

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies, associated companies and jointly controlled entities are shown in notes 36, 37 and 38 to the accounts, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2002 are set out in the consolidated profit and loss account on page 37.

The directors have declared an interim dividend of 3.3 HK cents per share, totaling HK\$22,365,750, which was paid on 20th November 2002.

The directors recommend the payment of a final dividend of 3.3 HK cents per share, totaling HK\$22,365,750.

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 85.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the accounts respectively.

DONATIONS

During the year, the Group made no charitable donations.

FIXED ASSETS

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 24 to the accounts.

Report of the Directors

DIRECTORS

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

Executive directors:

Wang Guang Hao
Zhou Si Chun
Yu Ru Min
Chen Zi He
Chen Cui Wan
Zhang Hong Ru
He Xiu Heng
Yang Li Heng
Sun Zeng Yin
Pang Jin Hua

Non-executive directors:

Ye Di Sheng
Kwong Che Keung, Gordon
Cheung Wing Yui
Lau Wai Kit
Cheng Hon Kwan

In accordance with Articles 92 and 101 of the Company's Articles of Association, Yu Ru Min, He Xiu Heng, Yang Li Heng, Ye Di Sheng and Zhou Si Chun retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Messrs Wang Guang Hao, Yu Ru Min, Chen Zi He, Chen Cui Wan, He Xiu Heng and Yang Li Heng have entered into service agreements with the Company for a period of three years commencing 1st December 1997 and will continue thereafter until terminated by either party giving not less than six months' prior written notice to the other.

The terms of office of the non-executive directors are subject to retirement as required by the Company's Articles of Association.

Save for the above, none of the directors of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Report of the Directors

DIRECTORS' INTERESTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company 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.

The Company has a share option scheme (the "Scheme") approved in an extraordinary general meeting on 22nd November 1997 under which the directors may, at their discretion and within 10 years from the approval date, invite any employees or executive directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The subscription price is determined by the directors and shall be the higher of nominal value of the Company's share and a price not less than 80% of the market price immediately before the options are granted. The cash consideration paid for each grant is HK\$1. The maximum number of the Company's shares in respect of which options may be granted will not exceed 10 per cent of the issued share capital of the Company excluding any shares issued pursuant to the Scheme. The maximum number of shares issued to individual employee and director in respect of which options may be granted shall not exceed 25% of the total shares in issue or to be issued under the Scheme.

The details of share options granted to the directors and outstanding at 31st December 2002 are as follows:

Directors	Number of share options		Outstanding as at 31.12.2002
	1st lot (note 1)	2nd lot (note 2)	
Mr Wang Guang Hao	3,500,000	5,004,000	8,504,000
Mr Yu Ru Min	2,000,000	—	2,000,000
Mr Chen Zi He	2,000,000	4,332,000	6,332,000
Ms Chen Cui Wan	2,000,000	4,332,000	6,332,000
Mr He Xiu Heng	2,000,000	—	2,000,000
Mr Yang Li Heng	2,000,000	—	2,000,000

Notes:

1. These share options were granted to the directors on 17th April 1998, and are exercisable at a price of HK\$6.136 per share during the period from 10th June 1998 to 21st November 2007.
2. These share options were granted to the directors on 13th April 1999, and are exercisable at a price of HK\$3.34 per share during the period from 18th September 1999 to 17th March 2004.

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

Report of the Directors

DIRECTORS' INTERESTS (Cont'd)

As at 31st December 2002, none of the directors and their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

SHARE OPTIONS

As at 31st December 2002, in addition to the share options granted to the directors as disclosed in the section headed "Directors interests", the Company had granted 1,500,000 share options to certain employees of the Company to subscribe for shares of the Company pursuant to the Scheme. 500,000 share options are exercisable at HK\$2.204 from 1st January 2002 to 21st November 2007 and 1,000,000 share options are exercisable at HK\$2.204 from 1st July 2002 to 21st November 2007. The average closing price per share immediately before the grant was HK\$2.755. No options were exercised during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

Name of shareholders	Number of shares
Tsinlien Group Company Limited (<i>Note 1</i>)	385,482,000
Tianjin Investment Holdings Limited	383,459,990
Tsinlien Property Services Limited	2,022,000
Wang Guang Hao (<i>Note 2</i>)	10

Notes:

1. Tianjin Investment Holdings Limited and Tsinlien Property Services Limited are wholly owned subsidiaries of Tsinlien Group Company Limited. In accordance with the SDI Ordinance, the interests of Tianjin Investment Holdings Limited and Tsinlien Property Services Limited are deemed to be, and have therefore been included in, the interests of Tsinlien Group Company Limited.
2. Mr. Wang Guang Hao acted as trustee of Tianjin Investment Holdings Limited to hold 10 shares of the Company.

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CONNECTED TRANSACTIONS

The Group has entered into the following connected transactions in the ordinary and usual course of the Group's activities:

(a) Transactions with Tsinlien Group Company Limited ("Tsinlien")

- (i) The Group had a service provision agreement with Tsinlien, the ultimate holding company of the Company, whereby Tsinlien provided to the Group utilities, staff benefits, electronic data processing services and support and office facilities, such as telephones and telephone systems and other services, used by the Group in its offices located at 26th-28th, 30th, 36th and 38th floor, Tianjin Building, 167 Connaught Road West, Hong Kong for a monthly fee of HK\$97,000 subject to adjustment annually. The provision of services shall continue until terminated by either Tsinlien or the Company by giving six months' written notice to the other party provided other than in a situation of material breach by the Company, Tsinlien shall not give such notice prior to the expiration of three years commencing from the date of the agreement.

A total fee of HK\$1,164,000 was paid to Tsinlien in respect of the year ended 31st December 2002 (2001: HK\$1,164,000).

- (ii) The Group has various tenancy agreements with Tsinlien to lease 14 residential units for a fixed term of three years from 1st November 1997 to 31st October 2000 at an aggregate monthly rental of HK\$151,000 inclusive of management fee. The tenancy agreements were renewed on 15th February 2001 for a further term of three years from 1st November 2000 to 31st October 2003 at the same monthly rental. On 31st May 2001, the tenancy agreement of one of the residential units with monthly rental of HK\$16,100 was terminated.

Total aggregate rental of HK\$1,619,000 was paid to Tsinlien in respect of the year ended 31st December 2002 (2001: HK\$1,698,000).

- (iii) The Group entered into tenancy agreements with Tsinlien Realty Limited ("Tsinlien Realty"), a wholly owned subsidiary of Tsinlien, to lease 10 car parks and the office premises of the Company located at 26th-28th, 30th, 36th and 38th floor, Tianjin Building, 167 Connaught Road West, Hong Kong for the period from 1st August 2001 to 31st July 2002 at a monthly rental of HK\$394,000. The agreement was further renewed from 1st August 2002 to 31st December 2003 at a monthly rental of HK\$370,000.

A total rental of HK\$4,608,000 was paid to Tsinlien Realty in respect of the year ended 31st December 2002 (2001: HK\$4,728,000).

In respect of item (i) of the above connected transactions with Tsinlien, The Stock Exchange of Hong Kong Limited ("the Stock Exchange") has, subject to certain conditions, on 1st September 1998 granted waiver to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange on each occasion as they arise. In respect of items (ii) and (iii) of the above connected transactions with Tsinlien, announcements dated 19th February 2001, 8th November 2001, 26th November 2002 and 9th January 2003 have been published by the Company.

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CONNECTED TRANSACTIONS (Cont'd)

(b) Transactions with Tianjin Port Authority (the "Port Authority")

- (i) The Group has a lease agreement with the Port Authority to lease a certain parcel of land (approximately 731,643 square metres) upon which one of the Group's subsidiaries' cargo handling terminal and its related facilities are erected for the period from 29th October 1997 to 28th October 2017 at a rental of RMB3,658,000 per annum for the whole term. On 10th July 2002, the Group entered into another lease agreement with the Port Authority to lease a certain parcel of land (approximately 6,313 square meters) for a period of ten years from 30th June 2002 to 29th June 2012 for a rental of RMB126,000 per annum.

Total rental of RMB3,784,000 (approximately HK\$3,568,000) was paid to the Port Authority in respect of the year ended 31st December 2002 (2001: RMB3,658,000).

- (ii) The Group has a lease agreement with the Port Authority to lease certain berths with total quay length of 1,775 metres, railway of 15,209.5 metres long and storage space with total floor area of 224,754 square metres for the period from 29th October 1997 to 28th October 2017. The rental was RMB2,096,000 for the year 1997 and from the year of 1998, the annual rental was RMB11,956,000 subject to an increment of 5% every three years until the lease expires.

Total rental of RMB12,554,000 (approximately HK\$11,838,000) was paid to the Port Authority in respect of the year ended 31st December 2002 (2001: RMB12,554,000).

- (iii) The Group has a lease agreement with the Port Authority to lease a parcel of land (approximately 633,365 square metres) upon which one of the Group's subsidiaries' cargo handling terminal and its related facilities are erected for the period from 29th October 1997 to 28th October 2017 for a rental of RMB3,167,000 per annum for the whole term.

Total rental of RMB3,167,000 (approximately HK\$2,986,000) was paid to the Port Authority in respect of the year ended 31st December 2002 (2001: RMB3,167,000).

- (iv) The Group has a lease agreement with the Port Authority to lease certain berths with total quay length of 1,292 metres and railway of 905 metres long for the period from 29th October 1997 to 28th October 2017. The rental was RMB1,314,000 for the year 1997 and from the year of 1998, the rental is RMB7,496,000 per year subject to an increment of 5% every three years until the lease expires.

A rental of RMB7,870,000 (approximately HK\$7,420,000) was paid to the Port Authority in respect of the year ended 31st December 2002 (2001: RMB7,870,000).

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CONNECTED TRANSACTIONS (Cont'd)

(b) Transactions with Tianjin Port Authority (the "Port Authority") (Cont'd)

- (v) The Group has a lease agreement with the Port Authority to lease certain equipment for loading and unloading for the period from 29th October 1997 to 28th October 2017. The rental was RMB1,361,000 for the year 1997 and from the year of 1998, the rental is RMB7,760,000 per year subject to an increment of 5% every three years until the lease expires. Pursuant to an approval by the Port Authority dated 15th September 2000, the monthly rental has reduced to RMB570,000 to July 2000 and RMB516,000 from August 2000 onwards. Pursuant to another approval dated 13th August 2001, the annual rental for the year ended 31st December 2001 was RMB5,277,000 and for 2002 is RMB4,703,000. On 3rd July 2002, further approval was obtained to revise rental downward to RMB3,949,000 for the year ended 31st December 2002.

A rental of RMB3,949,000 (approximately HK\$3,723,000) was paid to the Port Authority in respect of the year ended 31st December 2002 (2001: RMB5,277,000).

- (vi) The Group has a business allocation agreement with the Port Authority whereby the Port Authority has agreed that if necessary they will use their best endeavours to allocate 60% of the container handling business of the Port of Tianjin (the "Port") to the Group for the period up to 31st December 1997, 55% for the year ended 31st December 1998 and not less than 50% after 31st December 1998 subject to certain conditions.

The Group has dealt with 47.29% (2001: 44.75%) of the container handling business of the Port in respect of the year ended 31st December 2002.

- (vii) The Group has another business allocation agreement with the Port Authority whereby the Port Authority would allocate to the Group the handling of the following cargo types and amounts for a period of 10 years commencing from 10th December 1997:

- 100% of all imported unpackaged bulk grains;
- at least 40% of all exported coke until 31st December 1999;
- 100% of all imported solidified sulphur;
- 100% of all imported unpackaged bulk sugar;
- 100% of all imported chromium;
- 100% of all imported unpackaged bulk fertilisers not handled by entities controlled by the Port Authority; and
- such other cargoes so as to fulfill the obligation of the Port Authority mentioned in (b)(viii) below.

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CONNECTED TRANSACTIONS (Cont'd)

(b) Transactions with Tianjin Port Authority (the "Port Authority") (Cont'd)

No imported chromium was allocated to the Group during the year. In return, about 35% of the exported coke was allocated to the Group by the Port Authority as compensation. The other allocation has been fulfilled for the year ended 31st December 2002.

In any event the total annual volume, in terms of tonnage, of all the cargoes referred above shall not be less than 20% of the total annual throughput of the non-containerised cargoes in the Port for that year.

The Group has dealt with 12.5% (2001: 16.13%) of the non-containerised cargoes handling business to the Group in respect of the year ended 31st December 2002. The management considers that the Group has reached its maximum capacity in respect of handling of non-containerised cargos and used its best endeavour to achieve the throughput.

- (viii) In relation to the business allocation agreement in (b)(vii) above, the Port Authority warranted to the Company that for a period of 10 years commencing from 10th December 1997, the growth rate of annual throughput of a subsidiary of the Group should not be lower than the average growth rate of the total non-containerised cargo throughput of the Port for that year. In calculating the said average growth rate, throughput in respect of bulk coal, liquefied petroleum and liquefied chemical products is not taken into account.

During the year, the growth rate of annual throughput of a subsidiary of the Group was lower than the average growth rate of the total non-containerised cargo throughput of the Port. The management considers that the Group has reached its maximum capacity in respect of handling of non-containerised cargos and used its best endeavour to achieve the throughput.

- (ix) The Group has an agreement with the Port Authority whereby the Group was granted the right of first refusal to develop and operate, or to invest in any new stevedoring operations in the Port (except the Coke Terminal) and to participate in any further capital investment of an amount exceeding US\$5,000,000 in any of the entities controlled by the Port Authority in the Port subject to all relevant provisions of the Listing Rules of the Stock Exchange.
- (x) The Group has two agreements with the Port Authority whereby two subsidiaries of the Group would collect from their customers on behalf of the Port Authority port administration fees stipulated by the Central Government and receive the provision of water, electricity, telecommunications, maintenance, sewage, rail, dredging and other miscellaneous services.

Total port administration fee of RMB41,646,000 (approximately HK\$39,266,000) and aggregate service fee of RMB10,984,000 (approximately HK\$10,356,000) were paid to the Port Authority in respect of the year ended 31st December 2002 (2001: RMB36,264,000 and RMB7,297,000 respectively).

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CONNECTED TRANSACTIONS (Cont'd)

(b) Transactions with Tianjin Port Authority (the "Port Authority") (Cont'd)

- (xi) The Group's two subsidiaries have entered into agreements with a company connected with the Port Authority. Pursuant to the agreements, that company would provide logistic services such as provision of water, heat, fuel, spare parts, equipment repairs, casual labour, catering and laundry services to the two subsidiaries. The service fees paid by the Second Stevedoring Company was RMB20,732,000 (approximately HK\$19,547,000) in respect of the year ended 31st December 2002 (2001: RMB18,897,000). The service fees paid by the Container Company was RMB8,712,000 (approximately HK\$8,214,000) in respect of the year ended 31st December 2002 (2001: RMB7,536,000).
- (xii) The Group's two subsidiaries have entered into agreements with a company connected with the Port Authority. Pursuant to the agreements, that company would provide logistic services in respect of inventories management and material supplies to the two subsidiaries for a period of five years.

In return, the Stevedoring Company and the Container Company would pay services fees, calculated at 15% and 18% mark up respectively, on the cost of the material supplies and consumed by them. With effect from 1st July 2002, service fees for both companies are revised to 4% mark up on cost of material supplies and consumed by them plus a fixed annual service charge of RMB1,587,429 and RMB1,545,172 for the Stevedoring Company and the Container Company respectively.

An aggregate of RMB34,116,000 (approximately HK\$32,167,000) in respect of the year ended 31st December 2002 was paid (2001: RMB37,621,000).

In respect of item (i) to (x) of the above connected transactions with the Port Authority, the Stock Exchange has on 21st January 1998, while in respect of items (xi) to (xii) of the above connected transactions with Port Authority, the Stock Exchange has on 9th June 2000 and 27th June 2001 respectively, subject to certain conditions, granted waivers to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules on each occasion as they arise.

(c) Transactions with Tianjin Agricultural Cultivation Group Company (the "Agricultural Group Company")

- (i) The Group has a lease agreement with the Agricultural Group Company to lease a certain portion of land (approximately 24,073 square metres) occupied by a subsidiary of the Group for the period from 29th October 1997 to 14th June 2047 for a rental of RMB120,000 per annum for the whole term.

A rental of RMB120,000 (approximately HK\$113,000) was paid to the Agricultural Group Company in respect of the year ended 31st December 2002 (2001: RMB120,000).

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CONNECTED TRANSACTIONS (Cont'd)

(c) Transactions with Tianjin Agricultural Cultivation Group Company (the "Agricultural Group Company") (Cont'd)

- (ii) Unprocessed wines, packaging materials and packaging services with aggregate amount of RMB52,662,000 (approximately HK\$49,653,000) were provided by subsidiaries of the Agricultural Group Company during the year (2001: RMB40,303,000).
- (iii) The Group has an agreement with Dynasty Alliance Business Development Limited ("DABD"), a wholly owned subsidiary of the Agricultural Group Company. Pursuant to the terms of the agreement, DABD would provide the use of the transformation station to the Group for a period of five years from 1st May 1999. The monthly rental is RMB180,000.

An aggregate reimbursement of RMB2,160,000 (approximately HK\$2,037,000) was paid in respect of the year ended 31st December 2002 (2001: RMB2,160,000).

- (iv) On 6th February 2002, a wholly owned subsidiary of the Group entered into an agreement with Tianjin Dairy Group Limited ("Dairy Group"), Agriculture Group Company and General Corporation of Tianjin Beichen Hi-tech Industrial Park ("Tianjin Beichen") to set up a joint venture. The principal activities of the intended joint venture are to engage in the processing and sales of dairy products. The registered capital of the joint venture is RMB150,000,000 (approximately HK\$141,500,000) owned in the ratio of 40%, 28%, 27% and 5% by the Group, Dairy Group, Agriculture Group Company and Tianjin Beichen respectively. According to its proportionate shareholdings in the joint venture, the Group invested RMB60,000,000 (approximately HK\$56,600,000) into the joint venture in respect of the year ended 31st December 2002.

In respect of items (i) and (ii) of the above connected transactions with the Agricultural Group Company, the Stock Exchange has on 21st January 1998, while in respect of item (iii) of the above connected transactions with Agricultural Group Company, the Stock Exchange has on 10th June 1999, subject to certain conditions, granted waivers to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules on each occasion they arise. In respect of item (iv) of the above connected transactions with Agriculture Group Company, announcement dated 7th February 2002 have been published by the Company.

Report of the Directors

CONNECTED TRANSACTIONS (Cont'd)

(d) Transactions with Tianjin Engineering Bureau

- (i) The Group has a road management contract with Eastern Outer Ring Road Company (the "Road Company"), a wholly owned subsidiary of the Tianjin Engineering Bureau, whereby the Road Company is appointed to manage, operate and maintain the Eastern Outer Ring Road owned by the Group. A supplemental agreement was entered on 18th July 1999 with the Road Company. Pursuant to the supplemental agreement, the Road Company is excluded from the obligation to manage, operate and maintain the Xinkaihe Station and Haihenan Station, and the right to collect toll fee therefrom.

A fee of RMB32,612,000 (approximately HK\$30,748,000) was paid to the Road Company in respect of the year ended 31st December 2002 (2001: RMB30,478,000).

- (ii) On 13th October 1998, the Group entered into agreements with Tianjin Engineering Bureau to purchase 6.62% interest in fourteen joint ventures which build, operate and manage Tang Jin Expressway, for a consideration of RMB218,400,000 (approximately HK\$204,900,000).

Amounts totalling RMB181,000,000 (approximately HK\$169,227,000) have been made to Tianjin Engineering Bureau up to 31st December 2002 (2001: RMB159,000,000).

- (iii) The Road Company has provided guarantee jointly with the Company in respect of bank loan facilities amounting to RMB850 million (approximately HK\$801 million) to one of the Group's subsidiaries. The bank loan was fully drawn down and outstanding at 31st December 2002 (2001: RMB850 million).

In respect of item (i) of the above connected transactions with Tianjin Engineering Bureau, the Stock Exchange has, subject to certain conditions, on 21st January 1998, granted waiver to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules on each occasion as they arise. A circular dated 3rd March 1999 have also been distributed to the shareholders of the Company regarding the supplemental agreement of the transaction.

In respect of items (ii) and (iii) of the above connected transactions with Tianjin Engineering Bureau, respective circulars dated 4th November 1998 and 3rd March 1999 have been distributed to the shareholders of the Company.

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CONNECTED TRANSACTIONS (Cont'd)

(e) Transaction with Tianjin Mechanical and Electrical Holding Company (the "Mechanical Company")

The Group has a lease agreement with the Mechanical Company to lease a certain parcel of land for the period from 29th October 1997 to 19th August 2037 at a fixed rental of RMB8,000 per annum for the whole term.

A rental of RMB8,000 (approximately HK\$7,500) was paid to the Mechanical Company in respect of the year ended 31st December 2002 (2001: RMB8,000).

In respect of the above connected transaction with the Mechanical Company, the Stock Exchange has, subject to certain conditions, on 21st January 1998, granted waiver to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules on each occasion they arise.

The above transactions constitute related party transactions and where material are disclosed in note 31 to the accounts except for b(vi) and (vii) where no actual transactions had taken place with the Port Authority.

The above transactions constitute connected transactions under the Listing Rules of the Stock Exchange. The independent non-executive directors, Messrs Kwong Che Keung, Gordon, Cheung Wing Yui, Lau Wai Kit and Cheng Hon Kwan have reviewed the above transactions in conjunction with the auditors of the Company who have also reviewed the above transactions and confirm that:

- (a) the transactions have been entered into in the ordinary course of business;
- (b) the transactions have been entered into on terms that are fair and reasonable so far as the interests of shareholders of the Company are concerned;
- (c) save for b(vi) above for which a shortfall is noted in the percentage of container handling business dealt with by the Group, b(vii) above for which no chromium was allocated to the Group and the Group has dealt with less than 20% of the total annual throughput of the non-containerised cargos and b(viii) above for which the growth rate of annual throughput of a subsidiary of the Group was lower than the average growth rate of total non-containerised cargo; the transactions have been entered into either in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to third parties; and
- (d) the values of the transactions are within the limits set out under the relevant transactions in the section headed "Connected Transactions" of the prospectus dated 2nd December 1997 and respective waivers granted by the Stock Exchange subsequently.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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MANAGEMENT CONTRACTS

Save for the road management contracts mentioned in the section headed “Connected Transactions” in relation to the management of the Eastern Outer Ring Road, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the aggregate sales attributable to the Group’s five largest customers and the aggregate purchases attributable to the Group’s five largest suppliers were less than 30% of the Group’s sales and purchases respectively.

CORPORATE GOVERNANCE

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

AUDIT COMMITTEE

An audit committee currently comprising three independent non-executive directors, namely Kwong Che Keung, Gordon, Lau Wai Kit and Cheng Hon Kwan was established in 1998.

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 the Company. The Audit Committee held two meetings during the year.

SUBSEQUENT EVENT

The Group is undergoing a restructuring pursuant to which the Group will spin-off its operations in toll roads with intention to list on the main board of the Stock Exchange. The restructuring upon finalisation will have no significant impact on the financial position of the Group as at year end.

AUDITORS

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

By Order of the Board

Wang Guang Hao
Chairman

Hong Kong SAR, 23rd April 2003