

# Chairman's Statement



**HONG ZHI MING**

*Chairman*

With the impact of international terrorists activities, the war looming in the Middle East and economic scandals in certain countries, the world economy proved to be weak and was slow to recover in 2002 with the exception of the continued robust economic growth of a few developing countries including China. Under the circumstances of a global economic recession and political instability, all staff members of the Group made diligent efforts to overcome the difficulties they encountered and satisfactorily fulfilled their tasks. For the fiscal year that ended 31 December 2002, the Group reported HK\$6,252,000,000 in turnover, up 5.04 per cent from the same period of previous year, HK\$231,000,000 in pre-tax profits, up 14.36 per cent over from HK\$202 million in comparison to the same period of the previous year. However, the operations of Huizhou Crude Oil Jetty began to be and was subject to enterprise income tax in 2002 in accordance with China's taxation system and this reduced the profits attributable to shareholders. For 2002, Huizhou Crude Oil Jetty alone submitted HK\$14,480,000 in income tax for its operation. The Group achieved profits of HK\$148,000,000 attributable to shareholders for the same year, down 3.60 per cent over the same period of previous year.

The Group's Huizhou Crude Oil Jetty maintained a stable operating condition and enhanced its performance in 2002. The crude oil transmitted by it for the whole year reached 6,710,000 tonnes, up 6.17 per cent from the preceding year. The crude oil received and discharged by it reached 6,830,000 tonnes, up 11.42 per cent from the previous year. Huizhou Crude Oil Jetty stored 81,080,000 tonnes of crude oil in total for the whole year and 220,000 tonnes of crude oil per day, down 20.37 per cent from the same period of the year before. Huizhou Crude Oil Jetty reached HK\$307,000,000 in turnover for the whole year, about the same as this period in the previous year. However, the operations of Huizhou Crude Oil Jetty was subject to enterprise income tax since 2002 and this reduced post-tax profits to approximately HK\$182,000,000, down 7.13% from the same period of previous year. In addition, the efficiency of oil discharge was increased substantially after no.3 and no.4 discharge arms were put into operation. The passing of the acceptance inspection on the completion and the success of the channel dredge works facilitated the oil transportation complex to meet the Group's requirement to anchor 300,000-tonne tankers and discharge crude oil from them. The construction of a one million cubic meter-oil storage tank has started, and the work of leveling the site in the storage area is

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under way. The application for tax-free crude oil tanks has already gained the approval from the Customs General Administration of PRC, and the establishment of the tax-free tanks will further increase the flexibility of crude oil trade and the storage rate of tanks, and hence is expected to enlarge the profit margin of the Group.

By 31 December 2002, the Group was operating 49 petrol stations located mainly in the delta area of the Pearl River where the economy is well developed and the market demand for oil products remains high. The Group enhanced its sales of oil products and hence its profits by implementing the centralized management of petrol stations. The division of petrol stations business sold 450,000 tonnes of petroleum products in 2002, up 41 per cent from the same period of previous year, achieving HK\$1,136,000,000 in turnover, up 40 per cent from the same period of the year before. The division of petrol stations business reached approximately HK\$24,000,000 in post-tax profits, leading to improvement in operating results. The growth of profits of the petrol station division for 2002 is attributable to many factors, including the strengthening of internal management, success in marketing, a more well-developed state management system for oil products, and the increase of profit margin for refined oil sales.

The Group achieved sales of 2,550,000 tonnes of crude oil and attained HK\$3,600,000,000 in sales revenue for the year of 2002, down 11.80 per cent from the same period of the previous year. The sales of petrochemical products reached HK\$1,200,000,000 for the same year, up 62.20 per cent from the same period of preceding year. Although the situation of international politics and the world economy were unstable constituting a major factor leading to high volatility of international oil price, the Group succeeded in controlling operating risk and bolstering its performance by closely monitoring the change of oil prices, analyzing market trend, taking advantage of the right time to make deals and making use of time gaps, differences in products quality and prices to catch reasonable trade opportunities. The Group also witnessed moderate success in chemical and fuel oil trading.

In the year ahead, the reliance by the main business of the Group on the mainland China market bolsters our confidence since China is expected to remain one of the most active and vitalized economies in the world while most other economies in the world are expected to remain stuck in the current recession. The Group will further revise its business strategies, speed up the restructuring of resources, and explore new profitable business opportunities, according to its strategy of "prudent budget, practising disciplined management, skillful operation, and controlling our plans effectively." In line with its spirit of "innovation, restructuring, market-oriented and performance enhancement", the Group will review its business plans and market positioning and will speed up the reorganisation of resources and develop potentially high-profitable projects and opportunities closely related to petrochemical industry in order to increase the value of the Company and the returns for the shareholders.

By Order of the Board

**Hong Zhi Ming**

*Chairman*

Hong Kong, 28 April 2003