

“ The delivery of 12 new vessels over the next 15 months will allow Swire Pacific Offshore to take full advantage of the growing demand for offshore oil services. ”



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 companies, in ship repair and harbour towage services in Hong Kong and overseas and in container terminal operations in Mainland China.

Marine Services Division

Swire Pacific Offshore

	2005 HK\$M	2004 HK\$M
Turnover	1,492	1,297
Operating profit	413	308
Attributable profit*	467	326

Profit from sale of an associated company

Share of post-tax profits from

jointly controlled and associated companies

Ship repair, land engineering and harbour towage

Container terminal operations

Offshore oil support services

2,270 –

30	50
268	365
86	33
384	448

Attributable profit

3,035 741

* Including post-tax profits from jointly controlled and associated companies shown below.

Fleet size (number of vessels)

Swire Pacific Offshore

Hongkong Salvage & Towage

Total

2005 2004

63 62

31 28

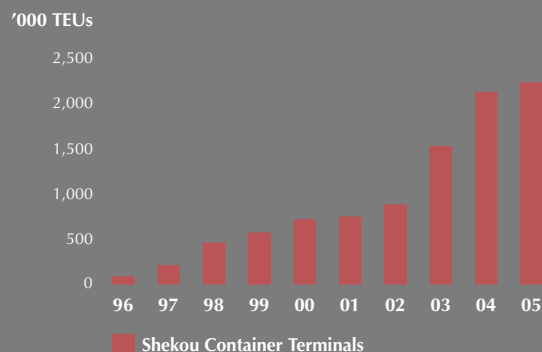
94 90

Container terminal throughput ('000 TEUs)

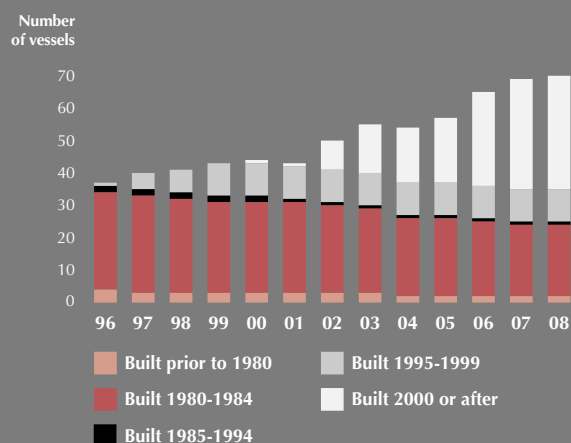
Shekou Container Terminals

2,230 2,123

Container throughput history



Swire Pacific Offshore – Fleet size



2005 OVERVIEW

The division's contribution to the group's attributable profits amounted to HK\$3,035 million compared with HK\$741 million in 2004. This includes a profit of HK\$2,270 million on disposal of the group's 17.6% interest in Modern Terminals Limited in August 2005. There has also been good growth from ongoing operations, in particular from offshore oil support services.

Offshore Oil Support

Swire Pacific Offshore provides marine support services to the offshore oil and construction industry. As at 31st December 2005 Swire Pacific Offshore had a fleet of 63 vessels, including seven boats in an Egyptian associated company, Ocean Marine Services.

The sustained rise in oil price and the increase in exploration activities across the oil industry during 2005 has resulted in an improvement in both fleet utilisation and charter rates for the company. Swire Pacific Offshore reported an attributable profit of HK\$467 million, compared with HK\$326 million in 2004; an increase of 43.3%.

Expro Swire Production (ESP), a 50% owned jointly controlled company, sold its production rig in March 2005, contributing a HK\$72 million capital profit to Swire Pacific Offshore. ESP was liquidated in October 2005.

During the year, the company took delivery of three "P" class 4,800 brake horse power (bhp) anchor handlers and sold one of its older utility boats. A further three "P" class anchor handlers, two "R" class 7,200 bhp anchor handlers, six "V" class 8,000 bhp anchor handlers, two large ice-class platform supply vessels and two platform supply vessels will be delivered during 2006 to 2008. This plus planned disposals will bring Swire Pacific Offshore's fleet to 77 vessels by the end of 2008.

The company continued to extend its geographic sphere of operations in 2005 with the registration of a branch office for its joint venture, Prisco Swire Offshore (Pte) Limited, in Sakhalin.

The outlook for 2006 remains positive. The oil price and exploration activity are expected to remain high which should result in higher average utilisation and higher rates for the company's fleet in 2006.

HUD Group

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

The group reported lower profits in 2005 largely due to increased finance charges with rises in interest rates.

The dockyard achieved high utilisation of its floating dock in 2005 following the general upturn in the shipping industry.

Hongkong Salvage & Towage ("HKST") continued to benefit from increased trade through Hong Kong to Mainland China. With the delivery of three new-builds, HKST remains the largest operator in Hong Kong deploying 14 tugs in the Hong Kong harbour. The company also operates 11 tugs overseas and manages six shallow draft container vessels on long-term contracts in Hong Kong.

Container Terminal Operations

The group's 17.6% interest in Modern Terminals Limited was sold in August, realising a capital profit of HK\$2,270 million.

With throughput approaching design capacity, growth slowed somewhat at Shekou Container Terminals I and II (SCT). Following the recent completion of new terminal facilities in the vicinity, SCT will be operating under a more competitive business environment in the years to come. The outlook however remains promising as volume growth in the region is expected to continue.

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