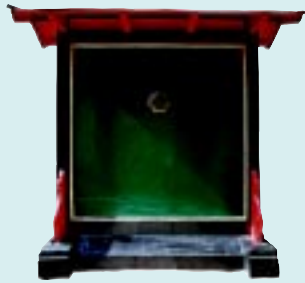


# *Looking to the Long Term*

## **The Story of Shell in China**





*Screen wall of the Clouds Gathering Pavilion at the Summer Palace, Shell's office in China 1980-1982.*

# Looking to the Long Term

## The Story of Shell in China

**Shell activities in China date back more than a century. From its historical roots in the East, and from its origins as two separate companies, Shell has been the most international of the major energy companies, and has always endeavoured to be part of the societies in which it operates.**

**Shell's history in China demonstrates a long-term commitment. Today, that is reflected in a determination to be the leading international energy company in China: a long-term, welcomed presence, helping to fuel China's continuing sustainable development in the 21st Century and beyond.**

# Shell in China Today

Shell has long been Hong Kong's leading energy company and is now expanding rapidly on the Chinese mainland. Investment on the mainland was about US\$2 billion at the end of 2003, one of the largest commitments of any international energy company, and this is planned to increase significantly as new projects and agreements go forward.

On the Chinese mainland, we have some 18 wholly-owned or joint venture companies employing about 1,600 staff (and joint venture staff), about 90 per cent of whom are citizens of the People's Republic of China. In Hong Kong, we have some 300 staff.

Shell's aim in China is to contribute to meeting China's energy needs by providing clean energy solutions that are sustainable over the long term.



*The Xijiang 24-3 oil production platform in the South China Sea*



*One of Shell's joint ventures, an oil depot in Chiwan, Shenzhen, which started operation in 1987*

Shell's focus is on gas and renewable energy and the clean use of coal, as well as providing consultancy services on energy efficiency and technological solutions.

In our fuels, lubricants, bitumen and chemicals businesses, we offer the latest technological and environmental solutions to contribute to sustainable development.

All five of Shell's core businesses are represented in China: Exploration and Production, Gas and Power, Oil Products, Chemicals and Renewable Energy.

Shell's modern ventures on the Chinese mainland date back to the late 1970s, when China's open-door policy began.

The latest information on our modern-day business in China can be found in our Shell in China brochure.





# Shell's Origins in the East

The history of today's worldwide Royal Dutch/Shell Group is inextricably linked with the East. It has always been an important region for Shell – more so for a long period than Europe.

The Group's British origins date back to 1833, when a tradesman named Marcus Samuel opened a modest shop in London, at that time one of the world's busiest and most thriving ports. Among the goods on sale in Samuel's shop were many items brought back by sailors returning from voyages to the East. The most popular and fashionable were mother-of-pearl, for buttons and cufflinks, and sea-shells, used to decorate jewellery boxes. Samuel arranged regular shipments of these and other objects from the East, and before long was master of a general import and export business.



Marcus Samuel

After Samuel's death, two of his sons, Marcus the younger and Sam, developed the business. Within the East they added short-haul inter-port trading voyages; and adding to the goods on their long-haul routes, they began to ship kerosene (a thin, colourless oil used as fuel for lamps) from Russia to the East. In the normal manner of the time, the kerosene was transported in tin cans, each containing five US gallons and packaged in pairs in wooden cases. 'Case oil' provided the customer with a convenient quantity, but transporting tins and cases was costly, so in 1890 young Marcus Samuel hit upon the idea of cutting costs by transporting

the kerosene in bulk, in tankers designed and built for the purpose. This would mean an enormous investment and correspondingly enormous risk. Nevertheless, his brother Sam Samuel agreed, and in honour of their father's most successful trade, the Samuels decided to name their tankers after sea-shells – a tradition which has been maintained ever since.

Their first tanker, the 5010-ton Murex, was the first ship permitted to carry a bulk cargo of kerosene through the Suez Canal, transiting the waterway in August 1892. The daring new venture proved successful. By the end of 1895 a total of 69 bulk-oil cargoes had passed through Suez, and all but four of them belonged to the Samuels. On 18 October 1897 the brothers formed a company dedicated to their oil and shipping interests: The "Shell" Transport and Trading Company, Ltd.

The other forerunner of the Royal Dutch/Shell Group began operations in what is now Indonesia. In 1880, a Dutchman called Aeilko Jans Zijlker found oil on a tobacco plantation in the jungles of Sumatra. It took another 10 years before enough capital could be raised, but on 16 June 1890 a small company with a very long name was launched – The Royal Dutch Company for the Working of Petroleum Wells in the Netherlands East Indies. Zijlker died only six months later, and the unwieldy title was subsequently abbreviated to Royal Dutch



An old oil lamp



The first Royal Dutch field in the Netherlands East Indies, on the island of Sumatra (around 1895)



SS Murex, the first tanker in the Samuel's fleet



Henri Deterding

Petroleum Company; but under the leadership first of August Kessler and then of Henri Deterding, the company flourished.

The markets of China and Hong Kong were an attraction, and soon Shell Transport and Royal Dutch were competing in trading, storing and selling oil around the Far East. But the biggest threat to the two businesses came from an American competitor: the Standard Oil Company, founded by John D. Rockefeller. The modern oil industry began in America in 1859, when oil was first found there in commercial quantities. For the rest of the 19th century America led the industry, and by a combination of ruthlessness and efficiency Standard Oil dominated it. Shell Transport and Royal Dutch realised they could only survive competition from Standard if they worked together, and on 1 January 1907 they formed the alliance from which the Royal Dutch/Shell Group has evolved.

Since their earliest days, the Group's parent companies have valued good relationships. Shell Transport began as a family firm; in Royal Dutch a favourite maxim was the Dutch proverb 'Cooperation gives strength'; and in 1934, Henri Deterding explained the Group's distinctive attitude to business around the world.

'Always our Royal Dutch/Shell policy has



Victorian jewellery box decorated with shells

## Why 'Royal' Dutch?

The word 'Royal' in the name of the Dutch parent company of the Shell Group followed a visit to the Netherlands by Aeilko Zijlker in 1890. He secured influential support from the former Governor of the Central Bank of the Dutch Indies, and as a result King William III granted the right to use the prefix 'Royal' in the company name. 'The Royal Dutch Company for the Working of Petroleum Wells in the Netherlands East Indies' was born. The 'Royal' prefix was (and still is) reserved for old, proven and successful companies: granting it to an enterprise as new as Zijlker's was seen as a token of great trust, and undoubtedly contributed to 'Royal' Dutch's success.

When Royal Dutch sought to develop a brand to distinguish its products from those of its competitors, 'Crown Oil' was a natural choice.

been to create goodwill. Everywhere we come we bring our experience, our work and our capital, and we are happy when we are received as sincere and faithful allies, who succeed in finding a satisfactory profit for ourselves, as well as assuring prosperity and progress for our neighbours, thanks to the natural riches of the country, the work of the population side by side with us, and a community of interests and reciprocal good feeling.'

Those words, written nearly 70 years ago, still accurately summarise Shell policy towards host nations.

# Shell in China: A Brief History

Today, after more than two decades of its successful open-door policy, China offers many opportunities to enterprises which, like Shell, are committed to building and sustaining genuine long-term partnerships. Shell in turn has much to contribute to China.

The same was true over one hundred years ago. Oil's main use then was as a source of kerosene, or 'lamp-oil', and according to Customs records, as early as 1864 – just five years after the modern industry began – Shanghai imported 11,000 gallons of kerosene. Replacing the vegetable oils traditionally used for lamps, kerosene burned with a steadier, less smoky flame and was cheaper. Not surprisingly, the 'new light' became ever more popular, and by the mid-1880s China's imports had risen to 7 million gallons annually, all in tins and mostly from the United States.



An early share in the "Shell" Transport and Trading Company

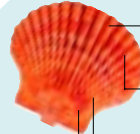
The first tins of Russian kerosene were brought to China in 1889, and it is believed that through the De Shan Mi Company Ltd, the Samuel brothers joined this trade in 1890. But when they began to bring bulk oil to the Far East they made one mistake which, though small, was nearly fatal.



A Shell kerosene tin used to carry Shell oil products in the Far East

They believed they had made every preparation for their new and highly risky venture. Agents had been appointed throughout the Far East, and while their first tankers were being built in 1891 the Samuels sent their nephew Mark Abrahams on a tour of the region, in order to buy or lease sites and build storage tanks. His first installations included two in or near Hong Kong and Shanghai, and others at Guangzhou and Xiamen. But when the Samuels' bulk oil began to arrive in the East, no one would buy it, even though it was cheaper than American oil and of good quality. This was puzzling, and very worrying, until at last someone (probably Mark Abrahams) understood the reason. Most customers were not equipped to buy in bulk: indeed, they positively wanted to buy in tins, partly because five or ten gallons was a convenient amount for domestic use, and partly because of the tins themselves. When empty, these could be made into all sorts of useful domestic items, so people were prepared to pay extra for the American product – because of the tins in which it was sold.

This nearly disastrous oversight was quickly solved – but not by going back to case oil. Instead, tinplate was brought



**1889** First shipments of Russian oil arrive at the main Far East ports. Shell becomes the leading importer.

**1891 / 92** Mark Abrahams comes to Far East to obtain sites and erect tanks to store oil sent in bulk through the Suez Canal in Marcus Samuel's new tankers. The first installations include Hong Kong and Shanghai.

**1892** Tin-making plants set up at the installations.

**1892 / 93** Agents for Marcus Samuel & Sons appointed in Hong Kong, Shanghai, Fuzhou and Shantou. Agents also established in Xiamen and Taipei.

in from Wales and tin-making factories were built near the tank installations. Without losing the economies of bulk transport, local employment was provided, creating goodwill; instead of being rusty after a long voyage, the tins were bright and new; and even with their cost included, the Samuels' kerosene still undercut the competition. With its many mutual benefits to the host nation, the customer and the supplier too, the solution became typical of Shell's way of thinking – and the product became a great favourite.

### **Kerosene Comes to Shanghai**

In 1894, Elax, another of the new tankers, brought the Samuels' first bulk cargo to their first storage installation in central/north China, about 15 miles outside Shanghai. This was a first not only for the Samuels but for Shanghai as well; kerosene had never before come to the city in bulk, and Elax's cargo provided about 275,000 tins of 'the new light'.

By then it was a well-established principle that the bulk oil should be transferred to locally-assembled tins for onward transport and sale. This worked particularly well in China, because inland distribution was largely by river. Thus, actual sales in bulk were confined to ports directly importing oil, such as Hong Kong, Xiamen, Shantou, Shanghai and Hankou (Wuhan).

It was also in 1894 that Royal Dutch began exporting its rival 'Crown' kerosene from the Netherlands East Indies to China. Some of this appeared in case form in Shanghai in 1896, and in bulk a year later.

Meanwhile, in 1895 the Samuels' installation at Xiamen was loaded for the first time; then in 1897 Royal Dutch established its first depot at Hong Kong's North Point and also transported a cargo many hundreds of miles up the Yangtze River to the city of Chongqing.

As the race continued, the Samuel brothers decided to formalise the 'Tank Syndicate', their existing semi-formal arrangement with their Eastern agents. The "Shell" Transport and Trading Company, Ltd was created in 1897 and took over ownership of the tanker fleet and (in 1898) the Syndicate's various installations, which in China included storage tanks, warehouses and tin factories in Hong Kong, Shanghai, Xiamen, Taipei, Fuzhou and Shantou. One of the new company's first actions was to buy (in 1899) 12 small shallow-draught steamers specifically to supply China's inland markets from the main ocean installations.

At the turn of the century, while American competitors were still sending kerosene to China as case-oil alone, Shell



*Shell product pipeline inspection cover in Shanghai*



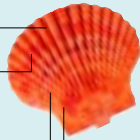
**1893** Installations established in Guangzhou, Xiamen and Shanghai.

**1894** Marcus Samuel & Sons export oil to the new installation near Shanghai. Royal Dutch starts exporting its 'Crown' oil (kerosene) to China.

**1896** Royal Dutch oil appears in cases in Shanghai.

**1897** Shell Transport founded and takes over properties from M. Samuel & Co.

Royal Dutch sets up depot in Hong Kong's North Point. Bulk Royal Dutch oil arrives in Shanghai.



Transport continued its bulk imports from Baku in Azerbaijan via Batum on the Black Sea, adding to these with production from its own new wells in Borneo. Royal Dutch also began bulk imports from Baku and from its wells in Sumatra. Though the British and Dutch companies were rivals, they had already talked on several occasions of working more closely together.

The market in China grew quickly. In 1884, its total oil imports had been 7 million gallons of which neither Royal Dutch nor Shell had any part. Just 15 years later in 1899, Shell Transport and Royal Dutch between them brought in 9.4 million gallons (over 29,000 tons) of kerosene to Shanghai alone, and another 21 million gallons (65,000 tons) to Hong Kong; and even that huge contribution from the future allies was less than half of Hong Kong's oil imports for the year. Like everyone else, Chinese people loved the new light.

## The Turn of the Century

Commissioned by the Baku Petroleum Association to inspect and report upon the Eastern activities of Shell Transport and Royal Dutch, a Russian called Meraboff observed that Shell Transport's Kowloon installation contained three tanks holding about 3,500 tons (over 1.1 million gallons) each, together with a factory capable of turning out 10,000 tins a day. He noted that Royal Dutch had a somewhat larger installation, with four tanks similar to those of Shell Transport and a factory that could make 12,000 tins daily, and he added, 'The author declares the installation of the Royal [Dutch] Company to be the most substantially built and best equipped he has seen in the Far East.'

Whether the provider was Shell Transport or Royal Dutch, oil stored and tinned in Hong Kong was sent on by sea to Shantou and Xiamen, and then far into the interior of the provinces of Guangdong and Fujian, right up to Fuzhou. By way of the Xijiang river, oil was also delivered to

*This old APC advertisement reads:*

*'Dear everybody, our company has very good kerosene. There are two brands – Anchor and Monk Hat. These are the best brands available. Their prices are economical because of their high yield. You can see that they produce a bright, long-lasting light. Our company keeps improving its products. Our wooden cases and iron barrels are solid and strong and are ideal for long distance transportation. So everyone wants our products.*

*There is also the Red Fish brand of kerosene – the very best in the world. This pack of oil is particularly good and the cases and barrels are exceptionally solid. They will not leak even when transported through difficult mountain terrain. This pack is specially manufactured to withstand the rigours of transport to the three northeast provinces.*

*If you want your house to be bright at night, please buy Red Fish brand.*

*Regards, Asiatic Petroleum Company.'*



An old APC advertisement



APC trade marks



Guangzhou, Sanshui and Macau, from which ports it proceeded further into the interior of the thickly populated provinces. The lack of railways and the poor roads made the large rivers and their numerous tributaries the easiest and cheapest means of delivering goods to the interior, although heavy duties were levied by local authorities.

Meraboff also reported that in his opinion, the two companies' installations at Shanghai seemed rather small. Shanghai was the most important trading centre in the Far East, with a correspondingly large oil trade, and was the central distributing point for the whole of Central and Northern China, including the three eastern provinces of Liaoning, Jilin and Heilongjiang (then together known as Manchuria) and Mongolia. Nonetheless, Shell Transport's storage there was limited to three tanks and Royal Dutch's to four, each of about 2,500 – 3,000 tons capacity, with a Royal Dutch factory that made only 4 – 5,000 tins a day.

Shell Transport's view was different. Rather than serve Central China by building additional capacity in Shanghai, its ambition was to be actually present in the heart of the nation. In 1900, it erected two storage tanks of 2,500 tons each at Hankou, 1000 km inland along the Yangtze. When the river was low, supplies did have to come via Shanghai, but at high water oil could be imported direct from Singapore, Hong Kong or Sumatra. It was a matter of simple arithmetic:

with the most direct line of supply, the customer's needs could be met at the best possible price.

Similarly, Shell wished to supply Beijing by the most direct means possible and, with a target of doing so by the end of 1900, decided to build a large tank installation on a freehold property at Tianjin. Tanks were ready for erection in June 1900 – unfortunately at the very time when the Boxer uprising was approaching its climax. During the summer most of the iron and steel on the site was removed without authority; what was left was appropriated later in the year by German forces in temporary occupation. The company was not able to recover possession of the site until 1902.

### **The Formation of the Royal Dutch/Shell Group**

As their interests became increasingly aligned, Shell Transport and Royal Dutch agreed to establish a joint marketing company for their Far Eastern operations. The Paris Rothschilds, who had oil interests in Russia, were the third partner in the new Asiatic Petroleum Company (APC), incorporated in London on 29 June 1903.

APC leased the tankers, tank installations and other material belonging to Shell Transport and Royal Dutch, and over the next two years (whether by purchase or agency agreements)



Far left: An advertisement dated 31 May 1909 in a Guangzhou weekly newspaper.

Left: An advertisement in a Shanghai publication in 1912.

expanded its interests into Qingjiang, Niuzhuang, Suzhou and Qingdao. In 1906, a southern branch of APC was established in Hong Kong, to operate in the existing sales area – the Xijiang valley and through the Chinese coastal sales offices of Shantou, Xiamen and Fuzhou, all of which were supplied from the main port by small tankers. Taiwan, and subsequently the Philippines, were later added to its operational area.

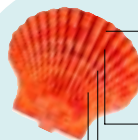
The creation of APC was a further significant step in the growing closeness between Royal Dutch and Shell Transport. The friendly competition that had existed for many years between the two companies became full and formal co-operation from 1 January 1907. However, it was not and never has been a partnership in the usual sense. At the time everyone – even Marcus Samuel and Henri Deterding – referred to the agreement as ‘the Amalgamation’, a term which was used routinely until at least the mid-1960s. In more recent years the term has fallen out of use, simply because it is not really an accurate legal description. For although the two companies merged their interests, they retained their separate identities – and still do.

## The Group in China

One of the first considerations of the new ‘family’ was how best to enlarge its involvement with China. 1908 was a busy year. The Shell trademark – today one of the most famous in the world – was registered in Hong Kong; up-country depots were purchased in the Xiamen district; and a northern branch of APC was established, based in Shanghai. In 1908 premises for it were acquired at Jiujiang Road 7, while two storage tanks were built on the bank of the Suzhou canal. This branch was to operate not only in the Yangtze valley and North China up to and including Tianjin, but also in the three northeastern provinces, where the main sales centres were located at Shenyang, Niuzhuang, Dalian and Andong (now Dandong), with Harbin as the northernmost sales office in the Far Eastern market. The North China distribution network was at first very modest, being limited to the establishment of depots along the great rivers and what were then the only two railways under construction (from Nanjing to Tianjin and from Hankou to Beijing). The distribution system came into full operation around 1910.

This was also the period in which the navies and merchant fleets of the world were turning from coal to fuel oil – an advance which Marcus Samuel had personally and powerfully advocated since 1899. With many vessels of the world’s





**1898** Shell Transport purchases agents' properties in Shanghai, Fuzhou, Shantou, Taipei and Xiamen. Royal Dutch completes tank installation at Shantou.

**1900** A major tank installation being built at Tianjin is badly damaged during the Boxer uprising.

**1903** Shell, Royal Dutch and Rothschilds form the Asiatic Petroleum Company (APC).

**1906** APC branch for Hong Kong/South China established in Hong Kong.



Shanghai's historic Bund: The Asiatic Building at Number 1, built in 1915, is a famous landmark. In recent years these buildings have been extensively restored.

navies visiting Hong Kong, and with every port around China's coast thronged with merchant shipping, the surging demand for oil in China meant that the businesses were becoming too big to be handled by agents any longer; so in August 1913 APC's northern and southern branches were formalised into The Asiatic Petroleum Company (North China) Ltd and The Asiatic Petroleum Company (South China) Ltd, taking over the property, plant and ships of Shell's Anglo-Saxon Petroleum Company in Hong Kong and various parts of the Chinese mainland, and also in Korea.

While the storage tanks at Hong Kong's North Point were developed for tankers discharging oil, APC (South China) set up its office in King's Building in Hong Kong's Central district. This acted as a regional head office for South China (and the Philippines), providing a lead to the branch offices in Guangzhou and Wuzhou and directly supervising the sub-branch offices in Qiongzhou and Zhanjiang. It was also in 1913 that the Shell Company of China was regis-

The Asiatic Petroleum Company football team, Shanghai (1930)





Beautifully-painted calendars were a feature of the company promotion efforts around the 1920s.



tered in London, in order to further develop the Group's own work in China, and in the same year Shell began supplying bitumen to Hong Kong.

The impact of APC (North China) Ltd was no less effective, and it rapidly became very well known. Seeking new accommodation, it rented offices at No. 1 on Shanghai's Bund, built in 1915 by the McBain Company and named after itself. But APC proved such a valuable member of the community that the building's official name was soon ignored: instead, unofficially but generally, it was called 'the Asiatic

Building'. Apart from the second and third floors, the building was entirely occupied by Shell, with a laboratory on the top floor, office accommodation at the front of the building, and – although it might seem unusual nowadays – staff living accommodation at the rear of the building. A new and major landmark, the eight-storey Asiatic Building became the hub of its operations for the next two decades.

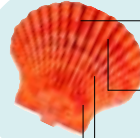
In 1916, APC (North China) provided 58,000 gallons of Sumatran kerosene for the Chongqing market alone, and by 1918 the company owned at least one depot and wharf for the import and storage of petroleum products. In the following years, APC dealt in many different brands of kerosene – 'Treasure', 'Monk Hat', 'Anchor', 'Dragon' and 'Cross' – while gasoline was sold under the 'Shell' and 'Silver Shell' brands. APC also provided the region with other Shell-branded products, including diesel oil, lubricating oil, candle wax, asphalt and mineral spirit.

### Marketing throughout China

From this centre, APC formed a broad and multi-tier marketing system across China. The general manager in Shanghai headed an office with three deputy managers, responsible for business, capital construction and staff respectively. Under



An example of the artistic quality of Shell calendars – this one in 1927, promoting APC's 'Sycee' superfine kerosene



**1907** Royal Dutch and Shell Transport merge their interests 60:40 to form the Royal Dutch/Shell Group.

**1908** APC branch covering the Yangtze Valley/North China/Northeast China established in Shanghai.

**1910** North China distribution organisation comes into full operation.

**1913** Formation of The Asiatic Petroleum Company (South China) Ltd and The Asiatic Petroleum Company (North China) Ltd.



Above: A dinner given by the Asiatic Petroleum Company in Shanghai in the 1930s

Below: Planet Motor's Blake Pier service station in Hong Kong in the 1950s

the general management office came the dealer office and departments of general affairs, finance, engineering, purchasing, business (divided into inside and outside Shanghai), shipping and transportation.

APC had its own transportation fleets, wharves, battery and tank plants in Shanghai, Guangzhou, Wuhan and other cities. It also owned the Shanghai White Candle Company, and contemporary records show that in the Shanghai region (which covered the cities of Hangzhou, Suzhou and Ningbo) APC had oil depots at Gaoqiaosha, Lingjiaqiao and Xidu. There were in addition not only the candle factory but also a garage, a transfer station, two official buildings with apartments, five oil stations, 14 residential quarters and about 50 filling stations. These properties had increased by the 1930s to include an oil depot in Yangshupu and two more oil depots with wharves (known as Upper and Lower) in Pudong.

Shanghai was not the only region in APC's North China market. Other regions were based around Nanjing, Hankou, Chongqing, Tianjin, Xiamen, Guangzhou, Shantou and Fuzhou. Like the Shanghai region, each of these covered several cities. The Nanjing region included Zhenjiang and Wuhu; Guangzhou region included Kowloon, Wuzhou and



*Shell transport in Shanghai*

Kunming; Tianjin region included Niuzhuang, Zhengzhou and Beijing itself. Altogether, APC had an estimated 6 – 7,000 Chinese employees throughout the nation.

The decade of the 1920s was the period when China really began to benefit from mechanised transport. Across the oceans, around the coasts and up and down the great rivers, more and more vessels large and small were bunkered with fuel oil. On land, private and public motor transport became commonplace in Hong Kong, while on the mainland public motor buses enabled people to travel cheaply and conveniently, not only within cities but also on the modern highways linking major urban centres; and beginning in Hong Kong, the gradual inauguration of air services brought far-distant places within easy reach. Utilities expanded in similar fashion throughout South China: electric light installations, wheat mills, and rice mills all flourished, fuelled and lubricated by petroleum products.

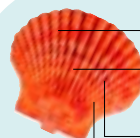
The petroleum business in China grew to meet the increased demand. APC's oil products were marketed mainly through

contracted local agents in long-lasting relationships of mutual benefit. A typical one was the Planet Motor Company, opened in 1928 by Mr Leung Dai. APC initially provided him with a roadside pump in Douglas Street, Central Hong Kong. In the early 1940s he moved his business to Blake Pier, where he gradually developed the location into one of the most successful stations in Hong Kong.

Notwithstanding the growth in sales of other petroleum products, kerosene remained APC's predominant business in China during the 1930s. By 1934 there were nine branches and/or agencies in South China and another 17 in North China, and by 1939 there were 138,000 tons of tankage at the Shanghai installation alone. Other main installations (at Hankou, Tianjin, Guangzhou, Qingdao and Nanjing) housed a further 216,000 tons and up-country depots provided another 30,000 tons of tankage. Supporting these was a large fleet of tugs, launches, motor barges and bulk oil lighters, and a developing network of retail outlets. These ranged from small shops which might stock just a few tins of fuel, up to full service stations and filling stations in the cities.







**1917** Rothschilds withdraws from Asiatic Petroleum.

**1934** Main offices in Shanghai and Hong Kong, 17 branches and/or agencies in North China and nine in South China.

**1939** 138,000 tons of tankage at the Shanghai Installation; some 216,000 tons at the other main installations. Some 30,000 tons up-country.

**1941-45** Operations taken over by the Japanese, and subsequently badly damaged.

## In Adversity

Very few nations have been free of the ravages of war in the 20th century, and China is no exception. But the period 1937 – 45 was the most difficult and turbulent of all, in which China suffered nine years of international armed conflict, from the beginning of the second Sino-Japanese war to the end of World War II. Shell has always been firmly apolitical, and in those years showed equally firmly its belief in China's long-term peaceful prosperity. From mid-July 1940, the Japanese Army in occupation refused to issue permits for APC to ship oil into occupied areas, on the grounds that oil trading with anti-Japanese guerrillas could not be prevented. Nevertheless, in 1941, APC (South China)

was the second largest corporation in Hong Kong, with an issued capital of over HK\$ 150 million – just a little less than the Hong Kong and Shanghai Bank. Such a level of commitment emphasised Shell's faith in China, and its certainty that China would survive and continue to flourish; but in December 1941 that certainty was put to the hardest possible test, when Japan entered World War II and requisitioned all APC's possessions in both Shanghai and Hong Kong, forcing it to cease its business activities.

Shell did not abandon China, but maintained a presence in the nation by means of the Shell Company of China,



*A service station on East Yan'an Road, Shanghai*



*A service station in Shanghai*

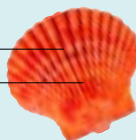


*Construction of a storage tank at a Shell installation in Shanghai in the 1930s*



**1945** Rapid work to restore considerable war damage. Shell Company of China took over China operations of APC – some 30 depots and 1000 filling stations.

**1947** Kwun Tang installation established in Hong Kong. Shell exploration team begins search for oil.



established in 1913 and now made operational with a branch in China's wartime capital, Chongqing. Imports by the traditional sea routes had become impossible, but by using the long and arduous overland routes from India and Burma, Shell managed to continue providing China with vital supplies of oil and oil products throughout the war years.

Shell's experience mirrored that of China itself. In Hong Kong, Shell House (which had been completed in 1924) had been partly destroyed by bombing, while both Shell's major installations (the original one at North Point, established in 1897, and a more recent one at Tai Kok Tsui) had been severely damaged by fire and explosions; and in Shanghai almost all its tankage had been destroyed – out of 138,000 tons pre-war capacity, only 3,000 tons remained. Nor had

storage at the other main installations escaped: of the 216,000 tons pre-war capacity, only 28,000 tons remained in a usable condition. The crucial depot at Yangshupu, through which all pre-war supplies to Shanghai passed, had been completely wrecked. Service stations and filling stations were almost unrecognisable and completely unusable, with their pumps, underground tanks and air compressors stripped out; and as for transport, 60 per cent of the fleet was missing, and every single one of the motor vehicles.

Faced with this grim situation, Shell's attitude was one of simple determination. China would rise again, and if the nation wished it, then Shell would make every effort to help.

### Post-war Reconstruction

Reconstruction was rapid and began with reorganisation. In December 1945, the Shell Company of China combined APC's South China and North China branches into one, taking over their combined property and staff. In March 1946, with a capital of £2 million, it was registered in Shanghai with an ambitious brief: to carry on the business of the production, refining, storage, transfer, supply and trading, and distribution of various oil products and related business in China, Mongolia, Korea and Macau.



War damage at a Shell outlet



### *Shell filling stations in Shanghai in the 1940s*

*(The locations are shown against today's Shanghai.)*

*In 1948 Shell had 16 filling stations in Shanghai – more than any of its international competitors. They were located in Dalian Road 180, Yanan West Road 995, Yanan East Road 27, Huaihai Zhong Road 1707 and 1224, Fahua Zhen Road 23, Changyang Road 692, Nanjing West Road 920 and 933, Maoming South Road 2, Hongqiao Road, Gubei Road, Wanhangu Road 351, Changshou Road 84, Huashan Road 458, Yuyuan Road 970 and Yangshupu Road 9.*

Meanwhile, in Hong Kong the company decided to site a completely new installation at Kwun Tong in Kowloon Bay – a development which entailed a large land reclamation scheme. The installation was opened for business in 1947.

By 1948 the Shanghai branch was more prosperous than ever. In that city alone it now operated 16 filling stations, more than either of its major American competitors; and throughout the country the famous Shell pecten was displayed at some 30 depots and up to a thousand outlets.

All of this meant that once again, Shell was able to provide not only oil supplies to China but the direct benefit of local employment: its 150 expatriates working in China and Hong Kong were far outnumbered by its 2,600 Chinese staff.

The interlude of domestic political turmoil that marked China's immediate post-war years concluded in 1949 with the founding of the People's Republic of China. The People's Liberation Army took over Guangzhou on 14/15 October 1949. Shell employees were there, and recorded both the battle during the night and the restoration of order the following day. The PRC held the potential for a new and welcomed stability, and when the American oil companies withdrew in 1950, Shell remained as the only western oil company trading in China.

### **Searching for China's Own Oil**

In terms both of population and geography, the Republic was (and still is) one of the largest nations on earth. It therefore offered an enormous latent market for oil and oil products, a market which Shell was still keen to supply. But China would hardly want to stay as an importer. At some stage



Above left: Gough Island Installation, looking southeast by east from the water tower, in October 1945  
 Above right: A view from the same position in May 1948

Before and after photographs of Shell's Shanghai facilities, reproduced from the Royal Dutch/Shell Group's international Shell Magazine in 1948



Above left: The ruins of Yangshupu Depot, Shanghai, after an air raid in July 1945.



Above right: New office at Yangshupu Depot after reconstruction

the nation would certainly wish to be at least self-sufficient in oil, if possible, and with its vast hinterland (only the Soviet Union and Canada were more extensive) it seemed likely that there could be exploration opportunities for Shell.

For literally thousands of years, oil and gas had been known to exist in China. So too had the techniques of drilling. As

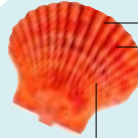
early as 300 BC, Chinese people had drilled wells as deep as 138 metres, using bamboos tipped with brass. Making these wells had taken years, sometimes decades, of patient effort; but rather than oil or gas, the objective of the search was brine, from which salt could be extracted by evaporation. As late as 1926, an assessment of China's natural assets recorded that although oil had long been known and used in many parts of the country, it was questionable whether there was enough to play a major part in future industrial life.

Ever since the modern oil industry began in 1859, there have been periodic worries that 'the oil is about to run out'. Every time these worries have arisen, the industry has responded and in the summer of 1947, with its post-war reconstruction well under way, Shell began to explore for oil in China. Starting from Shanghai, the preliminary survey



An oil producing field operated by the Chinese Government in Gansu Province in 1950s. Picture printed in "The Shell Magazine" June 1950 issue.





**1951-53** Most Shell assets in China requisitioned, but Shanghai office and Yangshupu depot retained. Trading continues, primarily in chemicals.

**1955** APC (South China) renamed the Shell Company of Hong Kong Ltd.

**1966** Shanghai office closes and Shell Company of China becomes dormant.

team traveled by air via Lanzhou into the Nan Shan range, then back to Lanzhou and on to the very end of the Great Wall. From Jiuquan the team proceeded by road all the way to Dunhuang, and at several places identified promising sites for more detailed investigation.

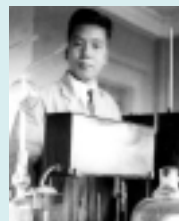
This venture could have had a significant effect on the Republic's economy, but following the Korean War, and as a result of a United Nations decision, the enterprise had to be postponed indefinitely.

China has subsequently built on its historical leadership in drilling technology by developing a major domestic oil industry. This saw the country more than self-sufficient until well into the 1990s, when growing domestic demand fuelled by the country's remarkable economic growth began to outstrip the country's ability to increase oil production to match. Nevertheless, the promise of large untapped reserves of gas offers the prospect of a boost to domestic energy production. Shell is playing a part in gas production, as it is also doing for oil production.

## A Temporary Withdrawal

Any major oil organisation – even one so firmly apolitical as Shell – is affected by political decisions, and over the period 1951-53 it gradually became less and less practical for Shell to maintain its oil trade with China. In those years Shell relinquished most of its depots, residences and service stations in the Republic to the government, together with various quantities of oil and chemicals. Although Shell had no wish to quit the oil business in the Chinese mainland, it did so with a good grace. Nevertheless, the company was

## A Voice from the Past



*Pan Xun in the laboratory in 1925*

Pan Xun, who died in 1998, worked for 17 years for the Asiatic Petroleum Company in the building at No. 1, the Bund.

'I won the mathematics prize at Shanghai Municipal Council School in 1925, when I was 19. The headmaster asked me to stay on and I became a teacher. Then I heard that APC needed a man in the laboratory who knew some chemistry and I joined in June 1928.

'At first I knew nothing about oil, but a British staff member taught me and we soon became fast friends. Every month his family sent him many periodicals; he always let me have them, so I improved my English. I tested everything – kerosene, gasoline, petroleum, waxes – and I learned how to blend oils – all the base oils to blend a marine engine oil. I worked alone in the laboratory; the work was very simple and repetitive, but those days were very happy ones.

'In 1937, the Japanese came; during the war I could see the firing in Pudong. In 1942, APC closed and I went to Qingdao. After the war APC wrote to their old staff, asking them to come back. I didn't return immediately, but in 1948 I went back to Shanghai. The APC laboratory was no more, and they rebuilt it; but there was not so much work. In 1954 it totally closed, and I joined Chinese Petroleum Oil Company ('Sinopec') until I retired.'



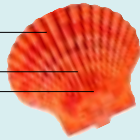
*The laboratory in APC's Bund building in Shanghai*



**1970** Ap Lei Chau installation opens in Hong Kong.

**1970 / 71** Shell invited to Guangzhou Trade Fair, the PRC's key trading event.

**1973** Shell Hong Kong builds bunkers and lubricants supply to China Offshore Supply Corporation: Shell Hong Kong/Shell Kosan expand oil product purchases from the mainland.



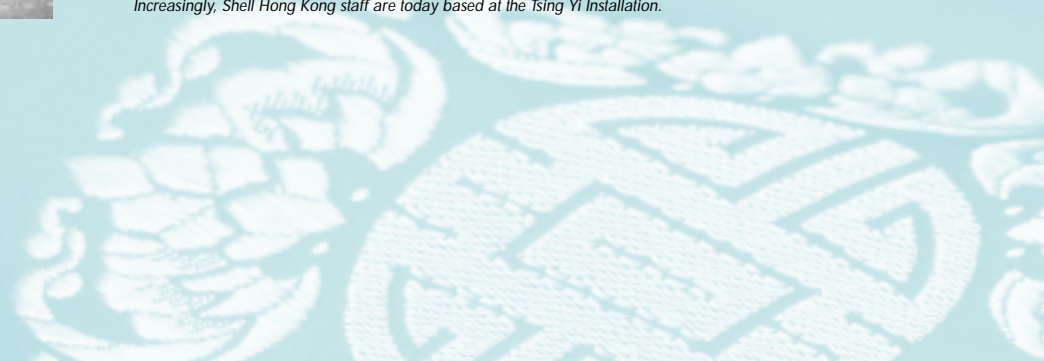
allowed to retain its head office in Shanghai and the depot at Yangshupu under general manager Dr Cheng Kuang Chi, the first local PRC person to hold that position. After his death in 1957, his wife Nien Cheng continued to act as adviser and assistant to three successive British general managers. The company continued to sell various chemical products, such as fertilisers and pesticides, until 1966. At the start of the Cultural Revolution, the assets were handed over and a Chinese government agency took over the staff with the commitment to give them employment and pensions.

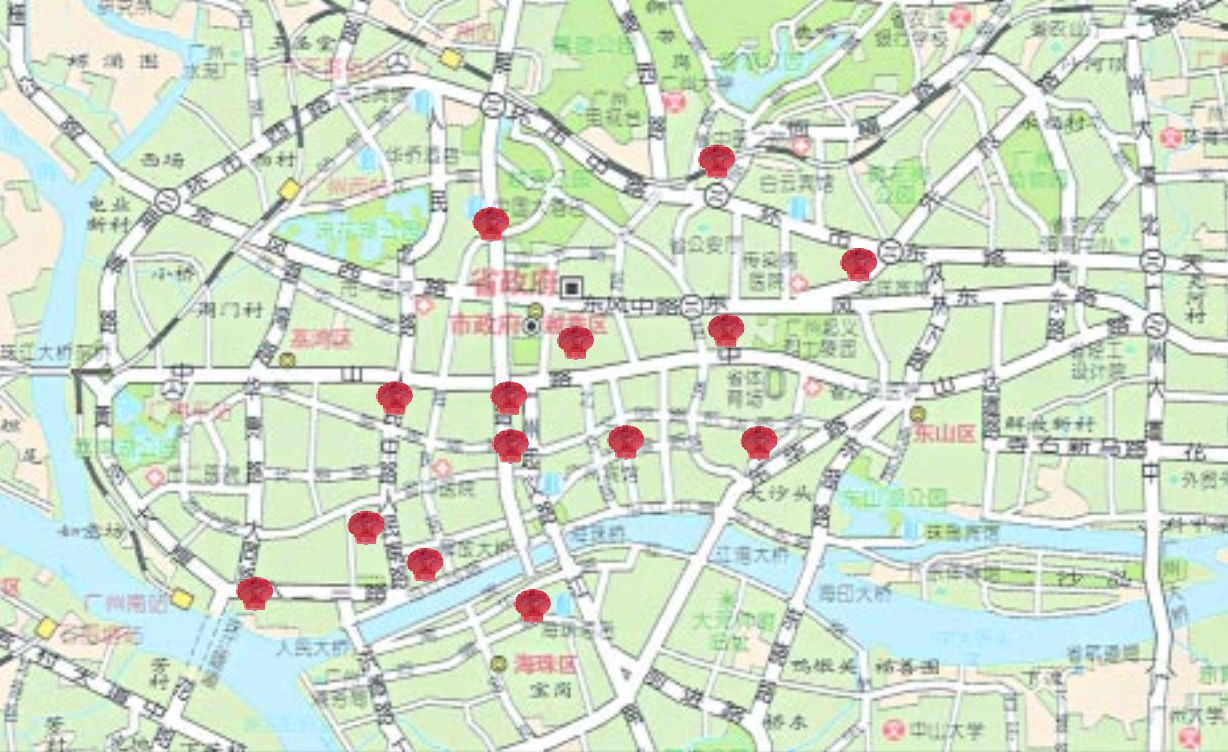
### Focus on Hong Kong

For the time being, Hong Kong became the focus of Shell's activities. Hitherto it had functioned very much as an entrepot port, but with markets in China no longer accessible, its economy took a new course and became based much more on the production of a wide range of manufactured goods. New industries required new machines, and more shipping for the import of raw materials and the export of products. Simultaneously, more cars, lorries and buses were needed to meet the demands of prosperity, and more people were needed to work in the factories – more people needing more

*Above: Shell House, Queen's Road Central, Hong Kong*

*Below: Shell House was Shell's headquarters in Hong Kong for more than 80 years until 1993. Initially, there was a two-storey house on the site, then this seven-storey office block was built. This was sold and demolished in 1958 to make way for a 17-storey building completed in 1960. It was only when that building was, in turn, demolished in 1993 that Shell moved to a new location, in Causeway Bay. Increasingly, Shell Hong Kong staff are today based at the Tsing Yi Installation.*





Shell filling stations in Guangzhou in the 1940s

(The locations are shown against today's Guangzhou.)

Shell outlets in Guangzhou in 1952: locations are at Wei Xin Road 376, Deng Feng Road, Guang Wei Road 15, Guang Jiu Road 9, Tai Ping Road 228, Xian Lie Dong Road 141, Da Dong Road 2, Nan Hua Zhong Road 142, Feng Ning Road 383, Wan Fu Road 199, Xi Qiao, Tai Ping Road 116, Da Bei Men and Qi Yi Road.

light, heat and water in their homes. To help power this remarkable economic growth, energy was needed in ever-increasing quantities: its oil consumption tripled over the decade of the 1950s. Then and ever since, its outstanding export performance has been based to a significant extent on products supplied by Shell.

Hong Kong's economic transformation in the 1950s was matched by a transformation in Shell's personnel profile as, all around the world, the Royal Dutch/Shell Group introduced a new and highly dynamic staffing policy. From their earliest days, the parent companies have been distinguished by the internationalism of their outlook. Now, well ahead of any competitor, they put this into practical form and began systematically to train local employees for increasingly senior posts. For Chinese staff the effect was soon apparent. Before 1950, only one was of senior level. By the early 1960s more than 30 were in senior jobs, and in 1962 the first Chinese staff member joined the management team.



Kerosene was a major household fuel in Hong Kong in the 50s and 60s. This photo shows 'Asiatic' and 'Crown' brand kerosene being delivered to dealer's trucks from a Shell depot in the 50s.



*Far left: Shell's "Crown" kerosene was popular in Hong Kong*

*Left: A shop assistant helping a customer with a drum of "Crown" kerosene*

Many more have followed since then, and in common with their colleagues throughout the Group, they may expect to travel widely, living and working in whichever part of the world their skills are most needed.

At the same time as it conceived and undertook this initiative, Shell was also making further progress in support of Hong Kong's economic development. The industrial/commercial sector became Hong Kong's dominant user of hydrocarbons, including fuel oil, gas oil and (from the early 1960s) LPG, introduced to the territory by Shell. This at first was supplied in cylinders – an interesting echo of the long-gone days when Shell Transport entered the Eastern kerosene market by selling 'case oil'. And just as case oil had been supplanted by cheaper bulk oil, so too the market for LPG soon outstripped cylinders as a means of supply. Not surprisingly, Shell was foremost in building central bulk storage tanks and piping the gas to its Hong Kong customers.

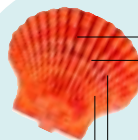
## **The Gradual Return**

From the early 1960s, Shell was glad to be able to resume some of its marine bunkering and lubricants sales in the Chinese mainland. By the end of the decade, it was clear that another depot was needed, and in 1970 one was opened at Ap Lei Chau.

With growing improvement in the international climate, in 1970/71 Shell was invited to attend the twice-yearly Guangzhou Trade Fair, a major event then handling the

majority of China's export trade with the outside world. This was a happy return to a once-familiar area, enhancing Shell's ability to provide for China's needs in chemicals. Patrick Lloyd was the initial Shell London representative. A Shell presentation was also part of the first Dutch and British Trade Exhibitions in Beijing in 1971-2. New steps into old locations continued: in 1976, Roger Williams, Shell's London-based representative to the Guangzhou Trade Fairs, was invited to visit Beijing on a regular basis, and the following year he was sponsored by the Ministry of Chemical Industry to negotiate for a permanent hotel room/office in Beijing. Roger Williams moved to Hong Kong in 1978, where Shell Developments (H.K.) Ltd had been incorporated two years earlier with the express purpose of developing joint ventures and other business in China, and thence to Beijing in 1980. There, he was able to negotiate the establishment of a well-equipped office in a pavilion in the Summer Palace, which opened in late 1980, as the Republic's open-door policy came into play. A second, adjacent, pavilion was added in 1981 to hold more staff as business grew, including the establishment of an expatriate chemicals manager and the development of exploration and production contacts that were to develop into offshore oil and gas exploration activity in co-operation with China National Offshore Oil Corporation. In 1982, more space was needed and, still led by Roger Williams, Shell established the first western-style office in Beijing on the third floor of Hepingmen Hotel housing the well-known Quanjude Roast Duck restaurant.





**1976** Shell Developments (H.K.) incorporated in Hong Kong to market in China.

**1978** Roger Williams (Shell's China representative) moves to Hong Kong from London and builds Beijing contacts/trading activities, mainly in chemicals and metals.

**1981** Shell China Ltd registered in China for general trading activities, with Roger Williams as managing director in the Summer Palace office.

**1983** Offshore oil exploration joint ventures established with Exxon and then Phillips.

Expanded Beijing office established on the third floor of the Hepingmen Hotel where Quanjude Roast Duck Restaurant is located.

Back in Hong Kong, the Tai Kok Sui installation was finally closed and the old North Point depot decommissioned, in 1980 and 1981 respectively. There is always some sadness when long-standing connections come to an end, but the memory of the North Point depot lives on in the names of Shell Street and Oil Street; and in any case Shell, though rightly proud of its past, is always more inclined to be forward-looking – to the long-term future. Thus, after early feasibility studies about moving to another site, Shell waited for several more years before the increasing development around Kwun Tong and the changing needs for large scale storage at Ap Lei Chau made it highly desirable to replace both with a single new installation.

Meanwhile, sales to the mainland were growing rapidly and in 1982 Shell and the PRC agreed on the first Shell joint venture in the PRC, the Hua Ying industrial fuels depot in Shekou, Shenzhen Special Economic Zone (SEZ). This opened in 1985. Two years later, a second joint venture – the Chiwan depot, the first in any PRC SEZ to have bulk storage facilities for LPG – began operations on an adjacent site.

The year 1988 brought several significant developments. Chemicals sales in the Chinese mainland had grown to be as important as those in Hong Kong. Final approval was given for the relocation of the Hong Kong depot to a site



*The Tsing Yi installation – a major US\$320 million investment in the future of Hong Kong, and one of the most modern installations in the Shell Group.*



*Left and middle: Clouds Gathering Pavilion, Summer Palace – Shell's first office in Beijing (1980 -1982)*

*Right: Shell's second office in Beijing (1983 -1990), in the Hepingmen Hotel where the famous Roast Duck Restaurant is located*

on the south side of Tsing Yi island. Early in the year, Shell Hong Kong supplied 40,000 tonnes of bitumen for the prestigious Beijing – Tianjin – Tanggu superhighway.

Further contracts for supplies to other major highway construction projects were successfully negotiated in the following years.

### **Into the 1990s**

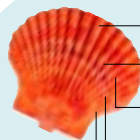
Going into operation in 1991, the new US\$320 million Tsing Yi installation was one of the most advanced facilities in the world for the storage and distribution of fuel, with the highest emphasis on safety, security and the environment. At once it began to play a major part in meeting Hong Kong's needs for petroleum and chemical products, and also supplied large volumes of products to the southern mainland. Even for Shell, Tsing Yi was a major financial investment, but it was more than that. Coming towards the end of Shell's first hundred years in China, Tsing Yi was another real and practical demonstration of the Group's long-term commitment to the nation.

Meanwhile, Shell's exploration and production interests in China had progressed rapidly. The Xijiang 24-3 field had been discovered 130km southeast of Hong Kong in the Pearl River Mouth Basin, and the nearby 30-2 field was found three years later. The agreement to develop the fields was signed in 1991 between Shell, CNOOC and operator Phillips, with Shell having a 39% interest in the combined fields. Additionally, Shell was pursuing exploration opportunities both onshore and offshore.

The next step of visible importance towards Shell's full return to the mainland came in 1993, with the expansion of the offices in Shanghai, Beijing and Guangzhou into 'Area' offices. These were to spearhead the development along China's 'coastal fairway' of a number of wholly-owned and joint venture plants, designed to carry out activities such as lubricants blending, bitumen manufacture, LPG filling and storage, and so on. For all of the plants, certain key considerations were exactly the same as a hundred years earlier: easy access for tankers importing the bulk raw materials; good links to the transport infrastructure, so that products could be readily distributed; and availability of nearby markets. The constraints and opportunities of natural geography do not change rapidly, so it is not surprising that many of the cities originally favoured by Mark Abrahams at the end of the 19th century (notably Tianjin and Qingdao)



*Shell's lube oil plant in Tianjin*



**1985** Hua Ying JV starts operation in Shenzhen.

**1988** Shell companies in Hong Kong and China are integrated.

**1990** Shell's Beijing office moves to the China World Trade Centre.

**1991** The US\$320 million Tsing Yi installation opened to serve Hong Kong and Southern China.

Hainan LPG depot begins operation.

**1993** New China organisation established, based on three Area offices in Beijing, Shanghai and Guangzhou.

were once again selected, along with Zhapu in Zhejiang Province. The circle of a century was almost complete, and Shell looked forward to another hundred years and more of working with China for mutual prosperity.

## The Dawn of a New Century

It is not easy to determine the exact date of Shell's first presence in China. Many dates from the 1880s onwards could be given, with different reasons, but one stands out: the year 1894, when Royal Dutch began to import case oil into Hong Kong and Shell Transport began bulk imports into Shanghai. This is now regarded as the 'official' start of Shell operations in China, and in the early 1990s the Shell Companies in China and Hong Kong began to consider how best to mark the approaching centenary. It was Tim



The tank farm of Tianjin International Petroleum Storage and Transportation Companies

## Tianjin – Past and Future Opportunities

Tianjin, as a major city in its own right and as the port gateway to Beijing, has always been important to Shell, but business did not get off to a good start. In order to sell Borneo oil in Beijing by end-1900, Shell Transport decided to build an ambitious installation in Tianjin. The tanks were ready for erection in June 1900, but during the Boxer uprising most of the iron and steel was removed and the rest appropriated by the German authorities.

In the early years of the 20th century, sales of Shell products were managed by an agent, the German Shi Chang Bank. In 1911, APC Tianjin Branch was established, with offices on the upper floor of the Mecarry Bank (today, part of the Tianjin branch of the People's Bank of China). At its peak, the Branch employed over 20 expatriates and more than a hundred Chinese staff, and had over 170 retail agents.

In 1915, APC built a major oil depot with a capacity of 22,000 tons at Tanggu, on the estuary of the Haihe River. There was also a tin-manufacturing plant that could make and fill over 10,000 tins each day. This became the hub of APC's transportation and distribution network in North China. The business continued until it was taken over by the Japanese on the outbreak of World War II. Although APC resumed business in late 1945, restrictions on trade kept sales from Tianjin low – in 1947, just 20,000 tons out of total APC sales in China of 475,000 tons. APC continued to transport and sell small amounts of oil, but the APC business was requisitioned in the early 1950s and taken over by North China Petroleum Company.

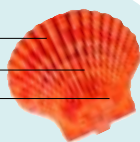
Today, the business environment in Tianjin has been transformed. The city is the location of several Shell initiatives. A joint venture fuel storage business and a lubricants plant came into production in 1997, and was followed in 1998 by the start-up of a bitumen plant and a retail joint venture. By July 2004, 15 retail outlets had been established. So almost a century later, Shell was again starting new ventures in Tianjin.



**1994** Xijiang JV begins oil production in South China Sea. Feasibility Study submitted for the Nanhai refinery/petrochemicals complex.

**1996** Shell launches in Guangdong its first retail station in the Chinese mainland after its return.

**1997** Shell's first lubricant and bitumen plants on China's mainland start operation in Tianjin and Zhapu, Zhejiang Province, respectively.



Brennand, then chairman, who conceived and originated the main centenary project. In the spirit of looking ahead rather than back, SCCHK published a book entitled Literary Portraits of China to celebrate 1995 as 'The dawn of a new century'. This was never intended as a celebration of the oil industry; instead, it combines excerpts from the writings of some of China's best authors from all periods of its history, together with outstanding photographs of the people and the nation. Celebrating China itself, the book is a unique literary and photographic record of a remarkable country.

### **The Beginning of Shell's Second Century**

The 'new century' has already been busy. Commencing with the formation in 1997 of Shell Companies in North East Asia, which included Taiwan in its operational area, it has been a period of intensive building and growth. In the same year, the second offshore Xijiang field began production (the first had started production at the end of 1994), and the combined output was set to give Shell the largest production of any international company in China. A new country-wide China Oil Products organisation was established, and the retail, lubricants and bitumen business was growing fast.

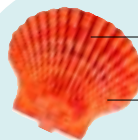
In the early years of the new millennium, Shell signed Stra

*Above: A Shell retail station in Beijing*

*Middle: A Shell retail station in Hong Kong*

*Below: Lubricants production at Zhanjiang Best Lubricant Blending Ltd., Guangdong Province*





**1998** Joint Venture Framework Agreement signed for the Nanhai petrochemicals project.

**1999** A Petroleum Contract with PetroChina signed for the integrated development of the Changbei gas field in Shaanxi/Inner Mongolia.

tegic Alliance Agreements with Sinopec and CNOOC leading to a number of projects and opportunities, and proceeded with the massive US\$4.3 billion Nanhai petrochemicals project in Daya Bay, Guangdong Province, with CNOOC as a partner. This is the largest Sino-foreign joint venture project and the largest single petrochemicals investment by the Royal Dutch/Shell Group anywhere in the world. In addition, Shell has brought its coal gasification technology to China, forming a joint venture with Sinopec to build a coal gasification plant in Hunan Province, and signing several agreements to license the technology. China is also Shell's largest solar photovoltaic market in the Asia Pacific region and it will continue to grow in the short and long term, especially in the rural electrification markets. In 2002, after 10 years of supporting liquefied natural gas (LNG) as a clean fuel for China, Shell was part of a consortium that won a ground-breaking first supply deal for LNG to China's first re-gasification plant in Guangdong.

In contrast, Shell's operations in Hong Kong are mature, reflecting the status of the market. Shell is Hong Kong's leading oil company, operating the Special Administrative Region's largest network of retail service stations.

Shell's retail success has been consolidated by a series of brand and customer loyalty programmes, such as the 'Friends

of the Road' promotion with the leading commercial radio station and the Shell Rewards scheme. Shell is also Hong Kong's market leader in the supply of lubricants and bitumen, and was for many years the only company able to supply Hong Kong with bitumen in bulk. The name 'Shell Gas' is familiar to everyone in Hong Kong, for Shell is one of the leading suppliers of LPG. Shell's leadership should be maintained well into the 21st century, by virtue of Tsing Yi, the oil industry's pre-eminent installation in Hong Kong. Of course, Shell is not limited to the land, and the supply of fuels and lubricants to sea-going vessels of every size and class occupies a very important place in its portfolio of enterprise. Hong Kong is one of the world's busiest ports. Virtually all the vessels – whether small fishing boats or huge ocean liners, whether entering and leaving or working in and around the harbour and the many surrounding waterways – use oil to drive their engines. Shell supplies them with all grades of fuel. Shell is also Hong Kong's market leader in supplying marine lubricants to local and foreign shipping companies.

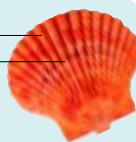
Shell has long been a major supplier of aviation fuel to many of the airlines and is part of the consortium that is providing fuel at Chek Lap Kok airport.

**2000** Nanhai petrochemicals project joint venture contract signed.

Strategic Alliance Agreements signed with Sinopec and CNOOC involving the joint development of a number of projects.

**2001** A joint venture contract signed with Sinopec to build the first coal gasification plant in China using Shell technology.

Shell Solar signs an agreement to deliver solar home systems in Xinjiang ughur Autonomous Region to 78,000 homes in remote communities without electricity.



## Beyond Business

Through the decades, Shell companies have provided their host communities and host nations with the many benefits offered by oil and oil products. Lighting, heating, fuels and lubricants are only part of that colossal range: nowadays, innumerable diverse products – from paints and varnishes, to resins, plastics and packaging, and even the bases of perfumes – are derived from petroleum.

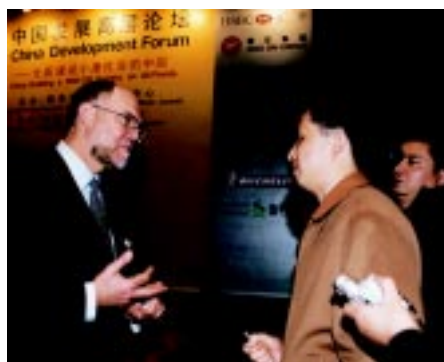
Supplying such products in the safest, cheapest, most efficient and most mutually beneficial manner possible has been Shell's guideline in business for a hundred years and more. But beyond business, Shell has always striven to be valued by providing its host societies with benefits beyond business. These have taken many forms, changing, as time goes by, in response to changing needs. Shell's sponsorship of the arts and of sports has long been widespread, so too has its

constructive involvement in environmental matters. But world-wide, its longest-standing social support has been in health and education, upon which all else depends.

Shell's support of health and education in China goes back a long way, and continues today. By the early 1920s, Shell was giving grants for the education of Chinese children and young people, as well as large donations to sports clubs and hospitals. The Kwong Wah hospital in Yau Ma Tei (Kowloon) was an early beneficiary, as were the Tung Wah hospital in eastern Hong Kong and the sports fund of Hong Kong's West River Flotilla. Education is a two-way street – it means not only teaching but learning, especially between different cultures. By 1923, it had become a matter of policy for Shell that western executives who would live and work in China should become competent in the language before



Jeroen van der Veer, Royal Dutch/Shell Group Chairman of the Committee of Managing Directors, speaks in Guangzhou.



Malcom Brinded, Royal Dutch/Shell Group Vice Chairman of the Committee of Managing Directors, is interviewed by China Central Television.



Heng Hock Cheng, Country Chair, Shell Companies in China, discussing sustainable development issues with Chinese journalists.





**2002** Final investment decision taken to go ahead with the US\$4.3 billion Nanhai petrochemicals project.

Shell is part of a consortium that wins a 25-year contract to supply the first liquefied natural gas to China.

**2003** Shell Solar wins a Euro 2.7 million contract to provide solar-powered electricity to remote villages in the Yunnan and Xinjiang areas of China.

taking up their appointments, and from 1928 Shell supported the London School of Oriental Studies, as well as the School of Chinese in Hong Kong University.

The records of the Asiatic Petroleum Company are full of examples of social investment – funds given in support of hospitals in Kuikiang, Hankou and Tianjin, schools in Hong Kong and Hankou, clubs in Taipei and Shanghai. The same books record donations given for the treatment of leprosy in Taiwan and for the relief of those distressed by floods or famine on the mainland, when crops were destroyed by heavy rains.

Shell's interest in helping society has not waned. Education and health are still priorities along with sustainable development and road safety. Such involvement is not new for Shell. The Group's commitment towards social matters has always been active and positive, arising from the interests, beliefs and compassion of its people.



*Above: Children and teachers of a primary school in Guangzhou present their prize-winning projects in Shell's Better Environment Scheme, the company's flagship social investment programme in China*

*Middle: World-famous zoologist and conservationist Jane Goodall presents awards at a ceremony for Roots and Shoots, an environmental NGO for children sponsored by Shell in China*

*Below: A Shell volunteer teaching children of migrant workers in Beijing*

# A Shared Future

In China, Shell's vision is to be the leading international energy company and a trusted partner helping provide the clean and sustainable energy solutions the country needs to support its rapid economic growth. In the Hong Kong SAR, Shell is committed to enhancing its industry leadership as the first choice of its customers.

Shell has a role in providing technological solutions to enable clean energy development, such as its coal gasification technology, which it has introduced to China as a clean use of the country's abundant coal. The process has an environmental footprint close to that of natural gas and is a cheaper alternative to other feedstocks used by the country's fertiliser industry.

Shell also can offer its experience as one of the world's largest gas companies and a leader in liquefied natural gas (LNG) to help develop natural gas in the country, exploiting its indigenous reserves and importing LNG to be used by industry, power stations and consumers in their homes.

We have project management skills from managing some of the world's largest energy projects and are transferring those skills to our Chinese staff and through partnerships

with Chinese companies, together developing solutions for China.

Whether manufactured locally or abroad, environmentally friendly products made to consistent and guaranteed high standards will meet the Chinese consumer's increasingly demanding requirements.

And, while developing new partnerships to help meet China's domestic needs, Shell can offer opportunities through its unrivalled worldwide connections for Chinese companies to develop their own international relationships.

Shell hopes to be part of China's future in the same way that its predecessor, Asiatic Petroleum Company, was China's historical partner: contributing to China's own objectives of economic growth and improved living standards for all its people.



*Heng Hock Cheng  
Country Chair, Shell Companies in China*



*Shell China staff in 2003*

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Written and produced by the External Affairs department  
of Shell Companies in China,  
With grateful appreciation to Stephen Howarth.  
Designed by Yuemutang Art, Design & Photography Ltd.  
With thanks to the Shanghai History Museum,  
Roger Williams, Marco van Grondelle,  
Brian Leung, Andrew Chow, Sylvia Lee, Laura Sole,  
Veronica Davies and many others.

An electronic copy of this brochure is available at  
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Comments or feedback from readers about Shell's history  
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*Note: Many Chinese place names have changed over the years.  
To avoid confusion,  
the modern names have generally been used.*





Published by Shell Companies in China  
[www.shell.com.cn](http://www.shell.com.cn)  
Designed by Yuemutang Art, Design & Photography Ltd.  
Printed by Maytrees Advertising Co., Ltd.

**August 2004**