

CHAIRLADY'S STATEMENT



As at 31 December 2006, the Group's turnover was HK\$17,040 million, representing a rise of 40% over last year. Profit attributable to equity shareholders of the Company was HK\$157 million, representing an increase of 15% as compared to last year. The increase in profit was mainly attributable to approximately 9% increase in the jetty businesses.

In 2006, as the production in Sinopec Guangzhou Branch remained stable throughout the year, the trade volume of the crude oil jetty's operation resumed to the normal level. During the year ended 31 December 2006, Huade transmitted and loaded 7,540,000 tonnes of crude oil, representing a growth of 11% and 9.3% respectively as compared to last year. The jetty operations recorded turnover of HK\$380 million and net profit after tax of approximately HK\$200 million, representing a rise of 15% and 33% respectively as compared to last year.

During the year ended 31 December 2006, the Group's petrol stations product sales totalled approximately 330,000 tonnes, representing a decrease of 40% as compared to last year. Turnover was approximately HK\$2,260 million, which is similar to that of last year. The petrol stations recorded a net profit of HK\$8.63 million by the end of 2006 as a result of the upward adjustment of wholesale and retail prices in the PRC domestic market. The Group's petrol station business was disposed of in December 2006 and recognised a gain on disposal amounted to HK\$16,079,000. The results of the petrol stations' segment are classified as discontinued operation for 2005 and 2006.

In 2006, the Group sold 2,800,000 tonnes of crude oil, recorded sales revenue of HK\$10,000 million, representing an increase of 13% and 43% respectively as compared to last year. Sales volume of petrochemical products was 470,000 tonnes, recorded sales



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revenue of HK\$2,200 million, representing an increase of 9% and 3% respectively over last year. The significant increase in sales revenues was mainly contributed by the increase in average crude oil price. In 2006, the trading segment recorded turnover of HK\$14,400 million and gross profit of HK\$81.3 million, representing a rise of 48% and 24% respectively over last year. However, as a result of significant increase in interest expenses to finance purchase of processing products which tied up more working capital for longer period of time, the net profit of trading segment decreased by 24% to HK\$18.9 million.

In 2007, the Group will continue to explore market opportunities and obtain more returns by controlling risks and maintaining a solid operation strategy. The Group will also continue to focus on the long-term development plan and endeavor to enhance its sustainable profitability. Among these, a 300,000-tonne berth in Huizhou Jetty is to be completed and put into operation soon. The newly built berth, with its improved loading capacity, will be able to meet the demand of downstream customers for expanding their productivity. The Group will pay close attention to market changes and risks in the crude oil market and petrochemicals market, analyze the market environment and conclude from our successful experience in order to further boost our profitability in international trade. The Group will exercise prudence and conduct scientific assessment of various investment opportunities and projects in accordance with its strategic orientation.

By order of the Board of Directors

Wang Li Sheng

Chairlady

Hong Kong, 31 March 2007

