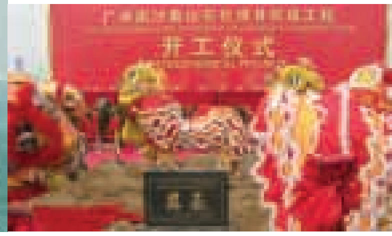
MANAGEMENT
DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group's turnover for the year ended 31 December 2003 was approximately HK$1,107.1 million, representing an increase of approximately 224% as compared with last year. The net profit from ordinary activities attributable to shareholders for the year 2003 was approximately HK$100.5 million. Last year, the net profit was approximately HK$30 million.

BUSINESS REVIEW AND SEGMENT INFORMATION

During the year ended 31 December 2003, the Group disposed of its garment business and has successfully diversified into oil related businesses including oil trading, oil transportation, oil storage, blending and transshipment. Further, in February 2004, the Group announced to propose to acquire NAS and certain of its subsidiaries and associates (the "NAS group") with an intention to develop oil bunkering and oil transportation businesses. The transaction was completed on 16 March 2004.



During the year, the oil transportation business has continued its strong momentum from last year and the chartering of two additional Very Large Crude Carriers has yielded additional and significant returns for the Group. The 2003 financial performance of oil transportation business contributed significantly to the Group with a turnover of approximately HK$312.9 million representing 28% of the Group's turnover, as compared to last year's of approximately HK$47.7 million, and segment results of approximately HK$86.3 million as compared to last year's of approximately HK$33.7 million. The oil transportation business contributed over 81% of the Group's segment result.

During the year, the Group has become more active in oil trading business. For the year 2003, oil trading business contributed to the Group's turnover and segment results of approximately HK$627.9 million and HK$3.5 million respectively as compared to approximately HK$158 million and HK$1.1 million in 2002. The improvement was backed by respectable growth in oil trading activities in the People's Republic of China (the "PRC"), which is the Group's primary trading area. Following the PRC's entry to the World Trade Organisation ("WTO"), the country's oil import quota system is being progressively relaxed till 2006 whereby it will be fully deregulated. Moreover, the opening up of the entire Chinese market in all aspects upon its accession into the WTO is expected to translate into robust growth in overall oil consumption. The Group has been benefited being a major foreign oil supplier for Chinese importers.

The Group's two floating storage units ("FSUs") commenced operation in May 2003. It contributed to the Group's turnover and segment results of approximately HK$55.5 million and HK$17.6 million, respectively. The successful acquisition of the two FSUs has not only expanded the Group's business lines, but also added sound and stable source of profit as evidenced by the short period of operations in this year.

The financial performance of the garment business has deteriorated this year and the segment results turned from profit of approximately HK$1 million in 2002 to loss of approximately HK$1.5 million. The turnover has decreased from approximately HK$135.8 million to approximately HK$110.8 million this year. In view of intense competition in the casual wear market in the PRC and rising sophistication in market demand, the Group's management decided to dispose of the garment business and concentrate the resources to develop the oil related businesses. In December 2003 the garment business was disposed of.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its business with internally generated cash flows and available banking facilities. As at 31 December 2003, the Group had cash and cash equivalents of approximately HK$101.3 million (31 December 2002: HK$61.8 million), comprising an equivalent of approximately HK$96.6 million denominated in US dollars, approximately 3.9 million in Hong Kong dollars and an equivalent of approximately HK$0.8 million denominated in Singapore dollars. As at 31 December 2003, the Group had interest-bearing bank borrowings of approximately HK$98.7 million (31 December 2002: HK$33.5 million), of which all were floating-interest bearing and denominated in United States dollars. All of the Group's bank borrowings were trust receipts loan with maturity within one year and all were fully repaid subsequent to year end. As at 31 December 2003, certain of the Group's assets with net book value of HK$227.8 million were pledged for banking and other credit facilities.

On 13 January 2004, the Company placed 450,000,000 new shares at HK$0.92 per share. Net proceeds from the placement of new shares amounted to approximately HK$392 million will be earmarked as to approximately HK$270 million for acquisitions of vessels for bunkering or transportation purposes, as to approximately HK$81 million for the development of onshore oil storage facilities and as to the balance of approximately HK$41 million as working capital of the Group. In March 2004, out of the HK$270 million proceeds for vessel acquisitions, approximately HK$129 million was utilised for the acquisition of NAS group. The placement has broadened the capital base of the Company and provided additional funding to the Group.

As at 31 December 2003, the Group had current assets of approximately HK$373.3 million (31 December 2002: HK$225.4 million). The Group's current ratio decreased from 3.5 at 31 December 2002 to 1.8 as at 31 December 2003. As at 31 December 2003, the Group had total assets of approximately HK$755.1 million (31 December 2002: HK$374.9 million) and total liabilities of approximately HK$205.8 million (31 December 2002: HK$64.5 million). The gearing of the Group, measured as total debts to assets, was 0.27 as at 31 December 2003 as compared to 0.17 at 31 December 2002. The change in current ratio and gearing ratio were mainly attributable to the substantial increase in oil trading activities in this year.

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The Group's oil related business contracts are mostly settled in US dollars, while the garment sales and purchase contracts are conducted in Renminbi, US dollars and Hong Kong dollars. The reporting currency of the Group is Hong Kong dollar and exchange rates of Renminbi and US dollar against Hong Kong dollar were relatively stable during the year. The directors consider that the Group has no significant exposure to foreign exchange fluctuation. During the year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 December 2003.

ACQUISITION OF NAS GROUP

On 17 February 2004, the Group entered into an agreement to acquire the entire issued share capital of NAS at an aggregate consideration of approximately US$55.1 million. The transaction was completed on 16 March 2004. Completion of the acquisition will take the Group one further step towards realizing its goal of becoming a fully integrated, one-stop oil service provider, as the NAS group owns 19 vessels which could be used for oil transportation and bunkering purposes. The acquisition was funded as to approximately US$16.6 million (approximately HK$129 million) from the net proceeds of its vendor placing in January 2004 and as to US$38.5 million by way of bank financing.

PROSPECTS

The year 2003 has been a prosperous year for the Group. During the year, the Group had further realized business objectives set earlier in relation to the development of its oil-related businesses, chiefly establishing a comprehensive oil business platform covering the areas of oil transportation, oil storage, bunkering, oil trading and ship management. With the disposal of the garment business, the Group has successfully transformed into a one-stop oil services provider, with a solid foundation and clear objectives for the Group's future development. In the coming year, the Group will be committed to strengthening its core business and its unique business model, and further developing other oil-related businesses.

In recent years, the PRC economy has experienced continuous growth, resulting in the rapid development of the energy sector, as well as the continuous escalation of the market's demand for oil products. In 2003, the PRC imported more than 90 million metric tonnes of crude oil, and more than 30 million metric tonnes of fuel oil and product oil, making it the third largest oil importer in the world.

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Due to the consistent efforts of the Group's fleet in exploring the PRC market, the oil transportation division has achieved productive results. The Group currently has a fleet of more than 20 oil tankers of between 500 DWT and 270,000 DWT, and is continuously exploring other opportunities to expand. The Group is committed to satisfying the diversified needs of its customers through gradual lowering of the age of its fleet and improving efficiency, cost effectiveness, flexibility and competitiveness, with the goal of becoming one of the strongest fleets in the international shipping industry.

Positioning the Fujian Titan Petrochemical Storage Base at the center, the Group has commenced the establishment of oil storage facilities in Guangzhou Nansha and Shanghai Yangshan Deepwater Port along the PRC coastline. Upon completion of these joint venture projects, the Group's operations will have strategically covered some of the most prosperous cities on PRC's southern and eastern coasts, securing a stable and significant income stream for the Group. In the future, the Group will continue to identify other oil storage or joint venture opportunities, with the aim of strengthening the Group's oil storage and transportation businesses and related facilities, thus enhancing its flexibility in oil trading business.

The successful acquisition of NAS group has effectively enhanced the Group's business strategy of becoming a one-stop oil-related services provider, as well as our overall competitiveness through the establishment of a stronger base of operations in the Singapore market. This is not only an important milestone for the Group's positioning in the Southeast Asia oil services industry, but has also enhanced its bunkering capabilities. Together with the business foundations established in the PRC and the Southeast Asia market, the Group is well-positioned to further explore markets in the Asia Pacific Region.

Expansion in the oil trading business is still one of the Group's primary objectives. To capture development opportunities in the PRC market, the Group will continue to expand its oil trading network in the Asia Pacific region, especially in the PRC. In order to achieve higher efficiencies and returns for the Group and our shareholders, the Group is actively seeking opportunities to make joint venture and strategic alliances with international oil transportation and trading companies as well as PRC petroleum giants. The Group will also carefully identify other profitable oil-related investment projects. Looking ahead, the Group is confident of its future business developments, and will be making a major step towards becoming an international one-stop oil-related services provider in the year 2004.

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CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities at 31 December 2003. The Group had bills discounted with recourse of HK$4,589,000 at 31 December 2002.

The Company had contingent liabilities of approximately HK$153,834,000 in respect of guarantees given to banks in connection with facilities granted to subsidiaries (2002: HK$42,100,000). Other than the aforesaid contingent liabilities the Company did not have any material contingent liabilities at 31 December 2003.

EMPLOYEES AND REMUNERATION

As at 31 December 2003, the Group had employed over 30 employees in Hong Kong and Singapore and also over 130 crews on board of the vessels and floating storage units. Following the completion of the acquisition of NAS group in March 2004, the Group has now more than 560 employees and crews. The employees and crews are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Group also operates a new share option scheme (effective on 31 May 2002) of which the Board may, at its discretion, grant options to employees of the Group. No options have been granted or exercised under the new share option scheme during the year ended 31 December 2003. The outstanding share options of 37,060,000 under the old scheme adopted on 18 May 1998 were all lapsed after 2 February 2003. Subsequent to year end, a total of 74,920,000 options were granted to employees and certain agents and consultants.

RISK MANAGEMENT

The Group has identified the potential risks that it may encounter and formulated appropriate contingency plans to reduce such risks. The Group's risk management policy covers the following areas:

- All general oceanic risks must be sufficiently covered by adequate insurance policies available in the market;
- Prudent assessment of market risk and selection of working partners through credit control process;
- Feasibility study conducted on investment projects with the engagement of relevant expertise;
- Emphasis on continual training to develop risk management awareness on fleet operation and trading activities;
- Use appropriate financial instruments to minimize market exposure when necessary.

HEALTH, SAFETY, ENVIRONMENT AND SECURITY

The Group is totally committed to safe and efficient oil transportation and FSU operations; protection to the environment and the prevention of pollution; the need for enhanced security onboard, and sustainable development of the world at all time.

In line with the ISM Code, our HSE Policy is listed in the Safety Management Manual. Our Group's fleet will continuously:

- Improve the safe management skills of personnel on shore and on board the ship;
- Ensure safe practices in ship operations;
- Keep the healthy condition of crew;
- Protect the marine environment;
- Meet and exceed all the contractual requirements of our customers through quality service and operational excellence.

The Group's HSE Policy's objectives are to:

- Develop a good culture of total safety in all aspects of shore and shipboard operations;
- Provide a safe working environment for all shipboard personnel and train them to recognize the need to work in a healthy and safe environment;
- Prevent and take suitable measures against marine casualties that will cause accident and pollution of the marine environment;
- Warrant that all tasks will be undertaken in accordance with mandatory rules and regulations that govern the marine industry;
- Promote sustainable global development.

The Group took a further step in January 2004 to achieve ISO 14001 on Environmental Policy. Its employees are committed and dedicated to protect the environment and to the prevention of pollution.

Through the Group's Environment Management System, we are committed to:

- Comply with relevant environmental legislation, regulations and other requirements as applicable and/or deemed necessary by the Company;
- Provide adequate training to all personnel whose work may create a significant impact upon the environment;
- Ensure continuous improvement of the overall environmental performance.

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The Group has adopted the implementation of the IMO ISPS Code onboard all its vessels. We are mindful of conducting secure means to transport cargoes onboard our vessels.

The Group's Security Policy and responsibilities are to:

- Provide security procedures and practices for ship operations to protect ports and the wider community;
- Establish safeguards to reduce risk to crew and port personnel onboard our vessels;
- Improve the security skills and awareness of company personnel on shore and on board ship;
- Prepare contingency measures for emergencies relating to possible security incidents.

The Group will continue to implement initiatives to enhance its HSE&S standards by:

- Providing continuous training on HSE&S awareness and knowledge to both on shore and shipboard personnel to minimize crisis management response time and optimize the usage of shipboard equipment and resources to prevent any potential impact should a pollution or other emergency situation arises;
- Using key performance indicators to set targets for continuous improvement of the health, safety environment and security in shipboard operations;
- Conducting once a year, an unannounced drill where a full scale crisis situation is simulated to practise, check, learn and find areas of improvement, with relevant its customers and authorities involved, including spill response organizations as per SOPEP requirements. The last drill was carried out in November 2003. Such simulated drills involving the vessels as well as the head office maintain the Group's preparedness to tackle any eventuality.

MAJOR TRANSACTIONS OF THE COMPANY AND THE GROUP

(1) On 4 March 2003, the Company entered into a conditional agreement to purchase two floating storage units and two rights to undertake floating storage operations for a consideration of approximately US$17,800,000 (equivalent to approximately HK$138,965,000). The consideration was satisfied by way of the issue of 397,042,509 ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$0.35 per share. The transaction was completed on 19 May 2003. Further details are set out in the Company's circular dated 9 April 2003.

(2) On 11 November 2003, the Company entered into an acquisition and disposal agreement to acquire a 38% attributable interest in Titan Petrochemical for a consideration of HK$195,280,000 (the "Acquisition Consideration") and to dispose of the Group's apparel business for a consideration of HK$139,911,000 (the "Disposal Consideration"). The Acquisition Consideration should be settled as to HK$139,911,000 by way of set-off against the Disposal Consideration and as to HK$55,369,000 by way of the issue of 184,563,333 ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$0.3 per share. Further details are set out in the Company's circular dated 1 December 2003 and note 36(c) to the financial statements on page 83.

(3) On 13 January 2004, the Company signed a letter of intent regarding the setting up of a joint venture company for the establishment and operation of storage and trans-shipment facilities for bunkering services and trading of product oil and fuel oil at Yangshan Port, the PRC for a term of 30 years. According to the letter of intent, the Company is to make a capital contribution of US$6,500,000 (equivalent to approximately HK$50,700,000). Further details are set out in the Company's press announcement dated 13 January 2004.

(4) On 17 February 2004, the Group entered into a conditional agreement to acquire the entire equity interest in the issued share capital of NAS for a consideration of US$55,100,000 (equivalent to approximately HK$429,780,000). The transaction was completed on 16 March 2004. Further details are set out in the Company's circular dated 24 March 2004 and the Company's press announcements dated 17 February 2004 and 16 March 2004.

(5) On 2 March 2004, the Company entered into a conditional agreement to sell two shipping vessel tankers for a total cash consideration of approximately US$20,380,000 (equivalent to approximately HK$158,960,000). The Group expects to record a gain of approximately HK$67,000,000. Further details are set out in the Company's circular dated 2 March 2004.

(6) On 24 March 2004, the Company entered into a joint venture agreement in which the Company had a capital contribution commitment of US$5,220,000 (equivalent to approximately HK$40,716,000) in respect of the formation of a joint venture company in Nansha, Guangzhou, the PRC. Further details are set out in the Company's press announcement dated 24 March 2004.