

## Review of Operations

# MARINE SERVICES DIVISION

The Marine Services Division, through Swire Pacific Offshore, operates a fleet of specialist vessels supporting the offshore oil industry. The division also has interest, through jointly controlled and associated companies, in ship repair and harbour towage services in Hong Kong and overseas and in container terminal operations in Hong Kong and Mainland China.

### Swire Pacific Offshore

Turnover  
Operating profit  
Attributable profit

2004 HK\$M	2003 HK\$M
1,297	1,218
308	309
326	306

### Share of profits before taxation jointly controlled and associated companies

Ship repair, land engineering and harbour towage  
Container terminal operations  
Offshore oil support services

56	36
421	378
33	23
510	437
741	646

### Attributable profit

### Fleet size (number of vessels)

Swire Pacific Offshore  
Hongkong Salvage & Towage  
Total

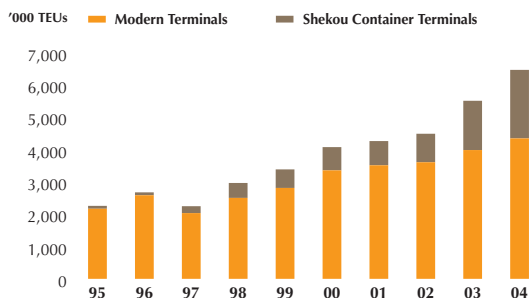
2004	2003
62	62
28	26
90	88

### Container terminal throughput ('000 TEUs)

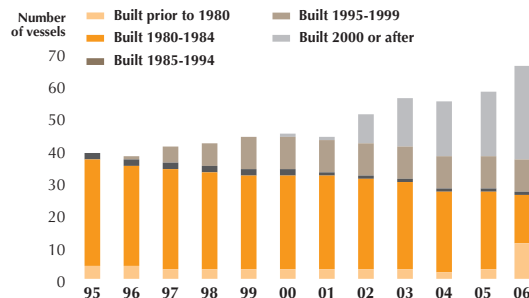
Modern Terminals  
Shekou Container Terminals  
Total

2004	2003
4,353	3,991
2,123	1,527
6,476	5,518

Throughput history



Swire Pacific Offshore – Fleet size





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# Review of Operations – MARINE SERVICES DIVISION

## 2004 OVERVIEW

The division's contribution to the group's attributable profits amounted to HK\$741 million compared with HK\$646 million in 2003, an increase of 14.7%. This reflects good growth from each of the operations, particularly container terminals on the Mainland.

### Offshore Oil Support

Swire Pacific Offshore provides marine support services to the offshore oil industry. At the end of 2004 Swire Pacific Offshore had a fleet of 62 vessels, including eight boats in an Egyptian associated company, Ocean Marine Services.

Activity in the offshore sector was muted in the first half of 2004 but picked up significantly towards the year end on the back of the stronger oil price. This resulted in an improvement in both fleet utilisation and charter rates for the company. Swire Pacific Offshore reported an attributable profit of HK\$326 million, compared with HK\$306 million in 2003; an increase of 6.5%.

During the year, the company took delivery of two "P" class 4,800 bhp anchor handlers and sold three of its older utility boats. A further six "P" class anchor handlers, two "R" class 7,200 bhp anchor handlers, two 3,000 dwt platform supply vessels and two large 18,000 bhp ice-class platform service vessels will be delivered in 2005 and 2006. This will bring Swire Pacific Offshore's fleet to 74 vessels by the end of 2006.

Expro Swire Production, a 50% owned jointly controlled company, returned satisfactory results from chartering its production rig to Shell Iran for work with the National Iranian Oil Company. This contract, which was originally scheduled to end in August 2003 was extended to the end of 2004. An agreement for the sale of the rig has been signed with delivery anticipated in March 2005.

During the year Swire Pacific Offshore extended its global reach by opening offices in Nigeria and Qatar.

Prospects for 2005 are promising. The sustained rise in the oil price has increased exploration activity which should result in higher utilisation and charter rates for the company's fleet.

In addition the recent development of new markets in West Africa, the Caspian Sea and Sakhalin Island, offer attractive opportunities to further expand the business.

### HUD Group

The HUD group provides ship repair, harbour and ocean towage and salvage, and automotive services from its facilities based on Tsing Yi Island.

The dockyard benefited from a general pick-up in the economic environment during the year despite keen competition from regional shipyards.

Hongkong Salvage & Towage ("HKST") remains the largest tug operator in Hong Kong harbour, deploying a fleet of 11 tugs. Operating profits grew in 2004 despite the recent increase in fuel costs. The fleet age profile improved with two new-builds delivered in early 2004. In addition a further three new-builds will be delivered during the second quarter of 2005. The company also operates six shallow-draft container vessels on long-term contracts in Hong Kong. Together with the 11 tugs which are deployed overseas, the fleet size will reach 31 by the end of 2005.

The Australian towage company, Australian Maritime Services Pty acquired in 2003, now operates seven HKST owned tugs servicing container terminals in Sydney, Melbourne and Brisbane.

### Container Terminal Operations

The South China market remained strong during the year and although Shenzhen continues to erode Hong Kong's market share, Modern Terminals Limited still achieved a record throughput of 4.3 million TEUs in 2004, an improvement of 9.1% over 2003. This allowed good profit growth from the Hong Kong operations and the investments in container terminals in Mainland China.

Shekou Container Terminals' exceptional volume growth was facilitated by the commencement of operations at berth number four in February. Total throughput handled by the four berths during 2004 reached 2.1 million TEUs. Further expansion is underway to cater for the increasing demand.