fat Joseph and Mr Lee Ka Lun, was established.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the board of directors of the Company. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Liu Jinxiang

Chairman

Hong Kong, 23rd April 2001