

## Chairman's Statement



**HONG Zhi Ming**

*Chairman*

In 2001, the world economy diminished following the U.S. recession. China was an exception that maintained a steady economic growth. For the year ended 31st December 2001, turnover of the Group amounted to HK\$5,951,937,000, down 31% compared to the same period of last year; gross profit amounted to HK\$285,072,000, down 21% from HK\$358,754,000 during the same period of last year and profit attributable to shareholders amounted to HK\$153,982,000, down 15% from HK\$181,645,000 during the same period of last year. According to Fortune (the thirty-seventh Chinese edition), the Company ranked 20th among the 100 top listed companies in China in 2001.

The annual delivery volume of crude oil at Huizhou Jetty by the Group was 6,320,000 tonnes, representing a 4% decrease over last year. Turnover amounted to HK\$306,000,000, representing an increase of 1% over the previous year. Profit amounted to approximately HK\$196,000,000, representing an increase of 7% over last year. Operating efficiency was enhanced steadily. In 2001, the Group built and commenced operation of 2 crude oil storage tanks at Huizhou Jetty. As a result, total storage capacity of crude oil increased up to 600 thousand cubic metres; the additional No.3 and No.4 oil discharge arms which suited many kinds of vessels successfully commenced operation, significantly enhancing oil discharging capacity. As a result, oil discharging at the jetty became more efficient. The land-area crude oil tank project with a million cubic metres storage capacity was progressing smoothly, and it was granted approval by the authorities, together with acquisition of a land parcel of 360,000 square metres. Much of the design has been completed, providing more room for the development of oil jetty activities.

As at the end of 2001, the Group operated 48 petrol stations, up 14% compared to the same period of last year. With China's accession to the World Trade Organization ("WTO") last year, the outlook for petrol station business became promising, which in turn increased the cost for acquiring petrol stations. The price for finished oil products dropped following the sharp fall in crude oil price, thereby diminishing the room for profit margin in petrol station business. In 2001, the Group enhanced management of petrol stations, with annual oil sales amounting to 319,400 tons up 4% over last year; turnover amounted to HK\$814,000,000, down 3% over last year; realised profit amounted to HK\$870,000, a turnaround from loss in the first half of the year. However, such profit represented a decrease of 91% over last year.

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The Group has been actively developing international trading of petrochemical business. In addition to continuing trade of crude oil and developing processing industries, the Group also participates in trading other products, such as chemicals and fuels. During 2001, international economy was getting weaker, especially in the second half of the year following the "9.11" incident in the U.S. which deteriorated recession of the world economy, thereby resulting in a more adverse operating environment. Annual petrochemical product sale turnover of the Group was HK\$4,832,000,000, representing a decrease of 35% compared to the previous year. The Group recording such huge annual decrease was mainly due to external negative factors.

Looking forward to the year of 2002, China will keep up faster existing pace of economic growth. The world economy is expected to bottom out following the recovery of the U.S. economy, which will improve business environment, coupled with China's entry into WTO which will bring about unlimited business opportunities and an upward trend in the world oil market price. The Group is extremely confident in its prospect. The Group will grasp every opportunity to continue development in various fields: the operation of crude oil jetty will continue in the normal course regarding discharge, storage and transmission. On the other hand, the Group will undergo the deepening of the harbour and channel waters in order to suit customers' needs for the establishment of crude oil storage tanks with the holding capacity of million cubic metres; petrol stations will benefit from steady opening of new stations. As for existing petrol stations, the Group will increase the efficiency of management to further utilize the economies of scale of petrol stations. As for international trading, the Group will, based on crude oil and processing industries, actively develop other related business for better results.

By Order of the Board

**Hong Zhi Ming**

*Chairman*

Hong Kong, 28th March, 2002