

Management Discussion and Analysis

管理層之討論及分析

GENERAL

The Group recorded a turnover of HK\$1,023,782,000 for the year ended December 31, 2004, a substantial growth of 129.1% comparing with the turnover of HK\$446,802,000 for the year ended December 31, 2003. Net profit for the whole year of 2004 amounted to HK\$20,178,000, a small increase of 18.3% over the net profit of HK\$17,051,000 of 2003 as a result of substantial rise of direct cost as well as the need to make write-off and impairment provisions for certain business. During the year, the Group had undergone a ten to one share consolidation. As at the end of December 31, 2004, the Company has issued and paid up 481,676,687 of ordinary shares. Basic earning per share for year 2004 was HK4.38 cents, decreased by 15.9% comparing with the basic earnings per share for the adjusted number of shares for the year ended December 31, 2003.

The Group achieved a total LPG sales volume of 260,000 tons in 2004, doubling the sales of 130,000 tons achieved in the year of 2003.

MARKET SITUATION

Wholesale Market

For the LPG market, 2004 was indeed a challenging year. Commencing middle of the year, the volatile movement of international crude oil price continuously drove up the LPG ex-factory price, pushing it to historical heights. Sea freight for LPG transportation also climbed from about US\$50/ton at the beginning of the year to about US\$100/ton at the year's end (an increase of 100%). These two factors together caused the CIF China price of LPG to rise by 60% over that for the same period in 2003. Wholesale customers became extremely cautious in their purchase. Overall demand of the market was adversely affected

概覽

本集團於截至2004年12月31日止年度內實現了可觀的業務增長。期間錄得營業額1,023,782,000港元，比對截至2003年12月31日止年度的營業額446,802,000港元大幅增長129.1%。但因受各種市場因素影響、加上需要對部分業務進行撥備及撇帳，本集團在此期間之溢利淨額僅為20,178,000港元，比對2003年同期溢利淨額17,051,000港元，微升18.3%。在此期間，本集團曾進行十合一的股票合併，截至2004年12月31日止，本集團已發行並已繳足股份數目為481,676,687股，每股基本盈利為4.38港仙，與截至2003年12月31日止年度相應調整股份數目之每股基本盈利比較，下降15.9%。

2004年全年的液化氣銷售量約為260,000噸，比對2003年同期130,000噸的銷售量，增加一倍。

液化氣市場情況

批發市場

2004年是液化氣市場充滿挑戰的一年；期內（尤其是下半年），因受國際原油價格頻繁波動的影響，液化氣的出廠價由下半年開始一直攀升，達到歷史性的高位。另外，船運費亦由年初約50美元／噸大幅度調升至年底100美元／噸（增幅達100%），致使中國各地進口液化氣的到岸價，比2003年同期升近60%。批發市場的買家在下半年變得異常謹慎，影響了液化氣總體銷售的增長，對華南沿海地區的一級（遠洋／大型液化氣貨運）及



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and heavy burden fell on all wholesalers that operated Class 1 (ocean going/large LPG cargo) and Class 2 (coastal/inland waters) terminals along the coast line of Southern China.

Retailing Market

The LPG business in Southern China (Guangdong and Guangxi) experienced less growth in 2004 than in the former years. Price persistently being kept at high levels was the direct cause of the stagnation. The price of standard bottle (15kg) of LPG surged from about RMB50 at the year's start to more than RMB70 by the end of the year, an increase of about 40% (same applied to other sizes of bottled LPG). To general household users, many of whom consumed just a little more than one bottle a month, the impact was insignificant, but to the commercial and industrial users, the increased cost was indeed a heavy burden. In order to cut down their operating costs, they have no better choice than to economize on the use of LPG and that caused the slow-down for LPG business growth in 2004. Guangdong and Guangxi are all along the provinces in China that have the highest demand for LPG. These two provinces rely heavily on LPG importation as the supply by local refineries can only meet 10% of the total demand. Because of this special situation, import LPG price naturally acts as the prize benchmark. Terminals raised the wholesaling offer price of LPG when their cost of import increased, and retailers had to purchase at a higher price. Theoretically, retailers could also adjust the retail price up and transfer the increased cost to the end user in order to keep their profit margin. However, as we all know, LPG retailing market in China has already been deregulated. It is a market of free competition. Higher retail price implied higher possibility of market share diminution. Retailers had to strike a balance between the pros and cons. It resulted in that only part of the increased cost could be effectively transferred to the end-users, and retailers had to face the reality of thinner gross margin.

二級(近岸/內河貨運)碼頭批發商造成巨大的壓力。

零售市場

2004年華南地區(廣東及廣西)液化氣零售業務的增長幅度不及往年，究其原因，與價格持續高企有直接關係。標準瓶裝液化氣(15公斤裝)的價格由年初人民幣50多元一瓶上升至年底人民幣70多元一瓶，升幅接近40%(其他容量的瓶裝液化氣，情況亦然)，一般家庭用戶的用量多為每月稍多於一瓶，因此儘管價格上漲，影響尚屬輕微；但對於每日用氣量頗大的酒樓食肆及工業用戶，液化氣開支無疑是一項沉重的負擔，因此，節約用氣成為他們減低成本的唯一方法。廣東、廣西是液化氣需求大省，由於省內煉油廠的液化氣產量僅為總需求的十分之一，要滿足需求就必須依靠大量進口，進口氣的價格因而成為廣東、廣西市場的主導價格。進口液化氣的成本上漲直接拉高了碼頭批發價格，零售商的採購成本上升，唯有調高零售價將上升的成本轉嫁給最終用戶以保持盈利。不過，眾所周知液化氣零售業務在中國已經是一個完全開放、自由競爭的市場，調高價格同時存在喪失市場佔有率的可能性。零售商必須平衡兩者之利弊，因此，僅部分上漲的成本能夠轉嫁給最終用戶，零售毛利率下降成為必然的結果。



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THE LPG WHOLESALING AND RETAILING BUSINESS

Wholesaling Business

In March 2004, the Group acquired and took over from Iwatani Internation Corporation the Class 1 LPG terminal (the “Zhuhai Terminal”) located in Gaolan Island of Zhuhai City for the development of LPG wholesaling. To start LPG wholesaling in such difficult market situation was not an easy task. Nevertheless, thanks to the dedication of the Group’s employees, the LPG wholesaling business of the Group was able to achieve significant breakthroughs and obtain remarkable results: (1) Just two months after taking over the Zhuhai Terminal (with 50,000 ton class jetty and just 2,100 tons storage capacity), 12,500 tons of refrigerated LPG in one shipment was brought in by a Very Large Gas Carrier (VLGC), and Zhuhai Terminal successfully discharged all cargoes within 5 days by way of both barge and tanker trucks distribution. Prior to this event, Zhuhai Terminal had no precedent of receiving any VLGC; (2) In 2004, the Group had opened up LPG supply channels with more than 17 foreign suppliers (either oil majors or international commodity traders) successfully freeing the Group from passively relying on one single source of supply; (3) Without increasing manpower, Zhuhai Terminal had since March 2004 continually maintained 24 hours non-stop operation, and at the end of the year, demonstrated its high operating efficiency by achieving more than 2,000 tons of tanker truck distribution in one day (handled the filling of more than 80 tanker trucks in one day). Zhuhai Terminal company achieved in total about 140,000 tons of LPG import and sales in its first year of operation, making it one of the major importers/wholesalers in the LPG market of Southern China. It did not only establish its market influence in the Zhuhai area, but also solidified its foundation for further development. Currently, Zhuhai Terminal is restricted by its small storage capacity and has to import mainly

液化氣批發及零售業務

批發業務

本集團於2004年3月正式全面收購接管原岩谷產業株式會社在珠海高欄島的液化氣一級碼頭、準備以該碼頭大力開展液化氣的批發業務。在這惡劣的市場環境下開展液化氣批發業務絕不容易，不過，憑著全體員工的努力，本集團的液化氣批發業務在2004年年間仍實現了多項突破，而且最終取得相當不錯的成績：(1)在接管了擁有50,000噸級碼頭、但僅有2,100噸存儲量的珠海碼頭公司後兩個月內就引進了一艘12,500噸的冷凍船，並以駁船、槽車銷售方式在5天內完成卸貨，打破了珠海碼頭從未接過大型液化氣船的紀錄；(2)在2004年內，與超過17家跨國石油公司及國際貿易商開通了緊密的供應渠道，短時間內擺脫了依靠單一渠道進貨的困局；(3)從三月份開始，在沒有增加人手的情況下，持續保持24小時全天候經營，在年底前實現了一天內槽車出貨2,000多噸(即一天內完成80多輛槽車裝卸)的高效率操作。珠海碼頭全年完成了約140,000噸的進口／銷售量，在運營的第一年就進身華南地區液化氣的主要進口商／批發商之一，不但在珠海地區樹立了相當的影響力，更為往後的發展奠定了堅實的基礎。珠海碼頭目前存在倉儲能力小、土地未能充分使用的問題，因此珠海碼頭至今仍然以進口壓力貨為主，壓力船運費比對冷



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pressurized cargo. Sea freight of pressurized cargo is generally US\$25 to US\$35 per ton higher than that of refrigerated cargo. As such, the current cost of import of Zhuhai Terminal is relatively high, thus weakening its competitiveness in the wholesaling market. The storage capacity has to be substantially enlarged, and the Group is actively engaged in an expansion program.

Retailing Business

The Group consistently focused on the second and third tier cities of Guangdong and Guangxi for expanding its LPG retailing business. In mid 2004, the Group acquired the Chaoyang Station in Guilin and in early 2005, acquired the Yonglong Station in Qingyuan. Both acquisitions contributed substantial expansion of our market share in the two cities. Retail business in other cities all maintained stable development. Regarding the cost increase issue, Management took the view that price movement would be cyclical and the purchase of local LPG from the north through railway transportation would be an alternative way to reduce purchase cost. After careful consideration, Management decided to put its priority in maintaining and continuously expanding its market share. Although this entailed tolerating a thinner margin temporarily, with controlled market share, we would be able to realize on opportunities offered by the price fluctuation in the long run, and hence to obtain remarkable return from this business. With respect to the newly acquired stations in Guilin and Qingyuan, Management did not only attach attention to their contribution to the market share expansion, but also highly valued their facilities and support in substantiating the purchase of local LPG from the north through railway transportation.

凍船運費高出25美元至35美元一噸，不利於珠海碼頭的競爭能力，擴大庫容、進口冷凍貨是本集團現已積極推行的既定策略。

零售業務

本集團仍然以廣東、廣西的二、三線城市作為目標市場，繼續擴展液化氣零售業務。期間，在桂林市收購了朝陽氣站，亦於2005年1月份在清遠市收購了永龍氣站，大大提高了本集團在該兩地的市場佔有率；其他地區包括梧州、蒼梧、荔浦、花都的零售業務都保持了平穩的發展。對於成本持續上漲的問題，本集團經過謹慎的考慮後，認為價格起落有週期性，而且亦可以通過以火槽採購國產氣得以降低成本，因此作出決定以保護市場佔有率為優先，並繼續進行業務拓展。儘管在此期間必須暫時承受毛利率下降的現實，但長遠而言，擁有控制性的市場佔有率將可有效地把握價格變動所帶來的機遇，並獲得可觀的收益。本集團管理層認為在桂林及清遠新收購的氣站，除了可以增加本集團在當地的市場佔有率外，在策略上更可支援以火槽購氣的採購模式，有助對沖進口氣價格持續高企的影響。



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ELECTRONICS BUSINESS

Starting from January 2003, the Group contracted out the manufacture and sales of the electronics business. During the year 2004, income from leasing of property, plant and equipment was over HK\$4 million. Presently, the Group only maintained general trading of electronic components.

BUSINESS OUTLOOK

It is anticipated that international crude oil price will continue to fluctuate at high level and the lowering of LPG import price is unlikely to happen. The Group is well prepared to tackle the price severity.

In retailing, the Group targeted on reduction of the cost of purchase by opening up the channel of sourcing local LPG from the north. In this respect, the newly acquired stations will make possible the effective and smooth transportation by rail. The Group will continue to acquire other bottle filling stations in Guangdong and Guangxi for the expansion of its retail operation.

Zhuhai Terminal had obtained government approval for its LPG storage expansion in the fourth quarter of 2004. The permit for construction program was also granted in the first quarter of 2005. Construction will commence shortly and be completed in the first half of 2006. While the LPG storage expansion is under construction, Zhuhai Terminal will deploy joint-purchase arrangement to import refrigerated cargo, lowering the cost of transportation and improving its competitiveness in LPG wholesaling. By joint-purchase arrangement, the restriction imposed by our low storage capacity could be effectively removed as the cargo would be discharged directly into barges and tanker trucks (not through storage tanks) and be distributed to the cooperating terminals immediately.

電子業務

自2003年1月起，本集團已將電子業務的製造及銷售外判承包商。來自物業、機器及設備之租賃收入超過4,000,000港元。現時本集團只維持一般電子配件的貿易業務。

前瞻

預計國際原油價格在2005年內仍然在高位上波動，液化氣進口的價格大幅回落的可能性不大，本集團已作好準備，應付嚴峻的價格風險。

零售業務方面，將利用新收購的兩個氣站，開通以火槽採購北方氣的供應渠道，降低採購成本；並將繼續以收購合併方式在廣東、廣西地區擴大零售市場。

珠海碼頭庫容的擴建工程在2004年第四季度已獲得政府有關部門的批准，2005年第一季度內亦得到了建設工程規劃許可，可以馬上動工，預計可在2006年上半年完成擴建工程。在庫容未擴大的一年之內，珠海碼頭將與華南地區庫容較小的碼頭進行聯合採購，以批量進口冷凍貨，通過珠海碼頭以駁船、槽車分流給聯合採購的合作碼頭，消除大批量進口對小倉庫的壓力，同時降低船運費用，提高批發的競爭能力。



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Furthermore, the Group shall enter into cooperation with an international oil company to optimize the jetty and land utilization with a view to bring in reasonable profit for the shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2004, the net current assets of the Group amounted approximately to HK\$27,481,000 and the Group's bank balances and cash was HK\$55,937,000. At the balance sheet date, current ratio was 1.19:1, quick ratio was 1.17:1, gearing ratio was 0.30:1 which was calculated based on total liabilities of HK\$154,776,000 over total assets of HK\$514,113,000.

CONTINGENT LIABILITIES

The Company

At December 31, 2004, the Company has given corporate guarantees to the extent of total HK\$54,151,000 (2003: HK\$1,000,000) to two (2003: one) financial institutions and five (2003: two) unlimited guarantees to financial institutions in respect of general facilities granted to the subsidiaries of the Company. The facilities utilised by the Group at December 31, 2004 amounted to HK\$104,636,000 (2003: HK\$1,780,000).

At December 31, 2004 and 2003, the Company was a guarantor to an agent for import of LPG under an agency agreement entered into between a subsidiary of the Company and the agent. The guarantee was not utilised by the agent at both balance sheet dates.

另外，本集團將利用珠海碼頭剩餘土地，積極選定與一家國際級石油公司進行合作，盤活碼頭及土地的使用量，為股東帶來合理的利潤。

流動資金及財務資源

於2004年12月31日，本集團之流動資產淨額合共為約27,481,000港元；銀行結餘及現金為55,937,000港元；於結算日，流動比率為1.19:1；速動比率為1.17:1。資產負債比率為0.30:1，此乃根據負債總額154,776,000港元除以資產總額514,113,000港元計算。

或然負債

本公司

於2004年12月31日，本公司就本公司之附屬公司所獲一般信貸向兩家（2003：一家）財務機構作出總限額為54,151,000港元（2003：1,000,000港元）之擔保以及五項（2003：兩項）無上限數額之擔保。於2004年12月31日，本集團就該等信貸已動用之金額為104,636,000港元（2003：1,780,000港元）。

本公司之一間附屬公司曾與代理訂立一項代理協議，進口液化氣。於2004及2003年12月31日，本公司為該代理之擔保人。於兩個資產負債表日，該代理並無動用該項擔保。



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The Group

At December 31, 2004 and 2003, the Company was a guarantor to an agent for import of LPG under an agency agreement entered into between a subsidiary of the Company and the agent. The guarantee was not utilised by the agent at both balance sheet dates.

The Group had no other significant contingent liabilities at the balance sheet date.

PLEDGE OF ASSETS

At December 31, 2004, the Group pledged its bank deposits amounting to HK\$3,004,000 (2003: HK\$2,607,000) to secure general banking facilities granted to the Group. The Group has pledged gas plant and facilities having an aggregate net book value of HK\$2,082,000 (2003: HK\$2,183,000) to secure general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2004, the Group employed approximately 310 full time employees in Hong Kong and the PRC. The Group remunerated the employees based on their performance, experience and prevailing market practice. Employee benefits provided by the Group include a provident fund scheme, medical insurance scheme and an employee share option scheme.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2004.

本集團

本公司之一間附屬公司曾與代理訂立一項代理協議，進口液化氣。於2004及2003年12月31日，本公司為該代理之擔保人。於兩個資產負債表日，該代理並無動用該項擔保。

截至資產負債表日期止，本集團並無其他重大或然負債。

資產抵押

於2004年12月31日，本集團為獲得一般銀行信貸而將3,004,000港元(2003：2,607,000港元)之銀行存款抵押。另本集團為獲得一般銀行信貸而將賬面總淨值2,082,000港元(2003：2,183,000港元)的氣庫及設施抵押予銀行。

僱員及酬金政策

截至2004年12月31日，本集團於香港及中國僱用約310名全職僱員。本集團按各員工之工作表現、經驗及當時市場情況酬報各員工。本集團之員工福利包括強制性公積金供款、醫療保險及僱員購股權計劃。

購買、出售及贖回本公司之上市證券

於截至2004年12月31日止年度內，本公司或其任何附屬公司概無購買、出售或贖回本公司之上市證券。

