

Directors' Report

The directors present the annual report and the audited financial statements of the Group for the year ended 31 December 2002.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Ou Yaping (Chairman)
Mr. Tang Yui Man, Francis (Chief Executive Officer)
Mr. Law Sze Lai
Mr. Chen Wei

Independent non-executive directors:

Mr. Cheung Wing Yui
Mr. Tsang Yu Chor, Patrick
Mr. Xin Luo Lin (appointed on 7 June 2002)
Mr. Liang Xiaoting (resigned on 24 May 2002)

In accordance with the Company's Bye-Laws, Messrs. Xin Luo Lin, Chen Wei and Cheung Wing Yui retires by rotation at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 17 and 18 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 37 of the annual report.

An interim dividend of HK\$0.03 per share amounting to HK\$55,483,110 was paid to the shareholders during the year. The directors do not recommend the payment of a final dividend.

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PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and of the Company are set out in note 14 to the financial statements.

No professional valuation of the leasehold land and buildings was carried out at 31 December 2002 as, in the opinion of directors, the carrying value of the leasehold land and building was not materially different from the open market value at 31 January 2001.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in note 28 to the financial statements.

A bonus of warrants was made on the basis of one warrant for every ten existing shares held on 24 May 2002. Each warrant entitled its holder to subscribe in cash at a price of HK\$1 for one ordinary share of the Group, at any time from the date of issue to 29 November 2003.

During the year, no registered holders of warrants exercised their rights to subscribe for ordinary shares. At the balance sheet date, the Company had outstanding warrants of HK\$184,877,700. Exercise in full of such warrants would result in the issue of 184,877,700 additional shares.

USE OF PROCEEDS FROM ISSUE OF NEW SHARES

Pursuant to the prospectus issued by the Company dated 26 May 1998 (the "Prospectus"), the Company made an initial public offering through placing and new issue of 380,000,000 shares in June 1998 and the net proceeds were approximately HK\$412 million.

As disclosed in the 1998, 1999, 2000 and 2001 annual reports, approximately HK\$312 million has been applied in line with the proposed application as set out in the Prospectus. Details of the application of the remaining amount are set out below:

	HK\$
Remaining balance	–
Application of funds	
– Acquisition of a piece of land in Dameisha, Shenzhen	46,930,000
– Construction of Mangrove West Coast and Sinolink Garden Phase Four	53,070,000
Funds retained	–
	<u>100,000,000</u>

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The remaining balance of HK\$100,000,000 as set out in the Prospectus were originally retained for the transformation of outdoor power transformer stations and overhead transmission cables into indoor power transformer stations and underground transmission cables at Yinhu, however, based on actual requirement of the Group's property development business and the change on the use of proceeds has not changed in nature, management decided that the change in the application of proceeds is more appropriate.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

(i) Shares and warrants

At 31 December 2002, the interests of the directors and their associates in the share capital and warrants of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. Ou Yaping	2,640,000	2,756,000	1,245,185,600 (Note)	-	1,250,581,600

Note:

These shares are held by Asia Pacific Promotion Limited, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, Chairman of the Company.

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(ii) Interest in associated corporations (within the meaning of the SDI Ordinance) of the Company

Name of interested party	Name of associated corporation	Nature of interest	Number of shares held
Mr. Ou Yaping	Panva Gas Holdings Limited	Corporate	441,380,062
Mr. Ou Yaping	Enerchina Holdings Limited	Corporate	1,089,310,445
Mr. Chen Wei	Panva Gas Holdings Limited	Personal	2,160,000
Mr. Tang Yui Man, Francis	Panva Gas Holdings Limited	Personal	1,440,000

Save as disclosed above, none of the directors, or their associates, had any interests in any securities of the Company or any of its associated corporations.

SHARE OPTION SCHEMES OF THE GROUP

The Company

- (a) Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 24 May 2002 (the "New Scheme"); share options were granted to directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the higher of the average of closing prices on the Stock Exchange on the five trading days immediately preceding on the date of grant, the closing price of the Stock exchange on the date of grant and the nominal value of the shares. The share options granted must be taken up within 28 days of the date of grant.

At 31 December 2002, no options had been granted under the New Scheme.

- (b) Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 11 May 1998 (the "Old Scheme"); share options were granted to directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the higher of the average of closing prices on the Stock Exchange on the five trading days immediately preceding the date of grant of the share options, the closing price of the shares on the Stock Exchange on the date of grant and the nominal value of the shares. The share options granted must be taken up within 28 days of the date of grant. The New Scheme has replaced the Old Scheme and there will be no new share options granted under the Old Scheme in the future.

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At 31 December 2002, the outstanding number of shares in respect of which options had been granted under the Old Scheme was 48,371,000 representing 2.6% of the shares of the Company in issue at that date.

The share options are exercisable at any time for a period to be determined by the directors, which shall not be more than 10 years from the date of grant.

The total number of shares in respect of which options may be granted under the New Scheme and the Old Scheme are not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Consideration of HK\$1 is payable on the grant of an option.

The directors believe that any statement regarding the value of options granted during the year will not be meaningful to shareholders, taking into account the unique business nature of the Group and its potential for future expansion and that comparable data required for calculation of the value of the options will not be representative of the Group.

Additional information in relation to the Company's share option scheme can be found in note 34 to the financial statements.

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The following table discloses movements in the Company's share options during the year:

	Option type	Outstanding at 1.1.2002	Granted during year	Exercised during year	Lapsed during year	Outstanding at 31.12.2002
Category 1: Directors						
Mr. Law Sze Lai	1998	22,000,000	-	-	22,000,000	-
	1999	8,800,000	-	8,800,000	-	-
	2001B	5,500,000	-	5,500,000	-	-
	2002A	-	12,000,000	-	-	12,000,000
Mr. Chen Wei	1998	22,000,000	-	-	22,000,000	-
	1999	8,800,000	-	8,800,000	-	-
	2001B	5,500,000	-	5,500,000	-	-
	2002A	-	12,000,000	-	-	12,000,000
Mr. Tang Yui Man, Francis	2001A	8,800,000	-	5,500,000	-	3,300,000
	2001B	5,500,000	-	2,750,000	-	2,750,000
	2002A	-	3,800,000	-	-	3,800,000
Total directors		<u>86,900,000</u>	<u>27,800,000</u>	<u>36,850,000</u>	<u>44,000,000</u>	<u>33,850,000</u>
Category 2: Employees						
	Option type	Outstanding at 1.1.2002	Granted during year	Exercised during year	Lapsed during year	Outstanding at 31.12.2002
	1999	1,705,000	-	1,705,000	-	-
	2000	880,000	-	220,000	330,000	330,000
	2001A	5,720,000	-	1,870,000	3,850,000	-
	2001B	8,591,000	-	2,200,000	-	6,391,000
	2002A	-	7,000,000	-	200,000	6,800,000
	2002B	-	11,000,000	-	10,000,000	1,000,000
		<u>16,896,000</u>	<u>18,000,000</u>	<u>5,995,000</u>	<u>14,380,000</u>	<u>14,521,000</u>
Total all categories		<u>103,796,000</u>	<u>45,800,000</u>	<u>42,845,000</u>	<u>58,380,000</u>	<u>48,371,000</u>

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Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price
1998	29.06.1998	29.06.1998 – 05.01.1999	06.01.1999 – 05.01.2002	HK\$0.55
	29.06.1998	29.06.1998 – 05.07.1999	06.07.1999 – 05.01.2002	HK\$0.64
1999	01.03.1999	01.03.1999 – 02.09.1999	03.09.1999 – 03.09.2002	HK\$0.41
	01.03.1999	01.03.1999 – 02.03.2000	03.03.2000 – 03.09.2002	HK\$0.41
	01.03.1999	01.03.1999 – 02.09.2001	03.09.2001 – 03.09.2002	HK\$0.41
2000	20.01.2000	20.01.2000 – 31.12.2000	01.01.2001 – 01.01.2004	HK\$0.50
2001A	15.06.2001	15.06.2001 – 31.12.2001	01.01.2002 – 01.01.2005	HK\$0.41
	15.06.2001	15.06.2001 – 28.02.2002	01.03.2002 – 01.03.2005	HK\$0.41
	15.06.2001	15.06.2001 – 31.05.2002	01.06.2002 – 01.06.2005	HK\$0.41
	15.06.2001	15.06.2001 – 31.05.2002	01.06.2003 – 01.06.2006	HK\$0.41
2001B	09.10.2001	09.10.2001 – 02.04.2002	03.04.2002 – 03.04.2005	HK\$0.33
	09.10.2001	09.10.2001 – 02.10.2002	03.10.2002 – 03.10.2005	HK\$0.33
	09.10.2001	09.10.2001 – 29.12.2002	30.12.2002 – 30.12.2005	HK\$0.33
2002A	14.03.2002	14.03.2002 – 31.08.2002	01.09.2002 – 01.09.2004	HK\$0.67
	14.03.2002	14.03.2002 – 30.11.2002	01.12.2002 – 01.12.2005	HK\$0.67
	14.03.2002	14.03.2002 – 31.12.2003	01.01.2003 – 01.01.2005	HK\$0.67
2002B	23.04.2002	23.04.2002 – 22.10.2003	23.10.2003 – 23.10.2005	HK\$0.81
	23.04.2002	23.04.2002 – 22.04.2004	23.04.2004 – 23.04.2006	HK\$0.81

The closing price of the Company shares immediately before 14 March 2002 and 23 April 2002, the dates of grant of the 2002A and 2002B options, were HK\$0.67 and HK\$0.79 respectively.

The weighted average closing price of the Company share immediately before the dates on which the options were exercised on 6 March 2002, 8 April 2002, 24 April 2002, 14 May 2002, 18 June 2002 and 5 August 2002 were HK\$0.64, HK\$0.72, HK\$0.79, HK\$0.97, HK\$1.00 and HK\$0.64 respectively.

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Panva Gas

(a) Panva Pre-Listing Share Option Scheme

Pursuant to Pre-Listing Share Option Scheme of Panva Gas approved by resolutions of the sole shareholder of Panva Gas dated 4 April 2001, share options (the "Panva Pre-Listing Options") were granted at an exercise price of HK\$0.57, the issue price of Panva Gas shares on listing on GEM. The exercise price was subsequently adjusted to HK\$0.475 upon capitalisation of shares in 2002. 50% of the Panva Pre-Listing Options are exercisable from 1 January 2003 with the remaining 50% exercisable on 1 January 2004. The Panva Pre-Listing Options are exercisable on accumulative basis until the expiry date on 3 April 2011. The Panva Pre-Listing Options were granted to recognise the past and present contributions of the grantees to the Group.

At 31 December 2002, the outstanding number of shares in respect of which options had been granted under the Panva Pre-Listing Share Option Scheme was 23,440,000 representing 3.87% of the shares of Panva Gas in issue on that date.

(b) Panva Share Option Scheme

Pursuant to a share option scheme approved by resolutions of the sole shareholder of Panva Gas dated 4 April 2001 (the "Panva Scheme"), Panva Gas may grant options to the directors or employees of Panva Gas or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for the shares in the Company. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the shares on the Stock Exchange on the date of grant and the nominal value of the shares.

The Scheme will be terminated on 3 April 2011.

The share options are exercisable at any time for a period to be determined by the directors, which shall not be more than 10 years from the date of grant.

At 31 December 2002, the outstanding number of shares in respect of which options had been granted under the Panva Scheme was 13,704,000 representing 2.26% of the shares of Panva Gas in issue on that date.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option.

The total number of shares in respect of which options may be granted under the Panva Pre-Listing Share Option Scheme and the Panva Scheme is not permitted to exceed 10% of the shares of Panva Gas in issue at any point in time, without prior approval from the Panva Gas's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Panva Gas in issue at any point in time, without prior approval from the Panva Gas's shareholders.

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The following table discloses movements in the Panva Gas's share options during the year.

Option type	Outstanding at 1.1.2002		Exercised during year	Lapsed during year	Outstanding at 31.12.2002	
	Before adjustment	After adjustment				
Category 1: Directors						
Mr. Ou Yaping	Panva Pre-Listing Options	3,000,000	3,600,000	-	-	3,600,000
Mr. Chan Wei	Panva Pre-Listing Options	3,000,000	3,600,000	-	-	3,600,000
	Panva 2001	3,000,000	3,600,000	2,160,000	-	1,440,000
Mr. Tang Yui Man, Francis	Panva 2001	2,000,000	2,400,000	1,440,000	-	960,000
Total Directors		<u>11,000,000</u>	<u>13,200,000</u>	<u>3,600,000</u>	<u>-</u>	<u>9,600,000</u>
Category 2: Employees						
Option type	Outstanding at 1.1.2002		Exercised during year	Lapsed during year	Outstanding at 31.12.2002	
	Before adjustment	After adjustment				
	Panva Pre-Listing Options	14,900,000	17,640,000	-	1,400,000	16,240,000
	Panva 2001	10,650,000	12,780,000	1,476,000	-	11,304,000
Total Employees		<u>25,550,000</u>	<u>30,420,000</u>	<u>1,476,000</u>	<u>1,400,000</u>	<u>27,544,000</u>

The share options numbers outstanding at beginning of year have been adjusted to reflect the effect of bonus share dividend issued during the year.

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The weighted average closing price of the Panva Gas's shares immediately before the dates on which the options were exercised was HK\$1.7.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price	
				Before adjustment HK\$	After adjustment HK\$
Panva Pre-Listing Options	04.04.2001	04.04.2001 – 31.12.2002	01.01.2003 – 03.04.2011	0.57	0.475
	04.04.2001	04.04.2001 – 31.12.2003	01.01.2004 – 03.04.2011	0.57	0.475
Panva 2001	13.11.2001	13.11.2001 – 12.02.2002	13.02.2002 – 13.02.2007	1.13	0.94
	13.11.2001	13.11.2002 – 12.05.2002	13.05.2002 – 13.02.2007	1.13	0.94
	13.11.2001	13.11.2002 – 12.11.2002	13.11.2002 – 13.02.2007	1.13	0.94

The share options number outstanding at beginning of year and the exercise prices have been adjusted to reflect the effect of bonus share dividend issued by Panva Gas during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the warrants and option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debenture of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "CONNECTED TRANSACTIONS", no contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a 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.

DIRECTORS' SERVICE CONTRACTS

With the exception of Mr. Chen Wei, each of the executive directors has entered into a service contract with the Company for an initial period of two years commencing on 1 April 2001, which shall continue thereafter until terminated by either party giving not less than six month's prior written notice.

Mr. Chen Wei has entered into a service contract with Panva Gas for an initial period of three years commencing on 1 April 2001, which shall continue thereafter until terminated by either party giving not less than three month's prior written notice.

Save as disclosed above, none of the directors or service companies under their respective control has entered into or has proposed to enter into any service or management contract with any member of the Group excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"), the following connected transactions of the Company require disclosure in the annual report of the Company:

- (i) As disclosed in the Company's circular dated 25 January 1999, the Group acquired from Mr. Ou Yaping, the controlling shareholder of the Company, the entire issued share capital of China Pan River Group Limited ("CPR Group") (the "Acquisition") on 12 February 1999. CPR Group is an investment holding company, the major assets of which are its indirect majority equity interests in the joint venture companies established in the PRC, that are principally engaged in the production, transportation, storage, sale and distribution of LPG and natural gas. The Acquisition was approved by the shareholders at the special general meeting of the Company on 10 February 1999. Total consideration for the Acquisition was HK\$55,183,000 which was paid by way of an issue of a convertible note in favour of Mr. Ou Yaping. The note was converted into 134,592,000 shares of the Company at an adjusted conversion price of HK\$0.41 per share on 8 February 2002. Prior to conversion, a total interest expenses of HK\$287,000 were paid or payable for the year ended 31 December 2002.

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- (ii) As disclosed in the Company's circular dated 21 January 2002, pursuant to the RMB550,000,000 and RMB80,000,000 loan agreements ("Loans") dated 10 December 2001 between Shenzhen Sinolink Enterprises Co., Ltd. ("Shenzhen Sinolink") and Bank of China, Shenzhen Branch in which the Company has provided guarantee on the loans respectively. Shenzhen Sinolink is an indirect non-wholly owned subsidiary of the Company in which the Company has 80% indirect interest, and the remaining 20% interest is held by Shenzhen Power Supply Services Corporation. Shenzhen Power Supply Services Corporation is a connected person by virtue of being a substantial shareholder of Shenzhen Sinolink, however, it will not provide any guarantee in respect of the Loans. In view of the fact that Shenzhen Power Supply Services Corporation is a connected person by virtue of being a substantial shareholder in Shenzhen Sinolink Property Management Co., Ltd. a subsidiary of the Company in which Shenzhen Sinolink has 50% equity interest and Shenzhen Power Supply Services Corporation has a 25% attributable equity interest, provision of the guarantee for the Loans by the Company constitute connected transactions for the Company under Rule 14.26(6)(a) of the Listing Rules which approved by the shareholders of the Company.
- (iii) During the year, Pan River Enterprises (Changsha) Company Limited ("Changsha JV") (in which the Group has a 60% direct interest), purchased LPG from China Petrochemical Company Limited ("CPC") on a contract by contract, back to back basis to different buyers. Each transaction was less than HK\$1 million. The total purchases from CPC amounted to approximately RMB5,000,000 (equivalent to HK\$4,677,000) for the year ended 31 December 2002.

CPC is an associate (within the meaning of the Listing Rules) of the PRC party which holds the 40% interest in Changsha JV and is therefore considered as a connected person within the meaning of the Listing Rules.

Connected transactions with Waivers granted by the Stock Exchange

The following connected transactions have been entered into by the Company and its subsidiaries to which the Stock Exchange has, subject to certain conditions, granted waivers to the Company from compliance with the requirements stipulated in Chapter 14 of the Listing Rules.

- (i) Pursuant to the tenancy agreements dated 1 April 2000 which expired on 31 March 2002 and renewed tenancy agreement dated 1 April 2002 which expired on 31 March 2004 between Sinolink Worldwide (HK) Company Limited ("Sinolink Worldwide (HK)") as tenant and Skillful Assets Limited ("Skillful") (a company controlled by Mr. Ou Yaping and of which Mr. Ou Yaping is a director), as landlord, Skillful agreed to let to Sinolink Worldwide (HK) the property known as House 3, Kellett View Town Houses, Nos. 65-69 Mount Kellett Road, Hong Kong for a term of two years commencing on 1 April 2000 and on 1 April 2002 at a rent of HK\$100,000 and HK\$83,000 per month respectively exclusive of rates and management fees. Total rental expenses of HK\$1,047,000 were paid or payable to Skillful for the year ended 31 December 2002.

- (ii) Pursuant to an agreement for the provision of services dated 8 January 2001, and renewed agreement dated 3 January 2003, between Ocean Diamond Limited, a subsidiary of the Company, and Shenzhen Sinolink, Ocean Diamond Limited agreed to provide to Shenzhen Sinolink (i) management staffing services by supplying and sending staff to Shenzhen and (ii) services relating to the design and planning for real estate development, cable engineering consultancy and the import and sourcing of materials. Shenzhen Sinolink has to pay a monthly service fee of RMB150,000 (equivalent to HK\$140,318) to Ocean Diamond Limited. It is intended that a service agreement with the same terms (subject to adjustment for the service fee) will be entered into between Ocean Diamond Limited and Shenzhen Sinolink on a yearly basis. A total service fee of RMB1,800,000 (equivalent to HK\$1,683,817) was paid or payable to Ocean Diamond Limited for the year ended 31 December 2002.
- (iii) Pursuant to an agreement for the provision of agency services dated 8 January 2001 and renewed agreement dated 31 January 2003, between Sinolink Worldwide (HK) and Shenzhen Sinolink, Sinolink Worldwide (HK) shall provide agency services regarding matters including, amongst others, advertising and promotion for overseas sales of property units developed by the Group in the PRC and customer liaison on behalf of Shenzhen Sinolink in return for a monthly service fee of approximately RMB700,000 (equivalent to HK\$654,818). It is intended that an agency services agreement with the same terms (subject to adjustment for the service fee) will be entered into annually between Sinolink Worldwide (HK) and Shenzhen Sinolink. A total service fee of approximately RMB8,400,000 (equivalent to HK\$7,857,811) was paid or payable by Shenzhen Sinolink to Sinolink Worldwide (HK) for the year ended 31 December 2002.
- (iv) Pursuant to the Power Purchase Contract entered into between the then subsidiary, Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade") and Shenzhen Power Supply Bureau, the regulatory body of Shenzhen Power Supply (the substantial shareholder of Shenzhen Sinolink), which came into effect on 15 March 1996, Fuhuade agreed to supply to Shenzhen Power Supply Bureau electricity generated at Dapeng Power Plant, which is operated by Fuhuade, for on-grid onward transmission to public end-users. A total amount of approximately RMB43,266,447 (equivalent to HK\$40,473,758) worth of electricity was sold to Shenzhen Power Supply Bureau during the year ended 31 December 2002.
- (v) As disclosed in the Company's circular dated 15 November 2000, pursuant to a LPG supply agreement ("Supply Agreement") dated 19 October 2000 between Changsha JV as purchaser and CPC and one other independent third party as suppliers, CPC and the independent third party agreed to supply to Changsha JV high quality LPG at a price determinable by a pre-set formula as set out in the Supply Agreement. The Supply Agreement was terminated on 31 December 2001 and no purchases were made under the Supply Agreement during the year.

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The independent non-executive directors confirm that the transaction has been entered into by the Company in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31 December 2002.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 39.68% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 57.43% of the Group's total purchases.

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

None of the directors, their associates or any shareholders, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had an interest in the share capital of any of the five largest suppliers.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties in compliance with paragraph 14 of the Code of Best Practice. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee has 3 members comprising 3 independent non-executive directors, Messrs. Cheung Wing Yui, Tsang Yu Chor, Patrick and Xin Lui Lin.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including the review of interim financial statements which have not been audited.

PRE-EMPTIVE RIGHTS

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

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Tang Yui Man, Francis
Director & Chief Executive Officer

Hong Kong, 23 April 2003