

# Financial Review



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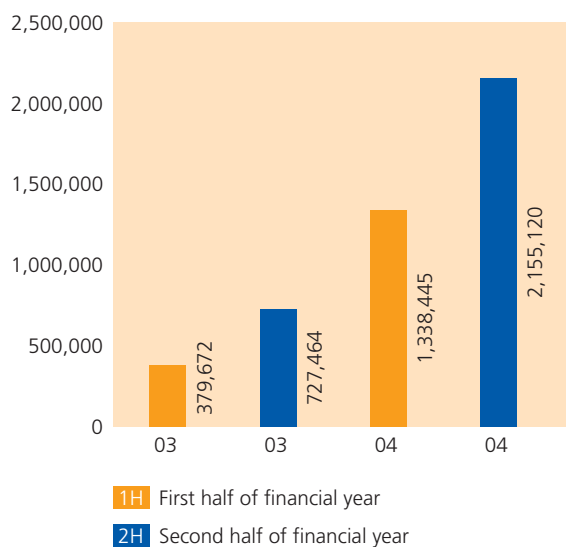
## Profit & Loss

The Group's turnover for the year was HK\$3,494 million, representing a very substantial 216% increase as compared with last year. Cost of sales rose by 209% to HK\$2,033 million in line with the expansion of operations. An exceptional gain of HK\$63 million was recorded from the disposal during the year of two older vessels. As a result, profit from operating activities or earnings before interest expenses and tax (EBIT) rose by 325% over 2003 to HK\$443 million. Finance costs rose from HK\$3 million to HK\$40 million as the Group increased its debt to finance expansion and operating profit before tax increased by 298% to HK\$403 million. The net profit from ordinary activities attributable to shareholders increased to HK\$400 million from HK\$101 million for the previous year. This represented a return on equity of 36.8%, a significant improvement over 23.4% in 2003.

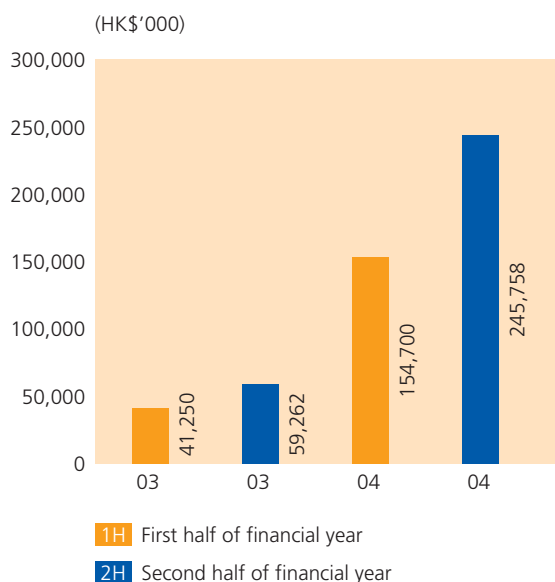
Following the disposal of the legacy garment business in 2003, the Group now derives all of its revenues from oil services, comprising logistics, distribution and supply.

### Revenues

(HK\$'000)



## Net Profit



## Logistics

The logistics segment comprises oil transportation and floating oil storage unit businesses.

The oil transportation business remained an important profit contributor to the Group. This business recorded turnover of HK\$908 million for the year, representing a substantial 190% increase over the HK\$313 million recorded for the year 2003. The profit contribution from oil transportation increased by 400% from HK\$86 million to HK\$432 million. The transportation business accounted for 25.9% of Group revenues.

Following its acquisition, NAS, the oil transportation operation of NOL, contributed HK\$257 million and HK\$36 million to the Group's turnover and profit after tax respectively.

The storage business recorded a turnover of HK\$37 million for current year as compared to HK\$56 million for the year of 2003. Its contribution to

segment results was HK\$16 million as compared to HK\$18 million for the year of 2003. The storage business accounted for 1.1% of Group revenues.

## Distribution

In June 2004, the Group entered the bunkering markets in Singapore and Hong Kong. The contribution to the Group's turnover and the segment results for the year was HK\$1,267 million and HK\$8 million respectively. The business accounted for 36.3% of Group revenues.

## Supply

During the year, the Group's oil supply business saw a twofold increase in volume. The contribution to the Group's turnover and the segment results rose by 104% to HK\$1,281 million and rose by 89% to HK\$7 million respectively as compared to HK\$628 million and HK\$3 million for 2003. The business accounted for 36.7% of Group revenues.

## Balance Sheet

The Group finances its operations largely through internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and Singapore. As at 31 December 2004, the Group had cash and cash equivalents of HK\$400 million (31 December 2003: HK\$101 million) and pledged deposits of HK\$44 million (31 December 2003: Nil), comprising an equivalent of HK\$432 million denominated in US dollars, an equivalent of HK\$8 million denominated in Singapore dollars, an equivalent of HK\$1 million denominated in Renminbi and HK\$3 million in Hong Kong dollars.

As at 31 December 2004, the Group had interest-bearing bank borrowings of HK\$906 million (31 December 2003: HK\$99 million), of which all were floating-interest bearing and denominated in US dollars. HK\$241 million of the Group's bank borrowings as at 31 December 2004 had maturities within one year. As at 31 December 2004, the Group's banking facilities were secured by cash deposits amounting to HK\$44 million, vessels with carrying value of HK\$1,141 million and issued shares of certain subsidiaries.

Furthermore, for the acquisition of NAS, the Company's subsidiaries entered into loan agreements with DBS Bank Limited in March 2004 for term loans and revolving credit facility of US\$38.5 million, of which US\$26.5 million was secured by 500,000,000 ordinary shares of the Company held by Great Logistics Holdings Limited (Great Logistics).

As at 31 December 2004, the Group had current assets of HK\$982 million (31 December 2003: HK\$373 million). The Group's current ratio was 1.83 as at 31 December 2004 (31 December 2003: 1.81). As at 31 December 2004, the Group had total assets of HK\$3,010 million (31 December 2003: HK\$755 million), total bank borrowings of HK\$906 million (31 December 2003: HK\$99 million), and finance lease payables of HK\$183 million (31 December 2003: Nil). The gearing of the Group, calculated as total bank borrowings and finance lease payables divided by total assets, was 0.36 as at 31 December 2004 (31 December 2003: 0.13). The change in the gearing ratio was mainly attributable to the bank financing for the acquisition of the NAS and

VLCCs during the year. Interest cover, defined as earnings before interest expenses and tax divided by interest expenses, remained strong at 11.2 times (2003: 35.9 times).

The Group's business contracts are mostly settled in US dollars. The reporting currency of the Group is Hong Kong dollar. Since the exchange rate of US dollar against Hong Kong dollar was stable during the year, the directors consider that the Group has no significant exposure to foreign exchange fluctuations. 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 2004.

### Contingent Liabilities

At 31 December 2004, guarantees of a total amount of HK\$1,627 million (2003: HK\$525 million) were given by the Company to banks in connection with banking facilities granted to subsidiaries. An amount of HK\$944 million (2003: HK\$154 million) had been utilised by subsidiaries of the Company. At 31 December 2004, a guarantee of HK\$183 million (2003: Nil) was given by the Company in connection with a finance lease arrangement granted to a subsidiary. At 31 December 2004, guarantees of a total amount of HK\$47 million (2003: Nil) were given by the Company to suppliers in connection with the bunkering refueling business. An amount of HK\$21 million (2003: Nil) had been utilised by a subsidiary of the Company.

As at 31 December

	2004	2003
Net Debt / Assets (%)	21.4	—
EBITDA / Total Debt (%)	49.8	117.9
Interest Cover (Times)	11.2	35.9

## Cash Flow

The Group's net cash inflows from operating activities of HK\$253 million in 2004 were primarily attributable to operating profit before working capital changes of HK\$478 million, offset by an increase in accounts receivable of HK\$103 million, a decrease in trust receipt loans of HK\$99 million, and an increase in contracts in progress of HK\$60 million, in each case due to an increase in the size of its operations. The Group's net cash outflows from investing activities in 2004 of HK\$1,196 million were principally due to the addition of fixed assets of HK\$859 million and cash outflow of HK\$371 million associated with the acquisition of NAS. This outflow was offset by cash inflows from the sale of two tankers for HK\$148 million. The Group's net cash inflows from financing activities in 2004 of HK\$1,286 million were mainly due to an increase in new bank loans of HK\$977 million, and net proceeds of HK\$392 million that were received through the placement of new shares. As a result, the net increase in cash and cash equivalents for the year ended 31 December 2004 was HK\$343 million.

## Placement of Shares

On 13 January 2004, the Company placed 450 million new shares at HK\$0.92 per share and the net proceeds of HK\$392 million were destined for use as follows: HK\$270 million for acquisitions of vessels for bunkering or transportation purposes; HK\$81 million for the development of onshore oil storage facilities; and the balance of HK\$41 million as working capital of the Group. As at 31 December 2004, the entire amount of HK\$270 million for vessel acquisitions was utilised, comprising HK\$129 million for the acquisition of NAS and HK\$141 million for the acquisition of three VLCCs. Of the HK\$81 million allocated to the onshore oil storage facilities, HK\$26 million were utilised as at 31 December 2004.