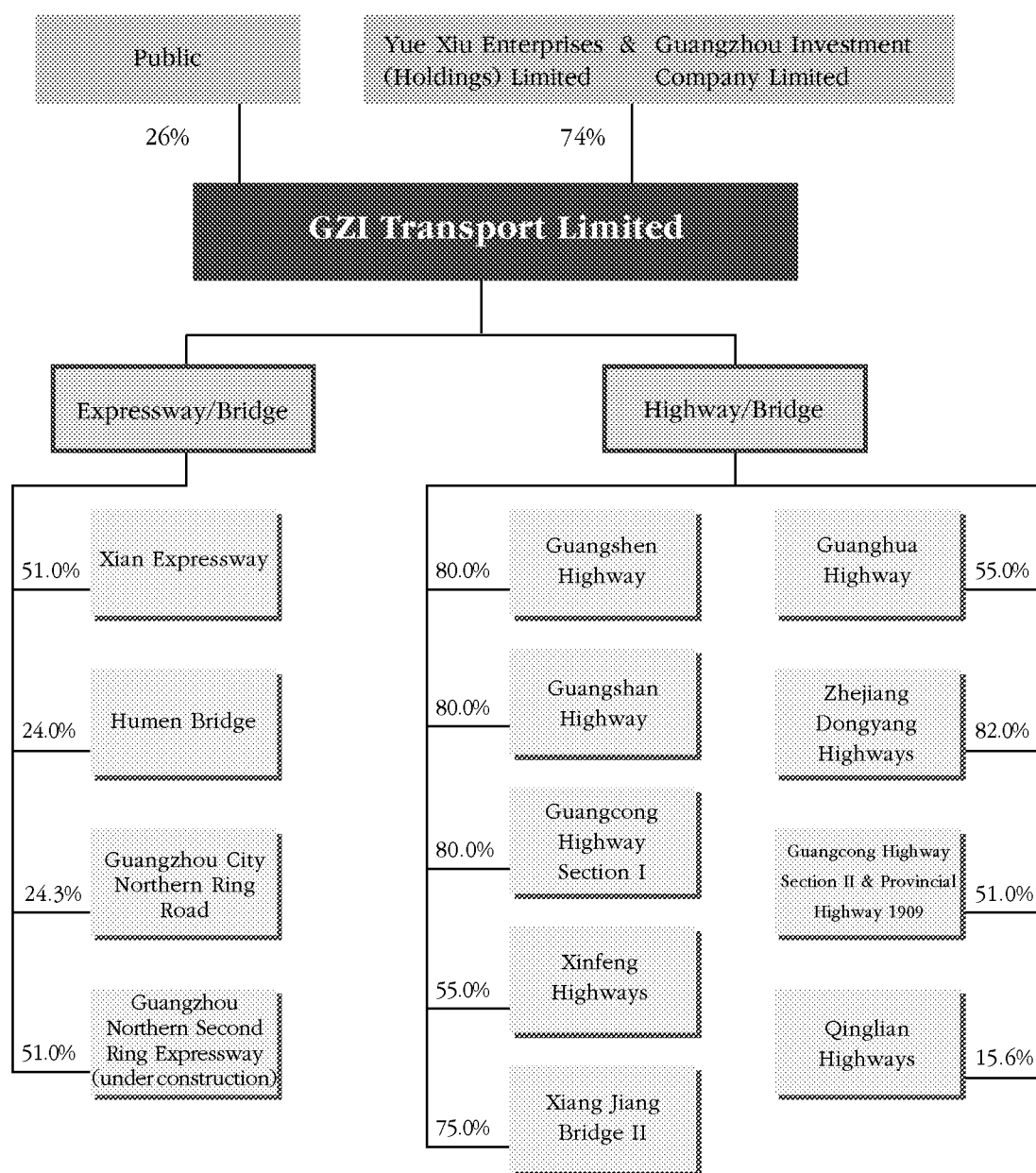


## COMPANY PROFILE

GZI Transport Limited was listed on The Stock Exchange of Hong Kong Limited in January 1997. The Company has been engaging in the investment and operation of toll roads primarily located in the Pearl River Delta of Guangdong Province and selective provinces in the Mainland of China. Most of the projects are joint ventures with regional transport authorities to capitalize on their local contacts and competitive advantages.

The Company has been expanding steadily through acquisitions in the last four years. Total attributable length of toll road and bridge projects increased from 146.9 kms in January 1997 to 318.7 kms in December 2000. Most of the projects are already operational and generating cash flow.



## FINANCIAL HIGHLIGHTS OF 2000

	2000	1999
	HK\$'000	HK\$'000
Turnover	468,266	467,549
Operating profit	325,006	339,099
Share of profits of associated companies	146,629	137,806
Profit attributable to shareholders	282,513	267,403
Total assets	4,855,621	4,778,412
Total liabilities	1,956,380	2,120,184
Shareholders' equity	2,899,241	2,658,228
Basic earnings per share	27.23 cents	25.77 cents
Fully diluted earnings per share	26.27 cents	25.49 cents
Dividend per share	4 cents	7 cents
Net asset per share	HK\$2.8	HK\$2.6
Return on shareholders' equity	9.7%	10.1%
Gearing ratio	20.3%	24.8%
Interest coverage	10 times	8 times

## CHAIRMAN'S STATEMENT

Since the Company listed on The Stock Exchange of Hong Kong Limited in 1997, the Group has been adopting a prudent expansion policy of focusing primarily in Guangdong Province in which the Group has extensive business contacts. During the past four years, attributable length of toll road projects has been expanded from 146.9 kms to 318.7 kms.

Net profit growth slowed down to around 5.7 per cent in 2000 due to changing traffic mix, higher oil price and obstruction of traffic flow caused by construction of road networks around Guangzhou Municipality for preparing the Ninth National Game in the third quarter of 2001. This year the Group will adopt various cost control measures in this challenging environment and remains optimistic in the toll road business due to fast growing private car ownership, which is expected to speed up with China's accession to the World Trade Organization.



**Liu Jinxiang**

*Chairman*

The Group's goal is to develop as a major toll road operator in southern China and to provide investment opportunities to institutional and individual investors in the toll road business with fast growing and quality earnings. To achieve this goal, the Group will adopt the following strategies.

Firstly, the Group will speed up its investment activities. After tightening in 1998 and 1999, credit situation in Hong Kong started to improve in 2000. Yue Xiu Enterprises (Holdings) Limited, the controlling shareholder of the Company, also completed a HK\$4.9 billion refinancing in the same year. To capitalize on improving sentiment and credit relaxation, the Group resumed its borrowing and investment activities so that it can operate at a better economy of scale and efficiency. In 2000, the Group entered into an agreement to increase the investment in Xian Expressway from 51 per cent to 100 per cent for HK\$173 million. This transaction was completed in February 2001. To allocate resources for new investments which will result in future growth, dividend in 2000 was reduced and the Group is currently exploring certain toll road investment opportunities in China. While focusing on the core toll road business, the Group will invest in information infrastructure projects selectively. The Group believes that information infrastructure to be built along road networks will provide synergy to the toll road business.

Secondly, the Group will continue to adopt an employee centred and performance based reward system to motivate all staff members to contribute to the growth of the Group. In 2000, around 100 employees were assessed as outstanding performers and rewarded accordingly. Group morale was consequently raised substantially. The Group will continue to invest in training and development of talented staff members, which is vital to the enhancement of talent resources and competitiveness of a business organization.

Thirdly, the Group will continue strengthening management practices of existing toll stations. Since toll road is a cash business, the "One Million Rmb No Mistake" and "Whole Team No Mistake" toll collection competitions have served to raise operational accuracy. Four toll collection staff members achieved results of "Five Million Rmb No Mistake". Moreover, training and professional examinations are provided to the toll collection and supervisory staff members so that effective toll collection and supervision practices will be executed at all levels of the toll stations. The Group believes that its toll station management system is one of the most advanced in Guangdong Province.

Lastly, I would like to thank our shareholders, directors and staff members for their support, hard work and dedication in 2000. In addition, Mr He Yongxian retired and resigned from the Board in early 2001. I would like to thank him for his contribution and welcome Mr Zhong Ming to join the Board.

**Liu Jinxiang**

*Chairman*

Hong Kong, 6th April 2001

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Summary Information on Operating Toll Roads and Bridges

	Length (kms)	Width (lanes)	Attributable interest (%)	Road type	Average daily toll traffic volume (vehicle)	Weighted average toll fare per vehicle (Rmb)
<b>Guangshen Highway</b>	23.1	6	80.0	Class I highway	26,225	6.88
<b>Guangshan Highway</b>	64.0	4	80.0	Class II highway	33,930	10.83
<b>Guangcong Highway Section I</b>	33.3	6	80.0	Class I highway	14,686	12.12
<b>Xinfeng Highways</b>						
National Highway 105	30.5	4	55.0	Class I highway	9,386	16.56
Provincial Highway 1912	15.3	2	55.0	Class II highway		
<b>Guanghua Highway</b>	20.0	6	55.0	Class I highway	9,436	7.82
<b>Dongyang Highways</b>						
Provincial Highway 37	13.0	4	82.0	Class II highway	(Fixed Return)	
Provincial Highway 39	32.0	4	82.0	Class II highway		
<b>Guangcong Highway Section II</b>	33.1	6	51.0	Class I highway	24,251	7.76
<b>&amp; Provincial Highway 1909</b>	33.3	4	51.0	Class I highway		
<b>Xian Expressway</b>	20.1	4	51.0	Expressway	13,033	12.28
<b>Xiang Jiang Bridge II</b>	1.84	4	75.0	Rigid frame bridge	9,717	13.41
<b>Humen Bridge</b>	15.8	6	24.0	Suspension bridge	24,133	37.07
<b>Guangzhou City Northern</b>						
<b>Ring Road</b>	22.0	6	24.3	Expressway	144,267	9.83
<b>Qinglian Highways</b>						
National Highway 107	253.0	2	15.6	Class II highway	35,795	28.09
Highway between Qingyuan and Lianzhou cities	215.2	6	15.6	Class I highway		

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's toll road projects primarily provide connections for intra-provincial traffic within Guangdong Province and inter-provincial traffic between Guangdong and eastern provinces such as Hunan and Jiangxi. The major vehicles travelling on intra-provincial routes passing traffic hub of major cities are mainly small sized passenger vehicles and trucks or Class II vehicles. Major vehicles travelling on the more remote inter-provincial routes such as Xinfeng Highways, Qinglian Highways and Xiang Jiang Bridge II are mainly Class III vehicles or medium sized passenger vehicles and trucks.

### Guangshen Highway Guangzhou Section ("Guangshen Highway")

Guangshen Highway is a part of National Highway 107 connecting Guangzhou Municipality and Shenzhen City in Guangdong Province. Both are growth engines of southern China.

Average daily toll traffic volume of Guangshen Highway in 2000 increased moderately by 3.05 per cent to 26,225 vehicles inspite of modification work of the adjacent Huangpu Road. Weighted average toll fare per vehicle in the year was Rmb 6.88. The modification work was completed in September 2000.

### Guangshan Highway Guangzhou Section ("Guangshan Highway")

Guangshan Highway is a part of National Highway 324 and is the major road connecting Guangzhou Municipality and Shantou City. Both are major cities in Guangdong Province.

In 2000, the average daily toll traffic volume of the two toll stations on Guangshan Highway increased steadily by 4.86 per cent to 33,930 vehicles. Weighted average toll fare per vehicle in the year was Rmb 10.83.





Guangcong Highway connecting Guangzhou Institute of Foreign Language and Tai Ping Chang ("Guangcong Highway Section I")

Guangcong Highway Section I comprises a section of National Highway 105 between Guangzhou City and Conghua City in the northeast where a hot spring resort is located. Guangcong Highway Section I mainly connects inter-provincial traffic between Guangdong Province and eastern provinces such as Jiangxi. It is also the main access from Guangzhou City to Conghua City.

Owing to decrease of traffic volume of Class I vehicle as a result of changing traffic mix, the average daily toll traffic volume of Guangcong Highway Section I only rose marginally by 0.67 per cent to 14,686 vehicles in 2000. However, weighted average toll fare per vehicle in the year was not adversely affected and increased to Rmb 12.12.

### Xinfeng Highways

Xinfeng Highways comprise part of National Highway 105 and Provincial Highway 1912 located in northern Guangdong Province. They primarily connect inter-provincial traffic between Guangdong Province and eastern provinces such as Jiangxi.

Traffic of Xinfeng Highways was affected by the surface cement work of the Jiangxi section of National Highway 105. In 2000, the average daily toll traffic volume of Xinfeng Highways dropped slightly by 0.06 per cent to 9,386 vehicles. Weighted average toll fare per vehicle in the year was Rmb 16.56. Although upgrading work will continue in 2001, Xinfeng Highways will benefit from completion of the traffic network between Conghua City and Xinfeng County in 2002.

### Guanghua Highway

Guanghua Highway mainly connects traffic between the urban area of Guangzhou City and suburb Huadu District, where the new Guangzhou International Airport will be located.

Owing to traffic jam caused by construction of the Guangzhou International Airport's related transport network, the average daily toll traffic volume of Guanghua Highway dropped by 10.51 per cent to 9,436 vehicles in 2000. Weighted average toll fare per vehicle in the year was Rmb 7.82. The construction work of the Guangzhou International Airport's related transport network is expected to continue affecting traffic until the second half of 2001.

### Dongyang Highways in Zhejiang Province ("Dongyang Highways")

Dongyang Highways are consisted of part of Provincial Highway 37 and part of Provincial Highway 39 in Dongyang City of Zhejiang Province. These highways, which were opened in early 1995, connect Hangzhou, Dongyang and Jinhua cities in the eastern Zhejiang Province. The Group received a fixed return from this project.

### Guangcong Highway connecting Tai Ping Chang and Wenquan ("Guangcong Highway Section II") & Provincial Highway 1909

Guangcong Highway Section II connects inter-provincial traffic between Guangdong Province and eastern provinces such as Jiangxi and intra-municipality traffic between Guangzhou City and suburb Conghua City where a hot spring resort is located. Provincial Highway 1909 connects inter-provincial traffic between Guangdong and Hunan Provinces.

The high base traffic volume in 1999 resulted in a relatively marginal growth rate in 2000. Average daily toll traffic volume of Guangcong Highway Section II and Provincial Highway 1909 in 2000 was 24,251, which was up by 2.58 per cent compared with 1999. Weighted average toll fare per vehicle in the year was Rmb 7.76. Facilitated by channeling of traffic from the adjacent upgraded National Highway 106, average daily toll traffic volume is expected to grow steadily in 2001.



### Xian Expressway in Shaanxi Province ("Xian Expressway")

Xian Expressway connects local traffic between Xian City and Lintong County where the world famous historical relic Terra-Cotta Warriors is located.



## MANAGEMENT DISCUSSION AND ANALYSIS

Although affected by adverse weather in 2000 and construction of road network, average daily toll traffic volume of Xian Expressway recorded a moderate increase of 3.22 per cent year on year to 13,033 vehicles. Weighted average toll fare per vehicle in the year was Rmb 12.28. Completion of Tong Guan Luo Yang Expressway Section of the National Highway 310 which connects Xian City and Henan Province in late 2001 is expected to boost traffic volume of Xian Expressway.

### Xiang Jiang Bridge II in Xiang Tan City of Hunan Province ("Xiang Jiang Bridge II")

Xiang Jiang Bridge II is located in Xiang Tan City of Hunan Province. It has been in operation since 1993 and is part of National Highway 107 linking the northern and southern banks of Xiang Jiang. The bridge primarily connects inter-provincial traffic between Guangdong Province and Hunan Province.

The traffic of Xiang Jiang Bridge II was hindered by administrative control on overloaded vehicles and upgrading work of National Highway 107. Average daily toll traffic volume of Xiang Jiang Bridge II recorded a negative growth of 0.44 per cent in 2000 to 9,717 vehicles. The weighted average toll fare per vehicle in the year was Rmb 13.41. Traffic volume growth of Xiang Jiang Bridge II is expected to be affected in 2001 due to traffic diversion by the recently completed Xiang Geng Section of Jingzhu Expressway.



### Humen Bridge

Humen Bridge is an expressway with a six-lane suspension bridge linking Panyu District of Guangzhou Municipality and Dongguan City both located in the heart of the Pearl River Delta. Its two ends are connected to the Guangzhou Shenzhen Expressway and Guangzhou Zhuhai Eastern Expressway.

The traffic of Humen Bridge was significantly facilitated by the completion of Zhongshan Section of Guangzhou Zhuhai Eastern Expressway and Xintai Section of West Coast Expressway in 2000. The average daily toll traffic volume of Humen Bridge in 2000 grew by 18.73 per cent to 24,133 vehicles. Weighted average toll fare per vehicle in the year was Rmb 37.07. The Group foresees that traffic volume of Humen Bridge will experience strong growth in 2001 due to additional traffic channelled by the imminent completion of Taiyang Section of West Coast Expressway.

### Guangzhou City Northern Ring Road ("Ring Road")

The Ring Road located in Guangzhou City has been in operation since January 1994. It links the Guangzhou Foshan Expressway in the west and the Guangzhou Shenzhen Expressway in the east.

In spite of the expansion of city road network such as the Inner Ring Road, average daily toll traffic volume of the Ring Road continued to grow steadily in 2000 by 8.07 per cent to 144,267 vehicles. The weighted average toll fare per vehicle in the year was Rmb 9.83.

### Qinglian Highways

Qinglian Highways are located in northwestern part of Guangdong Province. They primarily connect inter-provincial traffic between Guangdong Province and Hunan Province.

The average daily toll traffic volume of the nine toll stations on Qinglian Highways was 35,795 vehicles in 2000, which increased slightly by 1.65 per cent year on year and reversed the negative trend in 1999 due to the completion of maintenance work of adjacent roads in 2000. Weighted average toll fare per vehicle in the year was Rmb 28.09.

### Guangzhou Northern Second Ring Expressway ("GNSR Expressway")

The six-lane 42.4 kms GNSR Expressway will be linked to a number of national highways and expressways located at the northern side of Guangzhou Municipality. It will serve to divert southern bound traffic away from the congested urban area of Guangzhou Municipality. Construction of the sub-base layer and tunnels were completed. Surface work and bridge construction have been started and GNSR Expressway is expected to be operational in the fourth quarter of 2001.

### Toll Rate Changes of Existing Projects

In April 2000, the weighted average toll fare of Humen Bridge was increased by 2.0 per cent, which had outperformed inflation rate. The other toll roads maintained toll fare at the level of 1999.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Analysis of Results

Although traffic volume and toll revenue of certain toll road projects were affected by the construction of road networks, higher oil price and changes of traffic mix, the Group's turnover and gross profit in 2000 were similar to 1999 figures. Other income also decreased by 29.3 per cent mainly due to termination of the business tax rebate policy. However, administrative expenses were reduced by approximately 10.3 per cent to HK\$46.0 million mainly due to lower bank charges and amortization in 2000. Finance costs also lowered remarkably by approximately 19.2 per cent due to debt repayments and lower interest rate of Rmb loan. Share of profits from associated companies recorded an increase of 6.4 per cent year on year driven by traffic volume growth of Humen Bridge. Taxation was reduced by 16.2 per cent from a higher base in 1999. Profit attributable to shareholders recorded a 5.7 per cent increase from HK\$267.4 million in 1999 to HK\$282.5 million in 2000.

#### Basic Earnings Per Share

	2000	1999
Profit attributable to shareholders	<b>HK\$282,513,000</b>	HK\$267,403,000
Weighted average number of shares in issue	<b>1,037,503,530</b>	1,037,503,521
Basic earnings per share	<b>27.23 cents</b>	25.77 cents

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders divided by the weighted average number of shares in issue which had basically no change in the year. With net profit increased by 5.7 per cent, basic earnings per share increased accordingly to 27.23 cents in 2000.

#### Dividend

To capture toll road investment opportunities and economic benefits of China's accession to the World Trade Organisation, the Directors recommended the payment of a final dividend of 1.0 cent (1999: 5.0 cents) per share to shareholders whose names appeared on the register of members of the Company on 19th June 2001. Subject to the approval of shareholders at the Annual General Meeting to be held on 19th June 2001, the final dividend will be paid on 10th July 2001. Together with the interim dividend of 3.0 cents (1999: 2.0 cents) per share, total dividends for the year ended 31st December 2000 will amount to 4.0 cents (1999: 7.0 cents) per share.

#### Analysis of cash flows and borrowings

As at 31st December 2000, the Group had bank balances and cash of approximately HK\$385.8 million. The Group had generated net cash inflow of approximately HK\$337.60 million from operating activities and net cash inflow of HK\$34.2 million from returns on investments. These internally generated cash were largely applied to repayment of bank borrowings and funding capital expenditures.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31st December 2000, the Group had bank borrowings and convertible bonds outstanding of approximately HK\$600.0 million and HK\$95.0 million respectively. The Group had repaid bank borrowings in aggregate sum of approximately HK\$135.0 million from internal funds. A new US dollars four-year term loan was also obtained to re-finance part of the outstanding US dollars loan matured in April 2000 and the remaining amount was repaid. This US dollars term loan is secured by the Group's interest in one toll road project in China.

Approximately 29.9 per cent of the Group's bank borrowings was denominated in US dollars and approximately 70.1 per cent in Rmb. The convertible bonds were denominated in HK dollars. The following is a maturity profile table of the Group's bank borrowings and convertible bonds:

	Repayable within		Total HK\$'000
	one year HK\$'000	two to five years HK\$'000	
<b>Bank borrowings</b>			
US dollars loans	39,000	140,400	179,400
Rmb loans	355,140	65,420	420,560
	<u>394,140</u>	<u>205,820</u>	<u>599,960</u>
<b>Convertible bonds</b>	95,000	—	95,000
	<u>489,140</u>	<u>205,820</u>	<u>694,960</u>

Approximately 84.4 per cent of the Rmb bank borrowings will be repayable within one year. The management has confidence that these Rmb bank borrowings will be refinanced. The convertible bonds are redeemable on 14th December 2001. On maturity, those bonds which have not been converted into ordinary shares at a price of HK\$2.0424 per share are to be repaid at their principal amount with accrued interest. Details of the convertible bonds are set out in note 18 to the audited accounts on page 51. Other than the new US dollars term loan disclosed above, all the bank borrowings are unsecured.

### Analysis of Capital Commitments and Expenditures

The details of the Group's and the Company's capital commitments as at 31st December 2000 are set out in note 21(d) to the audited accounts on page 54. These capital commitments are mainly for the construction and expansion of toll roads.

In 2000, the Group's capital expenditures and investments which amounted to approximately HK\$196.8 million were funded internally. In February 2001, the Group completed the acquisition of the remaining 49 per cent interests in Xian Expressway. This acquisition was mainly financed by a HK\$170.0 million five-year term loan raised in 2001 and secured by the Group's interest in Xian Expressway. The Group's strategy is to use as much as practicable re-invested profits and debt financing denominated in Rmb to match the Rmb capital expenditure and take advantage of the prevailing low interest rate in China. Equity and debt financing denominated in foreign currency will be used selectively as supplementary funds.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Treasury Policies

The Group's overall treasury and funding policy is that of risk management and liquidity control. Bank balances are generally placed in short term fixed rate deposits in bank accounts in Hong Kong and China. No fund is placed in non-bank institutions or invested in securities. The management believes that the steady inflow of HK dollars and US dollars funds repatriated from the Group's subsidiaries and associated companies in China are sufficient to meet the Group's short to medium term HK dollars and US dollars borrowings, finance costs and dividend payments.

Since the Group's principal operations are in China and most of the income is denominated in Rmb, the management is aware of possible exchange rate exposure. As a hedging strategy, the management emphasizes on using Rmb borrowings to finance the Group's future investments and capital expenditures.

The management is also aware of the prevailing interest rate differential and the associated borrowing costs difference between Rmb loans and US dollar loans. To take advantage of the low interest rate and the low borrowing costs of Rmb loans, the management strictly adheres to its Rmb based borrowing policy. The following summary of the Group's average loan interest rates indicates that interest rate differentials between US dollars loans and Rmb loans widened from negative 1.1 per cent in 1999 to positive 3.0 per cent in 2000:

	2000 (% per annum)	1999 (% per annum)
US dollars loan	9.0	6.6
Rmb loans	6.0	7.7
Interest rate differential	3.0	-1.1

### Return on Shareholders' Equity

As at 31st December 2000, the Group's shareholders' equity increased from approximately HK\$2.7 billion in 1999 to approximately HK\$2.9 billion mainly due to the increase in retained earnings. The returns on shareholders' equity for the last three years are as follows:

	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Profit attributable to shareholders	282,513	267,403	242,276
Shareholders' equity	2,899,241	2,658,228	2,483,792
Return on shareholders' equity	9.7%	10.1%	9.8%

The Group was able to achieve satisfactory returns on shareholders' equity over the years despite the impacts of the Asian financial crisis. Adhering to principles of long-term stability and continuous development, the management has been focusing on investing in operational toll road projects or projects with immediate cash flow. As a result, the Group achieved return on shareholders' equity of about 9.7 per cent in 2000, which is relatively high amongst toll road companies listed on The Stock Exchange of Hong Kong Limited.

### Capital Structure and Interest Coverage

The following table summarises the components of the Group's capital structure:

	2000			1999		
	HK\$'000	%	Average rate of interest (% per annum)	HK\$'000	%	Average rate of interest (% per annum)
Convertible bonds	95,000	2.6	7.0	95,000	2.7	7.0
Fixed rate loans	420,560	11.6	6.0	500,935	14.2	7.7
Floating rate loan (LIBOR)	179,400	4.9	9.0	234,000	6.6	6.6
Interest free loans	41,505	1.2	—	45,809	1.3	—
Total debts	736,465	20.3		875,744	24.8	
Shareholders' equity	2,899,241	79.7		2,658,228	75.2	
Total capitalization	3,635,706	100.0		3,533,972	100.0	
Gearing Ratio	20.3%			24.8%		

The share of shareholders' equity in total capitalization increased from 75.2 per cent in 1999 to 79.7 per cent in 2000 mainly due to increase in current year's retained earnings amounting to HK\$241.0 million. Fixed rate loans are all in Rmb. The share of fixed rate loans in total capitalization decreased from 14.2 per cent in 1999 to 11.6 per cent in 2000. Floating rate loan is in US dollars and its share in total capitalization also decreased from 6.6 per cent in 1999 to 4.9 per cent in 2000. The interest free loans are non-interest bearing loans from the minority shareholders of a subsidiary. The share of interest free loans in total capitalization decreased from 1.3 per cent in 1999 to 1.2 per cent in 2000. The decrease in the share of fixed rate loans, floating rate loan and interest free loans was mainly due to repayments made during the year out from the Group's internally generated funds.

The increase in shareholders' equity and the decrease in debts resulted in a reduction of gearing ratio from 24.8 per cent in 1999 to 20.3 per cent in 2000.

	2000	1999
	HK\$'000	HK\$'000
Profit before taxation, interests and non-cash items	538,862	547,436
Interest expenses	52,995	65,598
Interest coverage	10 times	8 times



## MANAGEMENT DISCUSSION AND ANALYSIS

Overall interest expenses in 2000 amounted to approximately HK\$53.0 million as compared to HK\$65.6 million in 1999. The decrease in interest expenses of 19.2 per cent was attributable to the aggregate effects of decline in average interest rates and repayment of loan principals. Interest coverage increased from about 8 times in 1999 to about 10 times in 2000.

### Financial Assistance and Guarantees

As at 31st December 2000, the Group had provided a guarantee in connection with bank loans granted to Guangzhou Northern Second Ring Expressway Co., Limited, a jointly controlled entity of the Group, of Rmb 1,020,000,000 (approximately HK\$953,271,000), which is in proportion to the Group's shareholding in that entity. Such guarantee represented approximately 32.9 per cent of the consolidated net asset value of the Group as at 31st December 2000.

### Employees

As at 31st December 2000 the Group had 455 employees of which 399 are directly engaging in the supervision and management of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted a share option scheme which awards its employees according to the performance of the Group and individual employees.

## FIVE YEAR FINANCIAL SUMMARY

### Year ended 31st December

	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
<b>Results</b>					
Profit attributable to shareholders	<u>282,513</u>	<u>267,403</u>	<u>242,276</u>	<u>186,115</u>	<u>69,259</u>
<b>Assets and liabilities</b>					
Total assets	4,855,621	4,778,412	4,656,948	3,780,212	2,256,441
Total liabilities	<u>(1,956,380)</u>	<u>(2,120,184)</u>	<u>(2,173,156)</u>	<u>(901,810)</u>	<u>(393,753)</u>
	<u>2,899,241</u>	<u>2,658,228</u>	<u>2,483,792</u>	<u>2,878,402</u>	<u>1,862,688</u>



## DIRECTORS' PROFILES

### EXECUTIVE DIRECTORS

**Mr Liu Jinxiang**, aged 60, was appointed executive director and Chairman of the Company on 1st August 1999. He is also Chairman of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") and Guangzhou Investment Company Limited ("GZI"). Mr Liu graduated from Xian University of Architecture Science and Technology in China. He has over 30 years of experience in industrial technology, enterprise management and management of economic affairs. Prior to joining Yue Xiu in July 1998, he held senior positions in the Guangzhou Municipal People's Government which included deputy mayor and the director of Guangzhou Municipal Economic Commission. During the period of serving as a deputy mayor of the Guangzhou Municipality, Mr Liu was responsible for industry, transport, science and technology, energy, telecommunications, port and marine policies. Mr Liu is also a non-executive director of Guangzhou Pharmaceutical Co. Ltd. which listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Mr Yin Hui**, aged 50, was appointed executive director, Deputy Chairman and General Manager of the Company on 25th September 1996. He graduated from the Southern Institute of Technology in China. Prior to joining the Group in August 1996, he held several positions as department head and deputy director of the Guangzhou Municipal Transportation Bureau and deputy director of the Transportation Commission of the Guangzhou Municipal People's Government. Mr Yin has over 17 years of experience in traffic management and highways management.

**Mr Liang Ningguang**, aged 47, was appointed executive director of the Company on 25th September 1996. He is also a director and deputy general manager of Yue Xiu and GZI. Mr Liang graduated from the Central Television University in China majoring in finance and obtained a master's degree in business administration from the Murdoch University in Australia. He is also a member of the Chinese Institute of Certified Public Accountants and a senior accountant. Mr Liang is a dealing director and an investment adviser registered under the Securities Ordinance of Hong Kong. He was previously a deputy director of the Guangzhou Municipal Taxation Bureau and had over 20 years of experience in finance and management prior to joining Yue Xiu in 1989. Mr Liang is also a non-executive director of South China Industries Limited which listed on the Stock Exchange.

**Ms Cao Shuzhao**, aged 60, was appointed executive director of the Company on 25th September 1996. She is also the Deputy General Manager of the Company. Ms Cao graduated from Hunan University in China with an engineering degree. She has over 37 years of experience in highway construction and management. Prior to joining the Group in August 1996, she held positions of deputy head of the survey and design engineering department, senior engineer, etc. at the Chinese government transport authority.

**Mr Xiao Boyan**, aged 56, was appointed executive director of the Company on 24th July 1997. He is also a director and deputy general manager of Yue Xiu and GZI. Mr Xiao graduated from the department of calcium silicate of the South China University in China and is a cement engineer. Prior to joining Yue Xiu in 1997, he was the general manager of Guangzhou Cement Factory and the chairman and general manager of Guangzhou Cement Company Limited. He has over 23 years of experience in corporate operation and management.

**Mr Chen Jiahong**, aged 58, was appointed executive director of the Company on 25th September 1996. Mr Chen graduated from the Southern Agricultural Institute in China majoring in botany. He has over 14 years of experience in highway management. Prior to joining the Group in August 1996, he served in senior management positions at the Chinese government transport authority for 20 years.

**Mr Cai Hanxiang**, aged 57, was appointed executive director of the Company on 25th September 1996. He is also a director and deputy general manager of Yue Xiu and a director of GZI. He graduated from Nanjing University of Chemical Technology in China. After graduation, he completed a course equivalent to a US business administration postgraduate programme. Prior to joining Yue Xiu in 1991, he was a senior executive in the Transportation Commission of the Guangzhou Municipal People's Government. He has over 13 years of experience in the transportation field.

**Mr Zhong Ming**, aged 35, was appointed executive director of the Company on 12th January 2001. Mr Zhong obtained an engineering degree from Changsha Jiaotong Institute in China and is a qualified highway construction engineer. Mr Zhong has 14 years of experience in highway construction and management. He had held positions including department head of the engineering division of the Chinese government transport authority and deputy general manager of Guangzhou Northern Second Ring Expressway Co., Ltd.

**Mr He Zili**, aged 51, was appointed executive director of the Company on 1st April 2000. Mr He graduated from the Central Television University in China with an economics degree. Prior to joining Yue Xiu in 1991, he worked as a deputy manager of Guangzhou Taxi Company Limited in charge of finance and accounting. Mr He is the general manager of the investment and business department of the Company and also a deputy financial controller of Yue Xiu. Mr He has over 34 years of experience in finance and accounting.

**Mr Zhang Siyuan**, aged 34, was appointed executive director of the Company on 1st August 1999. He graduated from Chongqing Jiaotong Institute in China. Prior to joining the Group in 1997, Mr Zhang had over 10 years of experience in highway construction and management and is an engineer.

**Mr He Yongxian**, aged 61, was appointed executive director of the Company on 25th September 1996 and has resigned on 12th January 2001. An engineering graduate of Changsha Railway Institute in China, Mr He has over 34 years of experience in highway construction and management. Prior to joining the Group in August 1996, he held the position of senior engineer at the Chinese government transport authority.

## DIRECTORS' PROFILES

### NON-EXECUTIVE DIRECTORS

**Mr Fung Ka Pun**, aged 55, was appointed non-executive director of the Company on 20th November 1996. He is the founder and chairman of the e2-Capital Group and the managing director of e2-Capital (Holdings) Limited listed on the Stock Exchange. He is responsible for the e2-Capital Group's overall policy making and is a dealing director and an investment adviser registered under the Securities Ordinance of Hong Kong with over 24 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. Prior to the establishment of the Goodwill Group in 1992, Mr Fung was the managing director of a local securities firm.

**Mr Lau Hon Chuen Ambrose**, aged 53, was appointed non-executive director of the Company on 20th November 1996. He holds a Bachelor of Laws degree from the University of London and is also a Solicitor of the High Court of the Hong Kong Special Administrative Region, a China-Appointed Attesting Officer and a Notary Public. He is the senior partner of Messrs Chu & Lau, Solicitors & Notaries. Mr Lau is a member of the Legislative Council of Hong Kong, the National Committee of the Chinese People's Political Consultative Conference, the Selection Committee for the First Government of the Hong Kong Special Administrative Region and a Non-official Justice of Peace among his many public service appointments. He is also a member of the Board of Land Development Corporation, a non-executive director of Hong Kong Parkview Group Ltd., Beijing Enterprises Holdings Ltd., Glorious Sun Enterprises Ltd., as well as Wing Hang Bank Ltd. The latter four companies are all listed on the Stock Exchange.

**Mr Poon Jing**, aged 46, was appointed non-executive director of the Company on 20th November 1996. He is the managing director of Asia Standard International Group Limited, Asia Orient Holdings Limited and chairman of Asia Standard Hotel Group Limited, all listed on the Stock Exchange.

**Mr Cheung Doi Shu**, aged 39, was appointed non-executive director of the Company on 24th July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his bachelor's and master's degrees in law from the University of London. He is the sole proprietor of D.S. Cheung & Co. whose practice includes securities, corporate finance, China investments and international banking and finance. He is also a director of Denway Motors Limited, Prosper eVision Limited and Artfield Group Limited, listed on the Stock Exchange; and China Convergent Corporation Limited, listed on the Australian Stock Exchange, Nasdaq and the Frankfurt Stock Exchange.

## REPORT OF THE DIRECTORS

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

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, jointly controlled entity and associated companies consist of investment in and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province, the Mainland of China ("China").

### RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 31.

The Directors have declared and now recommend the following dividends in respect of the year ended 31st December 2000:

	HK\$'000
Interim dividend of 3.0 cents per share paid on 5th December 2000	31,125
Proposed final dividend of 1.0 cent per share	10,375
	<hr/>
	41,500
	<hr/>

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 16 to the accounts.

### FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 11 to the accounts.

### SHARE CAPITAL AND OPTIONS

Details of the movements in the issued share capital of the Company during the year are set out in note 15 to the accounts.

Details of the movements in the share options granted by the Company during the year and options outstanding as at 31st December 2000 are set out in note 15 to the accounts.

### 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 17.

### PURCHASE, SALE OR 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.

## REPORT OF THE DIRECTORS

### PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December 2000 are set out in the Group Structure section on pages 56 to 59.

### DISTRIBUTABLE RESERVES

As at 31st December 2000, the distributable reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$1,920,558,000.

### DIRECTORS

The Directors who held office during the year and up to the date of this report were:

#### *Executive directors*

Mr Liu Jinxiang

Mr Yin Hui

Mr Liang Ningguang

Ms Cao Shuzhao

Mr Xiao Boyan

Mr Chen Jiahong

Mr Cai Hanxiang

Mr Zhong Ming (appointed on 12th January 2001)

Mr He Zili (appointed on 1st April 2000)

Mr Zhang Siyuan

Mr He Yongxian (resigned on 12th January 2001)

Mr Cheng Zhongyou (resigned on 1st April 2000)

#### *Non-executive directors*

Mr Fung Ka Pun\*

Mr Lau Hon Chuen Ambrose\*

Mr Poon Jing

Mr Cheung Doi Shu\*

#### *\* Independent non-executive directors*

Mr Liang Ningguang, Mr Cai Hanxiang, Mr Poon Jing and Mr Cheung Doi Shu retire by rotation in accordance with Bye-law 99 of the Company's Bye-laws and, being eligible, offer themselves for re-election. Mr Zhong Ming retires in accordance with Bye-law 102 of the Company's Bye-laws and, being eligible, offers himself for re-election.

The Directors' Profiles are set out on pages 18 to 20.

**DIRECTORS (cont'd)**

Messrs Liu Jinxiang, Liang Ningguang and Cai Hanxiang are directors of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), Guangzhou Investment Company Limited ("GZI"), Round Table Holdings Limited, GZI Transport (Holdings) Limited, Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited. Mr Yin Hui and Ms Cao Shuzhao are directors of First Dynamic Limited, GZI Transport (Holdings) Limited, Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited. Mr Xiao Boyan is a director of Yue Xiu and GZI. Mr Zhang Siyuan is a director of GZI Transport (Holdings) Limited, Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited. Each of Yue Xiu, GZI, First Dynamic Limited, Round Table Holdings Limited, GZI Transport (Holdings) Limited, Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises 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").

**MANAGEMENT CONTRACTS**

Details of contracts of significance for the provision of services by the Company's ultimate holding company and a related party to the Group are set out in note 22 to the accounts.

Save as disclosed herein, 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.

**DIRECTORS' SERVICE CONTRACTS**

Each of Messrs Liu Jinxiang, Zhang Siyuan, He Zili and Zhong Ming has entered into a service agreement with the Company which is for an initial fixed term of one year commencing on 1st August 1999, 1st August 1999, 1st April 2000 and 12th January 2001 respectively unless terminated sooner by the Company giving to the executive director three months' prior written notice and thereafter, extendable for a further term of two years unless terminated sooner by the Company giving to the executive director three months' prior written notice or by the executive director giving to the Company six months' prior written notice.

Save as disclosed herein, none of the directors of the Company 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.

**INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES**

The independent non-executive directors of the Company received HK\$114,000 as directors' fee for the year ended 31st December 2000.

## REPORT OF THE DIRECTORS

### 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 8 per cent respectively of employee's basic salary to the scheme.

Subsidiaries of the Company in China are required to participate in a government-sponsored pension scheme for the benefits of their staff members and contribute annually to the scheme an amount not more than 20 per cent of the total basic salary of their staff members, 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 22(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 Group's contribution is charged to its profit and loss account and expenses incurred by the Group for the year amounted to HK\$781,000.

### DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies 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

- (a) Significant related party transactions entered by the Group during the year ended 31st December 2000, which do not 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"), are included in note 21(a) to the accounts;
- (b) Other related party transactions, which also constitute as connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in notes 21(b), 21(c), 22(a) and 22(b) to the accounts. In respect of transactions disclosed in note 22(b), Messrs Fung Ka Pun, Lau Hon Chuen Ambrose and Cheung Doi Shu, the independent non-executive directors of the Company, have confirmed that the transactions had been performed in accordance with the terms of the agreements covering such transactions.

# ANALYSIS OF BANK LOANS AND OTHER BORROWINGS

As at 31st December 2000, the Group had bank loans and other borrowings which are repayable over the following periods:

	Bank loans	Convertible bonds	Loans from minority shareholders	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	394,140	95,000	–	489,140
In the second year	116,120	–	–	116,120
In the third to fifth year	89,700	–	–	89,700
No fixed terms of repayment	–	–	41,505	41,505
	<u>599,960</u>	<u>95,000</u>	<u>41,505</u>	<u>736,465</u>

# DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December 2000, the interests of directors of the Company in the equity or debt securities of GZI, the ultimate holding company of the Company, as recorded in the register maintained under Section 29 of the SDI Ordinance were as follows:

Name of director	Personal interest
Mr He Zili	240,000 shares



## REPORT OF THE DIRECTORS

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

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 (1) the Company and (2) GZI to subscribe for ordinary shares in the respective companies:

#### (1) The Company

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 Yin Hui	2.4080	600,000	—	600,000
	0.9984	4,000,000	—	4,000,000
Mr Liang Ningguang	2.4080	500,000	—	500,000
	0.9984	8,670,000	—	8,670,000
Ms Cao Shuzhao	2.4080	500,000	—	500,000
	0.9984	3,000,000	—	3,000,000
Mr Xiao Boyan	2.4080	500,000	—	500,000
Mr Chen Jiahong	2.4080	500,000	—	500,000
	0.9984	3,000,000	—	3,000,000
Mr Cai Hanxiang	2.4080	500,000	—	500,000
Mr He Yongxian*	2.4080	500,000	—	500,000
	0.9984	3,000,000	—	3,000,000
Mr He Zili	2.4080	2,000,000	—	2,000,000
	0.7632	3,000,000	—	3,000,000
	0.7520	—	450,000	450,000
Mr Zhang Siyuan	2.4080	980,000	—	980,000
	0.7632	980,000	—	980,000
Mr Fung Ka Pun	2.4080	400,000	—	400,000
Mr Lau Hon Chuen Ambrose	2.4080	400,000	—	400,000
Mr Poon Jing	2.4080	400,000	—	400,000

\* Mr He Yongxian resigned as director of the Company with effect from 12th January 2001

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 the Company was HK\$10.

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

## (2) GZI

Name	Notes	Exercise price per share HK\$	Balance outstanding as at 1st January 2000	Number of options exercised during the year	Balance outstanding as at 31st December 2000
Mr Liu Jinxiang	(c)&(d)	0.5008	1,400,000	—	1,400,000
Mr Liang Ningguang	(a)	1.0016	550,000	—	550,000
	(b)	0.7344	1,000,000	—	1,000,000
	(c)&(d)	0.5008	1,200,000	—	1,200,000
Mr Xiao Boyan	(b)	0.7344	1,000,000	—	1,000,000
	(c)	0.5008	1,000,000	—	1,000,000
Mr Cai Hanxiang	(a)	1.0016	550,000	—	550,000
	(c)	0.5008	1,000,000	—	1,000,000
Mr He Zili	(c)	0.5008	800,000	240,000	560,000
Mr Zhang Siyuan	(c)	0.5008	700,000	—	700,000

## 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 GZI granted to each of their spouse.
- (e) The consideration paid by each director of the Company for each grant of option by GZI 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, or its holding company, or 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.

## REPORT OF THE DIRECTORS

### 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
Yue Xiu	768,016,000 (a)
GZI	750,394,000 (b)
First Dynamic Limited	750,000,000 (b)
Round Table Holdings Limited	750,000,000 (b)
GZI Transport (Holdings) Limited	750,000,000 (b)
Housemaster Holdings Limited	367,500,000 (b) (c)
Power Head Limited	157,500,000 (b) (c)
Delta Force Holdings Limited	112,500,000 (b) (c)
Lawson Enterprises Limited	112,500,000 (b) (c)

#### Notes:

- (a) This interest represents the total number of ordinary shares of the Company held by subsidiaries and investee companies of Yue Xiu where Yue Xiu is taken to be interested in such shares under Section 8 of the SDI Ordinance.
- (b) Investee companies and a subsidiary of Yue Xiu and their interests in the ordinary shares of the Company are duplicated in the interest of Yue Xiu.
- (c) Subsidiaries of GZI Transport (Holdings) Limited and their interests in the ordinary shares of the Company are duplicated in the interest of GZI Transport (Holdings) Limited.

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.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

### MAJOR CUSTOMERS AND SUPPLIERS

No disclosure 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 during the current and previous years.

### 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 non-executive directors of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

### AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee (the "Audit Committee"), comprising two independent non-executive directors, namely Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu, 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 "Board"). The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

### PRACTICE NOTE 19 OF THE LISTING RULES

As at 31st December 2000, the Group had provided a guarantee in connection with bank loans granted to Guangzhou Northern Second Ring Expressway Co., Limited ("GNSR Expressway Co."), a jointly controlled entity of the Group, of an amount in proportion to the Group's shareholding in GNSR Expressway Co. to the extent of Rmb1,020,000,000 (approximately HK\$953,271,000). Such guarantee represented approximately 32.9 per cent of the consolidated net asset value of the Group as at 31st December 2000. The total aforementioned bank loan facilities granted to GNSR Expressway Co. amount to Rmb2,000,000,000 (approximately HK\$1,869,200,000). As at 31st December 2000, GNSR Expressway Co. had drawn a total of Rmb1,090,000,000 (approximately HK\$1,018,692,000) of the bank loan facilities granted. In accordance with the requirements of Practice Note 19 of the Listing Rules, details of the guarantee is included in note 21(a) to the accounts and the balance sheet of GNSR Expressway Co. as at 31st December 2000 is set out on page 61.

### 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, 6th April 2001

## AUDITORS' REPORT



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor Prince's Building  
Central, Hong Kong  
Telephone (852) 2289 8888  
Facsimile (852) 2810 9888

☐ THE SHAREHOLDERS OF GZI  
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 31 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 6th April 2001

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the year ended 31st December 2000*

	Note	2000 HK\$'000	1999 HK\$'000
Turnover	2	468,266	467,549
Cost of sales		<u>(134,772)</u>	<u>(134,057)</u>
Gross profit		333,494	333,492
Other revenues	2	44,826	63,438
Administrative expenses		(45,960)	(51,248)
Other operating expenses		<u>(7,354)</u>	<u>(6,583)</u>
Operating profit	3	325,006	339,099
Finance costs	4	(52,995)	(65,598)
Share of profits of associated companies		<u>146,629</u>	<u>137,806</u>
Profit before taxation		418,640	411,307
Taxation	5	<u>(29,348)</u>	<u>(35,008)</u>
Profit after taxation		389,292	376,299
Minority interests		<u>(106,779)</u>	<u>(108,896)</u>
Profit attributable to shareholders	6	282,513	267,403
Dividends	7	<u>(41,500)</u>	<u>(72,625)</u>
Profit for the year retained		<u><u>241,013</u></u>	<u><u>194,778</u></u>
Basic earnings per share	8	<u><u>27.23 cents</u></u>	<u><u>25.77 cents</u></u>
Fully diluted earnings per share	8	<u><u>26.27 cents</u></u>	<u><u>25.49 cents</u></u>

# CONSOLIDATED BALANCE SHEET

As at 31st December 2000

	Note	2000 HK\$'000	1999 HK\$'000
<b>Fixed assets</b>	11(a)	<u>2,638,772</u>	<u>2,692,480</u>
<b>Investments</b>	12	<u>1,744,662</u>	<u>1,646,965</u>
<b>Current assets</b>			
Other receivables, deposits and prepayments		86,379	18,555
Bank balances and cash	13	<u>385,808</u>	<u>420,412</u>
		<u>472,187</u>	<u>438,967</u>
<b>Current liabilities</b>			
Due to			
Minority shareholders		3,187	11,789
Holding companies		3,355	4,901
Other payables and accrued charges		50,719	46,522
Taxation		18,294	18,714
Short-term bank loans	14	394,140	557,832
Convertible bonds	18	95,000	—
Proposed dividend		<u>10,375</u>	<u>51,875</u>
		<u>575,070</u>	<u>691,633</u>
<b>Net current liabilities</b>		<u>(102,883)</u>	<u>(252,666)</u>
<b>Total assets less current liabilities</b>		<u>4,280,551</u>	<u>4,086,779</u>
<b>Financed by:</b>			
Share capital	15	103,750	103,750
Reserves	16	<u>2,795,491</u>	<u>2,554,478</u>
<b>Shareholders' funds</b>		2,899,241	2,658,228
<b>Minority interests</b>		1,120,508	1,099,841
<b>Long-term liabilities</b>	17	247,325	317,912
<b>Deferred taxation</b>	19	<u>13,477</u>	<u>10,798</u>
		<u>4,280,551</u>	<u>4,086,779</u>

On behalf of the Board

**Liu Jinxiang**  
Director

**Yin Hui**  
Director

## BALANCE SHEET

*As at 31st December 2000*

	Note	2000 HK\$'000	1999 HK\$'000
<b>Fixed assets</b>	11(b)	<u>1,258</u>	<u>1,798</u>
<b>Investments</b>	12	<u>3,086,535</u>	<u>2,983,212</u>
<b>Current assets</b>			
Other receivables, deposits and prepayments		745	633
Bank balances and cash	13	<u>86,123</u>	<u>182,808</u>
		<u>86,868</u>	<u>183,441</u>
<b>Current liabilities</b>			
Due to holding companies		3,172	2,719
Other payables and accrued charges		14,855	19,589
Short-term bank loan	14	39,000	234,000
Convertible bonds	18	95,000	—
Proposed dividend		<u>10,375</u>	<u>51,875</u>
		<u>162,402</u>	<u>308,183</u>
<b>Net current liabilities</b>		<u>(75,534)</u>	<u>(124,742)</u>
<b>Total assets less current liabilities</b>		<u>3,012,259</u>	<u>2,860,268</u>
<b>Financed by:</b>			
Share capital	15	103,750	103,750
Reserves	16	<u>2,768,109</u>	<u>2,661,518</u>
<b>Shareholders' funds</b>		<u>2,871,859</u>	<u>2,765,268</u>
Long-term liability	17	<u>140,400</u>	<u>95,000</u>
		<u>3,012,259</u>	<u>2,860,268</u>

On behalf of the Board

**Liu Jinxiang**  
Director

**Yin Hui**  
Director



## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2000

	Note	2000 HK\$'000	1999 HK\$'000
<b>Net cash inflow from operating activities</b>	20(a)	<u>337,637</u>	<u>376,588</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		10,450	9,635
Interest paid		(52,995)	(65,598)
Dividends received from associated companies		160,234	41,215
Dividends received from other investment		32,916	38,145
Dividends paid		(83,000)	(41,500)
Dividends paid to minority shareholders in subsidiaries	20(b)	<u>(75,958)</u>	<u>(50,922)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(8,353)</u>	<u>(69,025)</u>
<b>Taxation</b>			
Overseas tax paid		(17,705)	(6,062)
<b>Investing activities</b>			
Purchase of fixed assets		(5,902)	(5,135)
Purchase of subsidiaries		—	(168,224)
Capital injection into a jointly controlled entity		(129,504)	—
Bank deposits (made)/withdrawn		(16,104)	116,325
Deposit for investment in subsidiaries and associated companies		(61,388)	—
Sale of fixed assets		<u>44</u>	<u>—</u>
<b>Net cash outflow from investing activities</b>		<u>(212,854)</u>	<u>(57,034)</u>
<b>Net cash inflow before financing</b>		<u>98,725</u>	<u>244,467</u>
<b>Financing</b>			
Capital contributed by minority shareholders in subsidiaries	20(b)	5,364	—
New bank loans	20(b)	—	576,524
Repayment of bank loans	20(b)	(134,975)	(739,963)
Repayment to minority shareholders of subsidiaries	20(b)	<u>(19,822)</u>	<u>(22,413)</u>
<b>Net cash outflow from financing</b>		<u>(149,433)</u>	<u>(185,852)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(50,708)</b>	<b>58,615</b>
<b>Cash and cash equivalents at 1st January</b>		<b>420,412</b>	<b>361,079</b>
<b>Effect of foreign exchange rate changes</b>		<b>—</b>	<b>718</b>
<b>Cash and cash equivalents at 31st December</b>		<u><b>369,704</b></u>	<u><b>420,412</b></u>
<b>Analysis of the balances of cash and cash equivalents:</b>			
Bank balances and cash		385,808	420,412
Less: Bank deposit with maturity date over three months		<u>(16,104)</u>	<u>—</u>
		<u><b>369,704</b></u>	<u><b>420,412</b></u>

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

*For the year ended 31st December 2000*

	Note	2000 HK\$'000	1999 HK\$'000
Exchange differences arising on translation of subsidiaries, associated companies and a jointly controlled entity	16	—	621
Profit for the year	16	<u>282,513</u>	<u>267,403</u>
Total recognised gains and losses		<b>282,513</b>	268,024
Goodwill eliminated directly against reserves	16	<u>—</u>	<u>(20,963)</u>
		<b><u>282,513</u></b>	<b><u>247,061</u></b>

## NOTES TO THE ACCOUNTS

### 1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

#### (a) Basis of preparation

The accounts have been prepared under the historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

#### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### (c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

#### (d) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

**1 PRINCIPAL ACCOUNTING POLICIES (cont'd)****(e) Goodwill**

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired and is taken to reserves in the year of acquisition.

**(f) Fixed assets***(i) Fixed assets*

Fixed assets are stated at cost less accumulated depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs, including related borrowing costs, of bringing the asset to its present working condition and location for its intended use.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

*(ii) Depreciation of toll highways and bridges*

Interests in toll highways and bridges represent their respective operating rights.

Depreciation of toll highways and bridges is provided on the basis of a sinking fund calculation where annual depreciation amounts compounded at rates ranging from 3.9 to 7 per cent per annum will be equal to the cost of the relevant toll highways and bridges at the end of the joint venture periods.

*(iii) Amortisation of leasehold land*

Amortisation of leasehold land is calculated to write off its costs over the unexpired period of the lease on a straight-line basis.

*(iv) Construction in progress*

All direct and indirect costs relating to the construction of fixed assets including interest and financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the costs of the fixed assets.

*(v) Depreciation of leasehold buildings*

Leasehold buildings are depreciated over the unexpired period of the lease on a straight-line basis or over their estimated useful lives to the Group whichever is shorter. The principal annual rates used for this purpose is 4 per cent per annum.

*(vi) Depreciation of other fixed assets*

Other fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives to the Group on a straight line basis. The principal annual rates used for this purpose are ranging from 10 per cent to 33 per cent per annum.

No depreciation is provided in respect of construction in progress.

## NOTES TO THE ACCOUNTS

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (f) Fixed assets (cont'd)

##### *(vii) Gain or loss on disposal of fixed assets*

The gain or loss on disposal of a fixed asset is the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

##### *(viii) Cost of restoring and improving fixed assets*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

#### (g) Revenue recognition

*(i)* Toll revenue, net of revenue tax, is recognised on a receipt basis. Guaranteed income is recognised on a received and receivable basis in accordance with the joint venture contracts and relevant agreements.

*(ii)* Dividend income is recognised when the right to receive payment is established except for dividends from subsidiaries which are recognised when determined by the holding company's right to receive payment is established by virtue of its control over the subsidiary.

*(iii)* Interest income is recognised on a time proportion basis, taken into account the principal amounts outstanding and the interest rates applicable.

*(iv)* Business tax refund is recognised on a receipt basis.

#### (h) Borrowing costs

Borrowing costs are capitalised when funds are borrowed to finance the Group's highways and bridges construction and development projects up to the commencement of economic operations of the respective toll highways and bridges. Borrowing costs capitalised will be amortised from the date of the commencing of operations of the respective highways and bridges over the remaining terms of the relevant joint ventures as in note (f)(ii) above. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

#### (i) Other investment

Other investment held for long term is stated at cost less aggregate amortisation and any provision made to the extent that the Directors consider significant diminution in value other than temporary in nature has taken place. Amortisation is provided to write off the cost of other investment over its joint venture period on a straight-line basis. The results of other investment are accounted for on the basis of dividends received and receivable.

**1 PRINCIPAL ACCOUNTING POLICIES (cont'd)**

**(j) Deferred taxation**

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

**(k) Translation of foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

**(l) Retirement benefit costs**

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

**(m) Convertible bonds**

Convertible bonds are stated at the aggregate of the net proceeds from the issue less amount converted into shares. The net proceeds represent the consideration received on the issue of bonds after deduction of issuing costs. Issuing costs which comprise costs incurred directly in connection with the issue of bonds are amortised on a straight-line basis over the term of the bonds which is the earliest date at which the bonds would be redeemed.

When bonds are converted into shares, the amount recognised in respect of the shares issued upon conversion is the amount at which the liability of the bonds is stated as at the date of conversion less that related unamortised issuing costs attributable to the bonds converted.

## NOTES TO THE ACCOUNTS

### 2 REVENUE AND TURNOVER

The Group is principally engaged in development, operation and management of toll highways and bridges in the Mainland of China ("China"). Revenues recognised during the year are as follows:

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Toll revenue	468,266	465,596
Guaranteed income	—	1,953
	<u>468,266</u>	<u>467,549</u>
Other revenues		
Dividend income	32,916	38,145
Interest income	10,450	9,635
Business tax refund	1,460	15,658
	<u>44,826</u>	<u>63,438</u>
Total revenues	<u><b>513,092</b></u>	<u><b>530,987</b></u>

No analysis of the Group's turnover and contribution to operating profit by activity and geographic area had been prepared as they were principally derived from the operations of the Group's toll projects in China.

### 3 OPERATING PROFIT

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The operating profit is stated after crediting and charging the following:		
Crediting		
Net exchange gain	<u>809</u>	<u>—</u>
Charging		
Depreciation of fixed assets	59,557	57,598
Auditors' remuneration		
— current year	916	750
— over provision for previous year	(82)	(170)
Amortisation of other investment	8,818	12,143
Net exchange loss	—	1,361
Staff costs	11,679	10,245
Retirement benefit cost	<u>781</u>	<u>729</u>

## NOTES TO THE ACCOUNTS

### 4 FINANCE COSTS

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans	46,345	58,912
Interest on convertible bonds	6,650	6,686
Total borrowing costs incurred	<u>52,995</u>	<u>65,598</u>

### 5 TAXATION – GROUP

- (a) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax during the year (1999: nil).
- (b) Overseas taxation is provided on the profits of the Group's subsidiaries and an associated company in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). Under the China Tax Law, the Group's subsidiaries, associated companies and jointly controlled entity in China are entitled to an income tax holiday for two to five years from its first profit making year and a 50 per cent reduction in income tax for the following three to five years. The applicable reduced income tax rate is 15 per cent. The Group's subsidiaries, associated companies and jointly controlled entity in China are qualified for the aforesaid tax holiday during the year.
- (c) The amount of taxation charged to the consolidated profit and loss account represents:

	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Overseas taxation	17,284	19,046
Deferred taxation (note 19)	2,679	10,798
	<u>19,963</u>	<u>29,844</u>
Share of taxation attributable to an associated company	4,837	5,164
Share of deferred taxation attributable to associated companies	4,548	–
	<u>29,348</u>	<u>35,008</u>



## NOTES TO THE ACCOUNTS

### 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$148,091,000 (1999: HK\$95,799,000).

### 7 DIVIDENDS

	Company	
	2000 HK\$'000	1999 HK\$'000
Interim, paid, of 3.0 cents (1999: 2.0 cents) per share	31,125	20,750
Final, proposed, of 1.0 cent (1999: 5.0 cents) per share	10,375	51,875
	<u>41,500</u>	<u>72,625</u>

### 8 EARNINGS PER SHARE – GROUP

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$282,513,000 (1999: HK\$267,403,000). The fully diluted earnings per share is based on adjusted profit of HK\$289,163,000 (1999: HK\$267,403,000) on the assumption that the outstanding convertible bonds had been converted at the beginning of the year and has saved interest payable thereon.

The basic earnings per share is based on the weighted average of 1,037,503,530 (1999: 1,037,503,521) shares in issue during the year. The fully diluted earnings per share is based on 1,100,796,489 (1999: 1,049,232,796) shares which is the weighted average number of shares in issue during the year plus the weighted average of 63,292,959 (1999: 11,729,275) shares deemed to be issued at no consideration if all outstanding share options and convertible bonds had been exercised.

### 9 RETIREMENT BENEFITS COSTS

The Group's contributions for Hong Kong employees are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There were no forfeited contributions in current year (1999: HK\$29,000).

## NOTES TO THE ACCOUNTS

### 10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of the emoluments payable to directors of the Company during the year are as follows:

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fees	<b>152</b>	152
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	<b>6,000</b>	6,000
Discretionary bonuses	<b>8,869</b>	8,074
	<b>15,021</b>	14,226

Directors' fees disclosed above included HK\$114,000 (1999: HK\$114,000) paid to independent non-executive directors.

- (b) The emoluments of the Directors fell within the following bands:

<b>Emolument bands</b>	<b>Number of directors</b>	
	<b>2000</b>	<b>1999</b>
HK\$		
Nil – 1,000,000	<b>5*</b>	8*
1,000,001 – 1,500,000	<b>8</b>	6
1,500,001 – 2,000,000	<b>2</b>	2

\* Included three (1999: three) independent non-executive directors.

No directors waived emoluments in respect of the years ended 31st December 1999 and 2000.

- (c) Under the Company's share option scheme, a director has been granted during the year options to acquire 450,000 shares in the Company at an exercise price of HK\$0.7520 per share. The exercisable period of these options are from 7th April 2001 to the business day preceding 7th April 2006.

Apart from a director who exercised his options to subscribe for 240,000 ordinary shares (1999: nil) in Guangzhou Investment Company Limited ("GZI"), the Company's ultimate holding company, none of the directors of the Company exercised their share options during the year.

- (d) The five highest paid individuals in the years ended 31st December 1999 and 2000 are also directors of the Company and the details of their remuneration have already been disclosed above.

## NOTES TO THE ACCOUNTS

### 11 FIXED ASSETS

#### (a) Group

	Toll highways and bridges HK\$'000	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1st January 2000	2,776,034	31,313	13,032	4,263	–	2,824,642
Additions	–	–	423	15	5,464	5,902
Disposals	–	–	(90)	(282)	–	(372)
	<u>2,776,034</u>	<u>31,313</u>	<u>13,365</u>	<u>3,996</u>	<u>5,464</u>	<u>2,830,172</u>
<b>At 31st December 2000</b>	<u>2,776,034</u>	<u>31,313</u>	<u>13,365</u>	<u>3,996</u>	<u>5,464</u>	<u>2,830,172</u>
<b>Accumulated depreciation</b>						
At 1st January 2000	126,036	2,491	2,244	1,391	–	132,162
Charge for the year	56,255	1,253	1,192	857	–	59,557
Disposals	–	–	(52)	(267)	–	(319)
	<u>182,291</u>	<u>3,744</u>	<u>3,384</u>	<u>1,981</u>	<u>–</u>	<u>191,400</u>
<b>At 31st December 2000</b>	<u>182,291</u>	<u>3,744</u>	<u>3,384</u>	<u>1,981</u>	<u>–</u>	<u>191,400</u>
<b>Net book value</b>						
<b>At 31st December 2000</b>	<u>2,593,743</u>	<u>27,569</u>	<u>9,981</u>	<u>2,015</u>	<u>5,464</u>	<u>2,638,772</u>
<b>At 31st December 1999</b>	<u>2,649,998</u>	<u>28,822</u>	<u>10,788</u>	<u>2,872</u>	<u>–</u>	<u>2,692,480</u>

The Group's interests in leasehold land and buildings at their net book values are analysed as follows:

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
In Hong Kong, held on:		
Leases of over 50 years	7,604	7,964
Leases of between 10 to 50 years	19,965	20,858
	<u>27,569</u>	<u>28,822</u>

## NOTES TO THE ACCOUNTS

### 11 FIXED ASSETS (cont'd)

#### (b) Company

	<b>Furniture, fixtures and equipment HK\$'000</b>	<b>Motor vehicles HK\$'000</b>	<b>Total HK\$'000</b>
<b>Cost</b>			
At 1st January 2000	1,270	1,727	2,997
Addition	19	—	19
Disposals	(22)	—	(22)
	<u>1,267</u>	<u>1,727</u>	<u>2,994</u>
At 31st December 2000	1,267	1,727	2,994
<b>Accumulated depreciation</b>			
At 1st January 2000	363	836	1,199
Charge for the year	148	402	550
Disposals	(13)	—	(13)
	<u>498</u>	<u>1,238</u>	<u>1,736</u>
At 31st December 2000	498	1,238	1,736
<b>Net book value</b>			
At 31st December 2000	<u>769</u>	<u>489</u>	<u>1,258</u>
At 31st December 1999	<u>907</u>	<u>891</u>	<u>1,798</u>

### 12 INVESTMENTS

		<b>Group</b>		<b>Company</b>	
		<b>2000 HK\$'000</b>	<b>1999 HK\$'000</b>	<b>2000 HK\$'000</b>	<b>1999 HK\$'000</b>
Subsidiaries	(a)	—	—	3,086,535	2,983,212
Jointly controlled entity	(b)	258,800	129,296	—	—
Associated companies	(c)	1,313,934	1,336,923	—	—
Other investment	(d)	171,928	180,746	—	—
		<u>1,744,662</u>	<u>1,646,965</u>	<u>3,086,535</u>	<u>2,983,212</u>

## NOTES TO THE ACCOUNTS

### 12 INVESTMENTS (cont'd)

#### (a) Investments in subsidiaries

	<b>Company</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares, at cost	1,848,497	1,848,497
Amounts due from subsidiaries (note (i))	1,951,589	1,891,183
Amounts due to subsidiaries (note (i))	(713,551)	(756,468)
	<u>3,086,535</u>	<u>2,983,212</u>

(i) The amounts due from and to subsidiaries are unsecured, interest free and have no fixed terms of repayments.

(ii) Details of subsidiaries of the Company as at 31st December 2000 are set out on pages 56 to 59.

#### (b) Investment in a jointly controlled entity

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets other than goodwill	<u>258,800</u>	<u>129,296</u>

Details of the Group's interest in a jointly controlled entity are set out on page 59. None of the participating parties has unilateral control over the economic activity of the joint venture.

#### (c) Investments in associated companies

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets other than goodwill	<u>1,313,934</u>	<u>1,336,923</u>

Details of the Group's associated companies are set out on page 60.

## NOTES TO THE ACCOUNTS

### 12 INVESTMENTS (cont'd)

#### (d) Other investment

	Group	
	2000	1999
	HK\$'000	HK\$'000
Unlisted investment, at cost	206,197	206,197
Less: amortisation	(34,269)	(25,451)
	<u>171,928</u>	<u>180,746</u>

As at 31st December 2000, the Group held 82 per cent registered capital in Zhejiang Dongyang Shunfu Road Construct Co., Ltd. ("Zhejiang Dongyang"), a co-operative joint venture established in China and is engaged in the development and management of part of Provincial Highway 37 and part of Provincial Highway 39 in Dongyang of Zhejiang Province, China. Pursuant to the joint venture agreement, the Group is entitled to a fixed annual investment income throughout the joint venture period of 30 years. At the end of the joint venture period, all remaining rights and interests in the joint venture will be surrendered to the other joint venture partner. The Directors consider that the Group has not participated in the management of this joint venture and Zhejiang Dongyang is treated as an other investment.

In October 2000, the Group entered into an agreement with the joint venture partner in Zhejiang Dongyang to sell its 49 per cent interest in it to this joint venture partner. The transaction is expected to be completed in June 2001.

### 13 BANK BALANCES AND CASH

Included in the bank balances and cash of the Group and the Company are deposits placed with banks in China of approximately HK\$349,186,000 (1999: HK\$362,250,000) and HK\$66,026,000 (1999: HK\$125,029,000) respectively.

### 14 SHORT-TERM BANK LOANS

At 31st December 2000, short-term bank loans of HK\$39,000,000 (1999: HK\$234,000,000) of the Group and the Company is secured by the Group's interest in a toll road project in China. The remaining short-term bank loans of HK\$355,140,000 (1999: HK\$323,832,000) of the Group is unsecured.

## NOTES TO THE ACCOUNTS

### 15 SHARE CAPITAL

	Company	
	2000	1999
	HK\$'000	HK\$'000
Authorised		
2,000,000,000 ordinary shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid		
1,037,530,530 ordinary shares of HK\$0.1 each	<u>103,750</u>	<u>103,750</u>

Pursuant to a share option scheme approved at a special general meeting of the Company on 3rd January 1998, the Directors may, at their discretion, grant directors and employees of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. Particulars and movements of the share options during the year are as follows:

Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2000	Options granted during the year	*Options cancelled during the year	Options exercised during the year	Balance outstanding as at 31st December 2000
6th August 1997	2.4080	34,350,000	—	(10,850,000)	—	23,500,000
4th September 1998	0.7632	23,700,000	—	—	—	23,700,000
22nd December 1999	0.9984	37,340,000	—	—	—	37,340,000
7th April 2000	0.7520	—	17,220,000	—	—	17,220,000
		<u>95,390,000</u>	<u>17,220,000</u>	<u>(10,850,000)</u>	<u>—</u>	<u>101,760,000</u>

\* Options are cancelled during the year by reason of cessation of services of option holders.

The aforesaid share options are exercisable at any time within the period from the first anniversary date of the grant to the business day preceding the sixth anniversary date of the 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. Exercise in full of all outstanding share options would result in the issue of 101,760,000 ordinary shares with proceeds of HK\$124,906,000.

# NOTES TO THE ACCOUNTS

## 16 RESERVES

### Group

	Share premium HK\$'000	Reserve arising from consolidation (note (a)) HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserves, enterprise expansion and general reserve funds (note (b)) HK\$'000	Retained earnings (note (c)) HK\$'000	Total HK\$'000
At 1st January 1999	847,551	1,209,911	6,272	8,556	307,752	2,380,042
Goodwill arising from acquisition of subsidiaries	–	(20,963)	–	–	–	(20,963)
Exchange differences	–	–	621	–	–	621
Profit for the year	–	–	–	–	267,403	267,403
Dividends (note 7)	–	–	–	–	(72,625)	(72,625)
Transfer to statutory reserves	–	–	–	10,326	(10,326)	–
At 31st December 1999	<u>847,551</u>	<u>1,188,948</u>	<u>6,893</u>	<u>18,882</u>	<u>492,204</u>	<u>2,554,478</u>
Opening reserve						
At 1st January 2000	847,551	1,188,948	6,893	18,882	492,204	2,554,478
Profit for the year	–	–	–	–	282,513	282,513
Dividends (note 7)	–	–	–	–	(41,500)	(41,500)
At 31st December 2000	<u>847,551</u>	<u>1,188,948</u>	<u>6,893</u>	<u>18,882</u>	<u>733,217</u>	<u>2,795,491</u>

- (a) Reserve arising from consolidation represents the difference between the nominal value of the shares/registered capital of the subsidiaries acquired and the nominal value of the shares issued by Kiu Fung Limited as consideration therefor.
- (b) Enterprise expansion and general reserve funds represent funds set up by the operating subsidiaries and associated companies in China. According to the Foreign Investment Enterprises Accounting Standards in China, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital. Included in the Group's statutory reserves is HK\$1,536,000 (1999: HK\$1,536,000) attributable to an associated company.
- (c) Included in the Group's retained profits is HK\$392,469,000 (1999: HK\$255,225,000) attributable to associated companies.



## NOTES TO THE ACCOUNTS

### 16 RESERVES (cont'd)

#### Company

	Share premium HK\$'000	Contributed surplus (note (a)) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 1999	847,551	1,773,497	17,296	2,638,344
Profit for the year	–	–	95,799	95,799
Dividends (note 7)	–	–	(72,625)	(72,625)
	<u>847,551</u>	<u>1,773,497</u>	<u>40,470</u>	<u>2,661,518</u>
At 31st December 1999	<u>847,551</u>	<u>1,773,497</u>	<u>40,470</u>	<u>2,661,518</u>
Opening reserve				
At 1st January 2000	847,551	1,773,497	40,470	2,661,518
Profit for the year	–	–	148,091	148,091
Dividends (note 7)	–	–	(41,500)	(41,500)
	<u>847,551</u>	<u>1,773,497</u>	<u>147,061</u>	<u>2,768,109</u>
At 31st December 2000	<u>847,551</u>	<u>1,773,497</u>	<u>147,061</u>	<u>2,768,109</u>

- (a) The contributed surplus represents the difference between the nominal value of the shares issued by the Company in exchange for all the issued ordinary shares of Kiu Fung Limited and the value of net assets of the underlying subsidiaries acquired by the Company as at 3rd January 1997. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (b) Distributable reserves of the Company at 31st December 2000 amounted to HK\$1,920,558,000 (1999: HK\$1,813,967,000).

## NOTES TO THE ACCOUNTS

### 17 LONG-TERM LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans (note (a))				
Secured	179,400	234,000	179,400	234,000
Unsecured	420,560	500,935	–	–
Convertible bonds (note 18)	–	95,000	–	95,000
Loans from minority shareholders (note (b))	41,505	45,809	–	–
Less: current portion of long-term liabilities	(394,140)	(557,832)	(39,000)	(234,000)
	<u>247,325</u>	<u>317,912</u>	<u>140,400</u>	<u>95,000</u>

- (a) At 31st December 2000, the Group's and Company's bank loans were wholly repayable within five years.
- (b) The loans from minority shareholders are unsecured, interest free and have no fixed terms of repayment.
- (c) At 31st December 2000, the Group's bank loans were repayable as follows:

	Bank loan (secured)		Bank loans (unsecured)	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	39,000	234,000	355,140	323,832
In the second year	50,700	–	65,420	64,953
In the third to fifth year	89,700	–	–	112,150
	<u>179,400</u>	<u>234,000</u>	<u>420,560</u>	<u>500,935</u>

### 18 CONVERTIBLE BONDS

The Company had issued convertible bonds ("the Bonds") amounting to HK\$95,000,000 on 14th December 1998 and remained outstanding as at 31st December 2000. The Bonds bear interest at a rate of 7 per cent per annum payable semi-annually in arrears in June and December of each year. Each bond will, at the option of the holder, be convertible on or before the business day immediately preceding 14th December 2001 into fully-paid ordinary shares of the Company of HK\$0.1 each at a price of HK\$2.0424 per share (subject to adjustment). Shares issued on conversion will rank pari passu in all respects with shares in issue at the time of conversion.

Unless previously repaid, redeemed, purchased or converted, the Bonds will be repaid on 14th December 2001 at their principal amount with accrued interest up to 13th December 2001. Each holder of the Bonds are entitled to require the Company to redeem all or part of their Bonds at their principal amount together with accrued interest on 14th December 1999 and 2000, the first and second anniversaries of the date of issue. During the year, no Bonds were repaid, redeemed, purchased or converted.

## NOTES TO THE ACCOUNTS

### 19 DEFERRED TAXATION

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1st January	10,798	–
Transfer from profit and loss account (note 5(c))	2,679	10,798
	<u>13,477</u>	<u>10,798</u>
At 31st December	13,477	10,798
Provided for in respect of accelerated timing difference	<u>13,477</u>	<u>10,798</u>

### 20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of operating profit to net cash inflow from operating activities

	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating profit	325,006	339,099
Interest income	(10,450)	(9,635)
Dividend income	(32,916)	(38,145)
Amortisation of other investment	8,818	12,143
Depreciation of fixed assets	59,557	57,598
Loss on disposal of fixed assets	9	–
(Increase)/decrease in other receivables, deposits and prepayments	(6,436)	44,705
Decrease in other payables and accrued charges including due to minority shareholders and holding company	(5,951)	(29,177)
	<u>337,637</u>	<u>376,588</u>

## NOTES TO THE ACCOUNTS

### 20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

#### (b) Analysis of changes in financing during the year

	Convertible bonds		Bank loans		Minority interests		Loans from minority shareholders	
	2000	1999	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	95,000	95,000	734,935	898,374	1,099,841	1,060,913	45,809	–
Purchase of subsidiaries	–	–	–	–	–	2,073	–	47,103
Minority interests in share of profits	–	–	–	–	106,779	108,896	–	–
Capital contributed by minority shareholders	–	–	–	–	5,364	–	–	–
Dividends paid to minority shareholders	–	–	–	–	(75,958)	(50,922)	–	–
Transfer from minority interests	–	–	–	–	(15,518)	(21,119)	15,518	21,119
Net cash outflow from financing	–	–	(134,975)	(163,439)	–	–	(19,822)	(22,413)
At 31st December	<u>95,000</u>	<u>95,000</u>	<u>599,960</u>	<u>734,935</u>	<u>1,120,508</u>	<u>1,099,841</u>	<u>41,505</u>	<u>45,809</u>

## NOTES TO THE ACCOUNTS

### 21. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) At 31st December 2000, the Group had the following financial commitments and guarantee in respect of:

	2000 HK\$'000	1999 HK\$'000
Capital and shareholder's loan injection to a jointly controlled entity approximately	76,261	205,000
Guarantee to a bank in respect of bank loan granted to a jointly controlled entity	953,271	953,271
Capital injection to an associated company	<u>12,336</u>	<u>—</u>

- (b) At 31st December 2000 and 1999, the Group has pledged the income derived from its 24.3 per cent effective interest in an associated company to a bank in favour of a joint venture partner in this associated company (the "Joint Venture Partner"), in respect of the repayment of a bank loan by the Joint Venture Partner amounting to Rmb500 million (approximately HK\$467 million) and interest thereon (collectively referred to as "Relevant Loan").

A counter-indemnity has been provided by the Joint Venture Partner to the Group against all liabilities arising from such pledge. In addition, Yue Xiu Enterprises (Holdings) Ltd ("Yue Xiu"), a substantial shareholder of the Company, has issued an indemnity to the Group under which any shortfall to the bank will be satisfied/paid by Yue Xiu if the counter-indemnity given by the Joint Venture Partner to the Group is insufficient to cover the Relevant Loan.

- (c) On 8th December 2000, the Group entered into an agreement with a subsidiary of Yue Xiu to acquire the remaining 49 per cent interest in Xian-Lintong Expressway at a total consideration of HK\$173,000,000. The acquisition was completed on 15th February 2001.
- (d) At 31st December 2000, the Group had the following capital commitments:

	2000 HK\$'000	1999 HK\$'000
(i) Share of capital commitments of a jointly controlled entity (mentioned in (a)) in respect of construction cost of a toll road project:		
Contracted but not provided for	1,028,116	1,286,916
Authorised but not contracted for	<u>—</u>	<u>—</u>
	<u>1,028,116</u>	<u>1,286,916</u>

- (ii) A subsidiary of the Group entered into a contract for a construction project of a toll road amount to Rmb125,530,000 (HK\$117,318,000). The Group committed to inject Rmb69,042,000 (HK\$64,525,000) into the project and the remaining will be borne by a minority shareholder.

## NOTES TO THE ACCOUNTS

### 22 RELATED PARTY TRANSACTIONS

In addition to those disclosed in note 21(a), (b) and (c), the Group had the following material transactions with its related parties during the year:

	2000 HK\$'000	1999 HK\$'000
Management fee paid to the ultimate holding company (note (a))	1,000	1,000
Fixed cost toll highways management fee paid and payable to a minority shareholder (note (b))	<u>60,813</u>	<u>59,336</u>

- (a) Pursuant to a services agreement entered into on 6th December 1996, inter alia, between GZI, the ultimate holding company and Kiu Fung Limited, a subsidiary of the Company, the GZI group provides certain services to the Group in connection with the Group's day-to-day operations, in return for a fee based on the actual cost of providing the services plus 10 per cent.
- (b) Fixed cost services agreements were entered into between Guangzhou Highways Development Company ("GHDC"), a minority shareholder, and certain subsidiaries engaging in the operation of toll highways in China, whereby GHDC carries out the day-to-day routine operational and maintenance services of the Guangshan Highway, Guangshen Highway, Guangcong Highway Section I and II, Provincial Highway 1909 and Guanghua Highway respectively including the collection of toll charges and repairs and maintenance in return for a service fee at the fixed rate of 18 per cent of the gross aggregate toll revenue of each of the toll highways per annum.

The directors of the Company are of the opinion that the above transactions were entered into in the normal course of business.

### 23 ULTIMATE HOLDING COMPANY

The Directors regard Guangzhou Investment Company Limited, a company incorporated in Hong Kong, as being the ultimate holding company.

### 24 APPROVAL OF ACCOUNT

The accounts were approved by the board on 6th April 2001.

## GROUP STRUCTURE

31st December 2000

As at 31st December 2000, the Company held shares/interest in the following principal subsidiaries, a jointly controlled entity and associated companies:

		Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company		Principal activities
				Direct	Indirect	
Principal subsidiaries						
#*	Asian East Worldwide Limited	British Virgin Islands	US\$50,000	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
#*	Bentfield Limited	British Virgin Islands	US\$1	—	100	Investment holding in Guangzhou Northern Second Ring Expressway Co., Limited
#*	Brightfull Nice Investment Ltd.	British Virgin Islands	US\$1	—	100	Investment holding
#*	EEC Investment Limited	British Virgin Islands	US\$1	—	100	Investment holding
#*	Fortune Success Group Ltd.	British Virgin Islands	US\$1	—	100	Investment holding in Guangzhou Tailong Highways Development Co., Ltd.
	Forward Mark Limited	Hong Kong	HK\$1,000	—	100	Investment holding in Xinfeng Yuexin Highway Development Limited
	Fullyworld Investments Limited	Hong Kong	HK\$10,000	—	100	Investment holding in Zhejiang Dongyang Shunfu Road Construct Co., Ltd.
*	Guangzhou Nanxin Highways Development Company Limited	The People’s Republic of China	Rmb42,439,000	—	80	Development and management of Guangshen Highway linking Guangzhou and Shenzhen
*	Guangzhou Qiaowei Highways Development Company Limited	The People’s Republic of China	Rmb12,326,000	—	89	Investment holding in Guangzhou Suiqiao Development Company Limited

## GROUP STRUCTURE

31st December 2000

	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries (cont'd)					
* Guangzhou Suiqiao Development Company Limited	The People's Republic of China	Rmb1,000,000	—	80	Investment holding in Guangdong Humen Bridge Co., Ltd.
* Guangzhou Taihe Highways Development Company Limited	The People's Republic of China	Rmb46,794,000	—	80	Development and management of Guangcong Highway Section I linking Guangzhou and Conghua
* Guangzhou Tailong Highways Development Company Ltd.	The People's Republic of China	Rmb35,000,000	—	51	Development and management of Guangcong Highway Section II linking Guangzhou and Conghua, and Provincial Highway 1909 linking Conghua and Longtan
* Guangzhou Weian Highways Development Company Limited	The People's Republic of China	Rmb52,725,000	—	80	Development and management of Guangshan Highway linking Guangzhou and Shantou
* Guangzhou Xinguang Highways Development Company Limited	The People's Republic of China	Rmb43,000,000	—	55	Development and management of Guanghua Highway linking Guangzhou and Huadu
* Hunan Yue Tung Highway and Bridge Development Company Limited	The People's Republic of China	Rmb21,000,000	—	75	Development and management of Xiang Jiang Bridge II in Hunan Province
#* Ickleton Limited	British Virgin Islands	US\$1	—	100	Investment holding in Guangzhou Taihe Highways Development Company Limited



## GROUP STRUCTURE

31st December 2000

		Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company		Principal activities
				Direct	Indirect	
Principal subsidiaries (cont'd)						
#*	Kinleader Co., Ltd.	British Virgin Islands	US\$1	–	100	Investment holding
#*	Kam Cheong Limited	British Virgin Islands	US\$1	–	100	Investment holding
#*	Kiu Fung Limited	British Virgin Islands	HK\$2	100	–	Investment holding
#*	Onwell Enterprises Limited	British Virgin Islands	US\$100	–	66	Investment holding in Guangdong Qinglian Highway Development Co., Ltd.
#*	Pioneer Business Limited	British Virgin Islands	US\$1	–	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
#*	Proterall Limited	British Virgin Islands	US\$1	–	100	Investment holding in Guangzhou Qiaowei Highways Development Company Limited
*	Shaanxi Jinxiu Transport Co., Limited	The People’s Republic of China	Rmb10,000,000	–	51	Development and management of Xian-Lintong Expressway in Shaanxi Province
	Smart Top Enterprises Limited	Hong Kong	HK\$2	–	100	Property holding
#*	Sparco Development Limited	British Virgin Islands	US\$100	–	51	Investment holding in Shaanxi Jinxiu Transport Co., Limited
#*	Superfield Limited	British Virgin Islands	US\$1	–	100	Investment holding in Guangzhou Nanxin Highways Development Company Limited

## GROUP STRUCTURE

31st December 2000

	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company		Principal activities	
			Direct	Indirect		
Principal subsidiaries (cont'd)						
#*	Teckstar Limited	British Virgin Islands	US\$1	—	100	Investment holding in Guangzhou Weian Highways Development Company Limited
#*	Top Global Holdings Ltd.	British Virgin Islands	US\$1	—	100	Investment holding in Guangzhou Xinguan Highways Development Company Limited
#*	Unionwin Investment Limited	British Virgin Islands	US\$1	—	100	Investment holding
*	Xinfeng Yuexin Highway Development Limited	The People's Republic of China	Rmb88,000,000	—	55	Development and management of the Xinfeng Highways in Xinfeng
#*	Yan Tung Investment Limited	British Virgin Islands	US\$10,000	—	83.33	Investment holding in Hunan Yue Tung Highway and Bridge Development Company Limited

	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Percentage of voting power	Percentage of attributable interest held by the Company		Principal activities
				Direct	Indirect	
Jointly controlled entity						
* Guangzhou Northern Second Ring Expressway Co., Limited	The People's Republic of China	Rmb270,000,000	50	—	51	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou

## GROUP STRUCTURE

31st December 2000

	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Associated companies					
* Guangdong Humen Bridge Co., Ltd.	The People's Republic of China	Rmb273,900,000	—	24	Development and management of Humen Bridge in Humen
* Guangzhou Northring Freeway Co., Ltd.	The People's Republic of China	US\$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road
* Guangdong Qinglian Highway Development Co., Ltd.	The People's Republic of China	Rmb1,200,000,000	—	15.6	Development and management of National Highway 107 linking Qingyuan and Lianzhou
* Subsidiaries, jointly controlled entity and associated companies not audited by PricewaterhouseCoopers, Hong Kong. The total net assets of subsidiaries, jointly controlled entity and associated companies not audited by PricewaterhouseCoopers, Hong Kong amounted to approximately 99.6 per cent of the Group's total net assets.					
# Companies operate principally in Hong Kong instead of in their respective places of incorporation/establishment.					

## DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

The following is the balance sheet of Guangzhou Northern Second Ring Expressway Co., Limited ("GNSR Expressway Co.") as at 31st December 2000, extracted from the audited accounts prepared in accordance with the accounting regulations of China for the year ended 31st December 2000:

	<b>Balance sheet</b>		<b>Group's attributable interest</b>
	<b>Rmb'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Fixed assets	1,487	1,390	709
Construction in progress	1,300,133	1,215,077	619,689
Current assets			
Prepayments	20,341	19,010	9,694
Bank balances and cash	308,957	288,745	147,260
	<u>329,298</u>	<u>307,755</u>	<u>156,954</u>
Current liabilities			
Other payable (note (i))	(270,918)	(253,194)	(129,129)
Total assets less current liabilities	<u>1,360,000</u>	<u>1,271,028</u>	<u>648,223</u>
Bank loans	<u>(1,090,000)</u>	<u>(1,018,692)</u>	<u>(519,533)</u>
Net assets	<u>270,000</u>	<u>252,336</u>	<u>128,690</u>
Share capital	<u>270,000</u>	<u>252,336</u>	<u>128,690</u>

- (i) During the year, the Group injected capital of Rmb137,700,000 to GNSR Expressway Co., at year end date, the procedures of capital verification has not yet completed; hence, the amount of capital injection is classified as other payable.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at 1st Floor, South China Hotel, 67-75 Java Road, North Point, Hong Kong on Tuesday, 19th June 2001 at 9:30 a.m. for the following purposes:

1. To receive and consider the audited accounts and the reports of the directors and auditors for the year ended 31st December 2000.
2. To declare a final dividend.
3. To elect directors, to authorise the board to fix directors' remuneration and to determine the maximum number of directors.
4. To re-appoint auditors and to authorise the board to fix their remuneration.
5. As special business to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

A. "THAT:

- (a) subject to sub-paragraph (c) hereof, the exercise by the directors during the Relevant Period (as defined in sub-paragraph (d) hereof) of all powers of the Company to allot, issue and deal with the shares ("Shares") of the Company and to make and grant offers, agreements and options which would or might require Shares to be allotted be and is hereby generally and unconditionally approved;
- (b) the approval mentioned in sub-paragraph (a) hereof shall authorise the directors during the Relevant Period to make and grant offers, agreements and options which would or might require Shares to be allotted after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors pursuant to the approval mentioned in sub-paragraph (a) hereof, otherwise than pursuant to Shares issued as a result of a Rights Issue (as hereinafter defined), or pursuant to the exercise of the conversion rights attaching to any securities which are convertible into Shares of the Company, or pursuant to the exercise of options under the Share Option Scheme adopted by the Company on 3rd January 1997 or similar arrangement or any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of the dividend on Shares of the Company in accordance with the Company's Bye-laws, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

## NOTICE OF ANNUAL GENERAL MEETING

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (aa) the conclusion of the next annual general meeting of the Company;
- (bb) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; and
- (cc) the passage of an ordinary resolution of the shareholders of the Company in general meeting revoking or varying the authority given under this mandate; and

“Rights Issue” means an offer of Shares open for a period fixed by the directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory).”

B. “THAT:

- (a) subject to sub-paragraph (b) hereof, the exercise by the directors of the Company during the Relevant Period (as defined in sub-paragraph A(d) above) of all the powers of the Company to purchase Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange on which the securities of the Company may be listed as amended from time to time, be and is hereby generally and unconditionally approved; and
- (b) the aggregate nominal amount of Shares to be purchased by the Company pursuant to the approval mentioned in sub-paragraph (a) hereof shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly.”

## NOTICE OF ANNUAL GENERAL MEETING

C. "THAT:

conditional under Resolutions under sub-paragraphs A and B above being passed, the general unconditional mandate as mentioned in sub-paragraph A above shall be extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed to be allotted by the directors pursuant to such general unconditional mandate of any amount representing the aggregate nominal amount of the share capital repurchased by the Company pursuant to the general unconditional mandate referred to in sub-paragraph B above, provided that such extended amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution."

By order of the Board

**Wong Chi Keung**

*Company Secretary*

Hong Kong, 6th April 2001

*Notes:*

1. The register of members of the Company will be closed from Wednesday, 13th June 2001 to Tuesday, 19th June 2001, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong, not later than 4:00 p.m. on Tuesday, 12th June 2001.
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority, must be deposited with the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting thereof.
4. At the Annual General Meeting of the Company held on 7th June 2000, Ordinary Resolutions were passed giving general mandates to directors to repurchase Shares on the Stock Exchange and to allot, issue and otherwise deal with additional Shares in the capital of the Company. Under the Rules Governing the Listing of Securities on the Stock Exchange these general mandates lapse at the conclusion of the Annual General Meeting for 2001, unless renewed at that meeting. The Ordinary Resolutions sought in items 5A and 5B of this Notice renew these mandates.
5. With reference to the Ordinary Resolutions sought in items 5A and 5B of this Notice, the directors wish to state that they have no immediate plans to repurchase any existing Shares or to issue any new Shares of the Company. Approval is being sought from members as a general mandate pursuant to the Rules Governing the Listing of Securities on the Stock Exchange.

## CORPORATE INFORMATION AND INVESTOR RELATIONS

### BOARD OF DIRECTORS

#### *Executive Directors*

Liu Jinxiang (*Chairman*)  
Yin Hui  
Liang Ningguang  
Cao Shuzhao  
Xiao Boyan  
Chen Jiahong  
Cai Hanxiang  
Zhong Ming  
He Zili  
Zhang Siyuan

#### *Non-executive Directors*

Fung Ka Pun\*  
Lau Hon Chuen Ambrose\*  
Poon Jing  
Cheung Doi Shu\*

*\* Independent non-executive directors*

### COMPANY SECRETARY

Wong Chi Keung

### AUDITORS

PricewaterhouseCoopers  
*Certified Public Accountants*

### REGISTERED OFFICE

Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor  
Yue Hing Building  
103 Hennessy Road  
Wanchai  
Hong Kong

### WEBSITE

<http://www.gzitransport.com.hk>

### HONG KONG BRANCH SHARE REGISTRAR

Abacus Share Registrars Limited  
2401 Prince's Building  
Central  
Hong Kong

### SHARE LISTING

The Company's shares are listed  
on The Stock Exchange of Hong Kong Limited.  
The stock codes are:  
The Stock Exchange of Hong Kong Limited-1052  
Reuters-1052.HK  
Bloomberg-1052 HK

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