

## Chairman's Statement



**Mr. Hong Zhi Ming**  
*Ex-chairman*



**Mr. Yang Shu Shan**  
*Chairman*

## Chairman's Statement

2003 saw a year of unrest. Oil prices sharply fluctuated and remained high for long period of time with the outbreak of US-Iraqi War. Korean nuclear crisis also added a new variable to the global environment. In addition, the widespread of Severe Acute Respiratory Syndrome ("SARS") in the People's Republic of China ("PRC") and Hong Kong during March and April in last year heavily attacked the public confidence in consumption and to a certain extent, slowed down economic development. Despite the above, the economies of some Asian countries such as China and India still showed a strong growth performance. With the benefits under Closer Economic Partnership Arrangement ("CEPA"), Hong Kong's economy showed a prominent sign of recovery and a steady decrease in unemployment rate in the second half of the year. In this capricious and complicated market condition, the Company and its subsidiaries (the "Group") overcame numerous difficulties and achieved relatively stable results through its staff's effort. For the accounting year ended 31 December 2003, the Group realized a turnover of HK\$7,702,000,000, representing a substantial growth of 23.19% over the corresponding period of the preceding year. In 2003, the Group recorded profit attributable to shareholders of HK\$139,000,000 and earnings per share of HK\$13.37 cents, representing an decrease of 6.63% as compared with the corresponding period of the preceding year. The Group generally kept stable operating results and healthy financial performance with excellent assets quality. The stock of the Company was accepted by the Hang Seng Composite Index as a constituent stock on 4 August 2003.

Huizhou GPC Crude Oil Jetty Complex of the Group ("Huizhou Jetty") maintained a stable operation and systematic management and achieved steady growth results. In 2003, as compared with the previous year, the volume of crude oil transmitted by it increased by 2.98% to 6,910,000 tonnes; the volume of crude oil received and unloaded increased by 3.37% to 7,060,000 tonnes; and the average daily storage volume of crude oil increased by 20.45% to 265,000 tonnes. On the same basis of comparison, the turnover of jetty operation for the year increased by 4.89% to HK\$321,000,000; and profit after tax increased by 6.28% (approximately HK\$186,000,000). The growth in results of the jetty operation was mainly attributable to an increase in the capacity of oil refining and processing of China Petroleum & Chemical Corporation Guangzhou Branch ("Sinopec Guangzhou Branch") as well as its effective measures in increasing revenue and reducing cost. Currently, the jetty-centred logistic facilities are being improved. After completion of the second phase channel and port dredge works, the facilities have been put into operation and is basically able to allow the anchoring and operation of 300,000-tonne tankers. The construction of a one million cubic meter on-shore oil storage tank commenced and the work of leveling the site in the storage area was fully completed. The initial two storage tanks of 100,000 cubic metres will be delivered in June of 2004. Approved by the General Administration of Customs of the State, a 300,000-tonne bonded crude oil storage tank set up in Ma Bian Zhou Island Storage Tank Area (馬鞭洲島儲油庫區) was put into operation formally. This further expanded the rooms for development of crude oil trading business and increased the storage rate of the oil storage tanks. In June of 2003, a total of 460,000 barrels of crude oil was put under bonded storage for the first time and generated an economic benefits of more than US\$700,000, creating valuable experience for the operation of bonded storage tank in the future.

The Group expanded the operation and management of petrol stations strictly in line with the strategies of "resources centralisation, clear relation, systematic management, skillful operation and stable development". This further rationalized the management framework and shareholding structure of petrol stations. As a result, a professional and standardized management system was established, thereby centralizing the management and resources deployment of petrol stations. Now, the Group operates 42 petrol stations in the Pearl River delta region where the economy has been well developed and has a strong consumption demand for oil products. The brand name of "Kantons Petrol Station" (冠德油站) has been generally recognized and appreciated by the public in that region. For the year ended 31 December 2003, the division of petrol station business sold 390,000 tonnes of petroleum products, realizing a turnover of HK\$1,207,000,000 and profit after tax of HK\$10,000,000. The decline in operating results was attributable to the decrease in gross profit.

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In 2003, international oil market fluctuated vigorously and prices remained high, causing difficulties in oil product business. Under such circumstances, the Group stuck to the strategies of practical operation and prudent development and succeeded in controlling operating risks by closely monitoring market change, deeply analyzing market trend and skillfully making use of various trading means and marketing tools. Besides, the Group used its extensive trading channels and customer network to develop new oil products timely, resulting in rapid growth and relatively stable operating results. In 2003, the Group's sales volumes of crude oil amounted to 2,900,000 tonnes, increasing by 13.73 % over the preceding year. The sales revenue of international trade recorded HK\$6,174,000,000, representing a growth of 28.38% over the preceding year.

Looking ahead, the world economy will see a turn for the better. Also, with the impetus of CEPA, Hong Kong's economy is being recovered from recession while the PRC economy will maintain its momentum of robust growth. The Group will take advantage of good business environment and seized the opportunities for development arising from the ten-million-tonne oil refining capacity of Sinopec Guangzhou Branch to accelerate the construction progress of one million cubic meter on-shore oil storage tank and the preparation for the projects of jetty renovation or construction. Again, the Group will carefully formulate the development strategies of the Company and implement them by stages with focus on a number of areas. To begin with, the Group will develop the core business of petrochemical logistic services in Huizhou Crude Oil Jetty and increase the storage capacity and jetty handling capacity. The strategic combination of crude oil trading and bonded storage tank operation will be made to enhance effectiveness in new aspects. In addition, by leveraging on strong customer base and operation and sales experience, the businesses of crude oil, petroleum and petrochemical products and processing services will also be expanded. On the whole, the Group will continue to review its business portfolio and positioning so as to expand, strengthen and improve its core businesses. Meanwhile, the Group will also consider some promising projects and opportunities highly relevant to its existing business. We believe that with the gradual implementation of the development strategy, the return of shareholders is expected to increase steadily.

By order of the Board

**Hong Zhi Ming**

*Chairman*

Hong Kong, 26 March 2004