

Management Discussion and Analysis

LIQUIDITY AND SOURCE OF FINANCE

The Group continued to maintain a healthy financial position. As at 31 December 2002, cash and bank balances amounted to HK\$268,000,000 (at 31 December 2001: HK\$254,000,000). As at 31 December 2002, the Group has bank borrowings of HK\$259,000,000 (at 31 December 2001: HK\$125,000,000), all of which were short term.

GEARING RATIO

As at 31 December 2002, the current ratio of the Group (current assets to current liabilities) was 1.56 (at 31 December 2001: 1.82) and the gearing ratio (total liabilities to total assets) was 31.0% (at 31 December 2001: 25.1%).

CAPITAL EXPENDITURE

The total capital expenditure for the year amounted to HK\$123 million (2001: HK\$93 million). During the year, the Group invested approximately HK\$119 million in constructing storage and conveyance facilities for jetty situated in the PRC. The Group also made other investments which amounted to approximately HK\$4 million.

SIGNIFICANT INVESTMENTS

During the year, the Group established Kantons Gas Station Investment & Management Co. Ltd., Guangzhou Bonded Division (廣州保稅區冠德油站投資管理有限公司) in Guangzhou which specializes in the operation and management of the entire petrol station business.

SIGNIFICANT ACQUISITIONS

During the year, the Group acquired certain petrol stations in Guangdong Province.

CONTINGENT LIABILITIES AND PLEDGED ASSETS

As at 31 December 2002, the Group did not have any contingent liabilities and pledged assets.

EXCHANGE RISK

As the Group's operations are principally in the PRC, including Hong Kong and Macau and all assets and liabilities are denominated either in Renminbi, Hong Kong dollars and US dollars, the directors believe that the operations of the Group are not subject to significant foreign exchange risk.

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EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2002, the Group had a total of 1,286 employees. The Group's emolument policies are formulated on the basis of the performance of individual employee, the salary trends in various regions and employees' contribution to the Group. Subject to the profit of the Group and the performance of the employees, the Group may also provide discretionary bonus to its employees as an incentive for their further contribution.