

Management Discussion and Analysis

Liquidity and Source of Finance

The Group continued to maintain a healthy financial position. As at 31 December 2003, cash and bank balances amounted to HK\$221,000,000 (at 31 December 2002: HK\$268,000,000). As at 31 December 2003, the Group had bank borrowings of HK\$226,000,000 (at 31 December 2002: HK\$259,000,000), all of which were short term.

Gearing Ratio

As at 31 December 2003, the current ratio of the Group (current assets to current liabilities) was 1.92 (at 31 December 2002: 1.56) and the gearing ratio (total liabilities to total assets) was 25.3% (at 31 December 2002: 31.0%).

Capital Expenditure

The total capital expenditure for the year amounted to HK\$166,000,000 (2002: HK\$123,000,000). During the year, the Group invested approximately HK\$112,000,000 in constructing storage and conveyance facilities for jetty situated in the PRC. The Group also incurred other capital expenditure which amounted to approximately HK\$54,000,000.

Significant Investments and Material Acquisitions and Disposals

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

Contingent Liabilities and Pledged Assets

As at 31 December 2003, the Group did not have any contingent liabilities and pledged assets.

Exchange Risk

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

Employees and Emolument Policies

As at 31 December 2003, the Group had a total of 1,297 employees, more or less the same as at the beginning of the year. 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.