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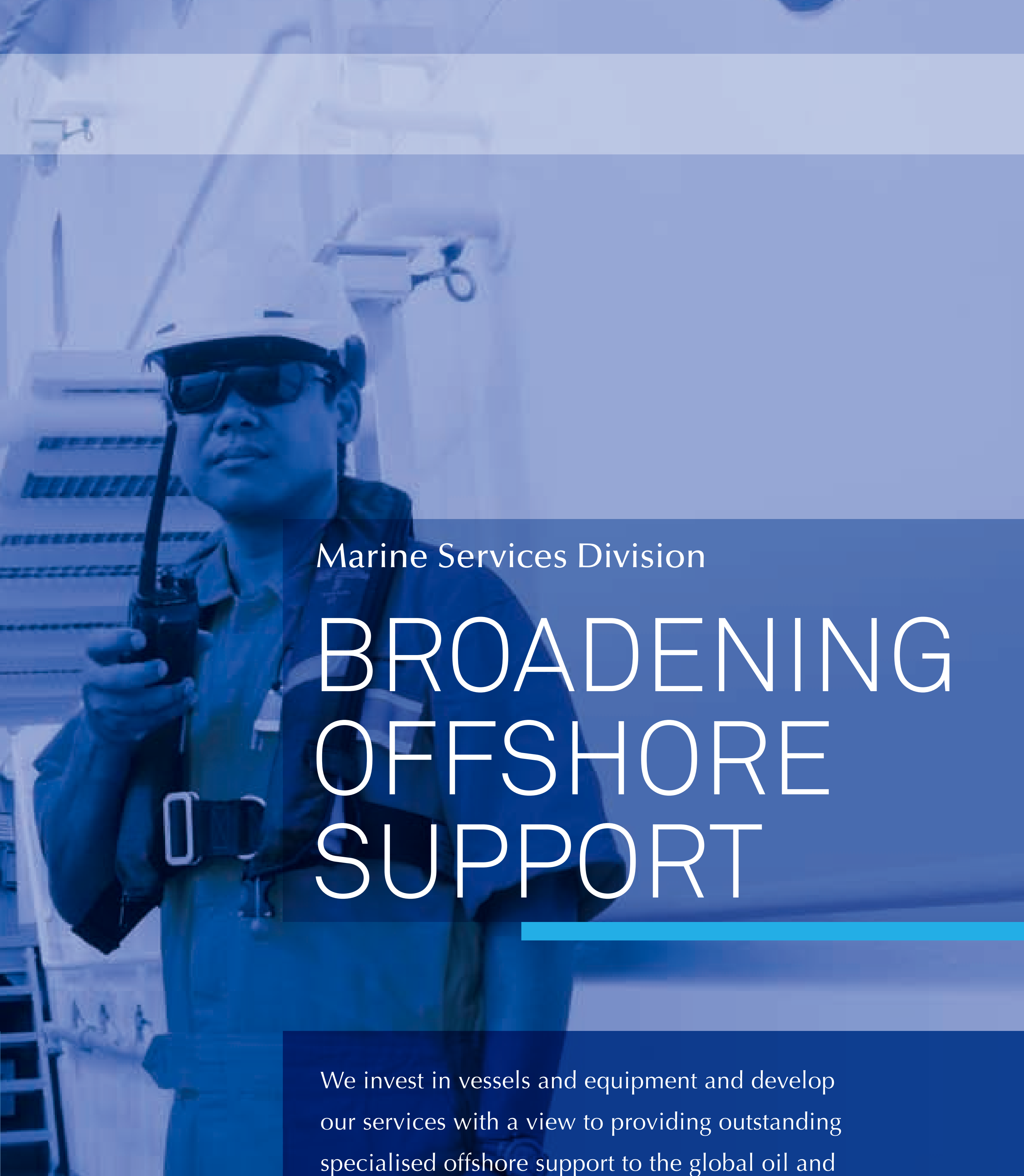


Marine Services Division

BROADENING OFFSHORE SUPPORT

We invest in vessels and equipment and develop our services with a view to providing outstanding specialised offshore support to the global oil and gas industry.

MARINE SERVICES DIVISION

OVERVIEW OF THE BUSINESS

The Marine Services Division, through the Swire Pacific Offshore group ("SPO"), operates a fleet of offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the Americas. The division also has jointly controlled interests in ship repair and harbour towage services in Hong Kong through the Hongkong United Dockyards ("HUD") group.

SPO

SPO's Fleet

At 31st December 2012, SPO was operating a fleet of 80 offshore support vessels. SPO's expansion plan involves building larger, more highly specialised vessels capable of operating in deeper waters, where demand for offshore services is expected to be greatest.

The fleet comprises three main segments, being anchor handling tug supply vessels ("AHTS"), platform supply vessels ("PSVs") and construction and specialist vessels ("CSVs"). The CSVs include inspection, maintenance and repair vessels ("IMRs"), seismic survey vessels, wind farm installation vessels and accommodation barges.

SPO can support drilling, production, exploration, pipe-laying, subsea construction and floating production storage and offloading operations. SPO and its subsidiaries can also carry out seismic survey support, marine salvage, oil spill preparedness and response, offshore wind farm construction and servicing, oil rig decommissioning, subsea remotely operated vehicle support and supply base logistics.

Except for vessels committed to long-term charters, SPO's operating fleet can be easily relocated from one operating region to another to take advantage of more attractive employment opportunities.

Four older vessels were sold in 2012 and SPO took delivery of seven new vessels. There were 80 vessels in the fleet as at 31st December 2012 and there are another 26 new vessels on order or under construction.

SPO – FLEET SIZE GROWTH

Vessel class	2011	Additions 2012	Disposals 2012	Year-end 2012	Vessels expected to be received in: 2013	2014	2015
Anchor Handling Tug Supply Vessels	51	–	4	47	–	–	–
Large Anchor Handling Tug Supply Vessels	15	–	–	15	5	4	–
Platform Supply Vessels	8	–	–	8	–	2	4
Large Platform Supply Vessels	1	2	–	3	1	6	2
Construction and Specialist Vessels	2	5	–	7	2	–	–
	77	**7**	**4**	**80**	**8**	**12**	**6**

* SPO's fleet includes one PSV and one CSV chartered from external parties.

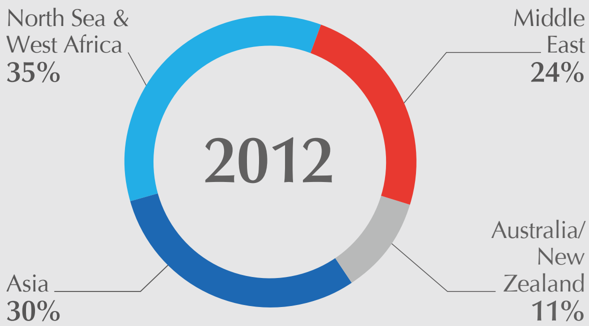
In January 2012, SPO acquired a 70% controlling interest in Altus Logistics Pte Ltd ("Altus Logistics"), a Singapore-based logistics group working in the oil and gas industry. In February 2012, SPO acquired a 100% interest in Seabed AS. This company, which has been renamed Swire Seabed AS ("Swire Seabed"), owned an IMR vessel. In May 2012, Swire Seabed chartered a second IMR vessel from a third party for five years. In November 2012, Swire Seabed committed to purchase a third IMR vessel, which is expected to be delivered in the second quarter of 2013.

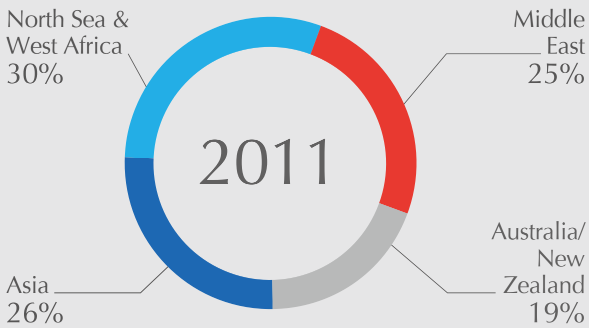
In March 2012, SPO exercised an option to purchase a Large PSV which was previously chartered from a third party and at the same time purchased a sister vessel, which had recently been built at the same shipyard. Another sister vessel was purchased in the second half of the year and a fourth sister vessel was delivered in January 2013.

In June 2012, SPO acquired the 19.9% interest in Lamor Swire Environmental Solutions Pte Ltd that it did not already own. This company has been renamed Swire Emergency Response Services Pte Ltd.

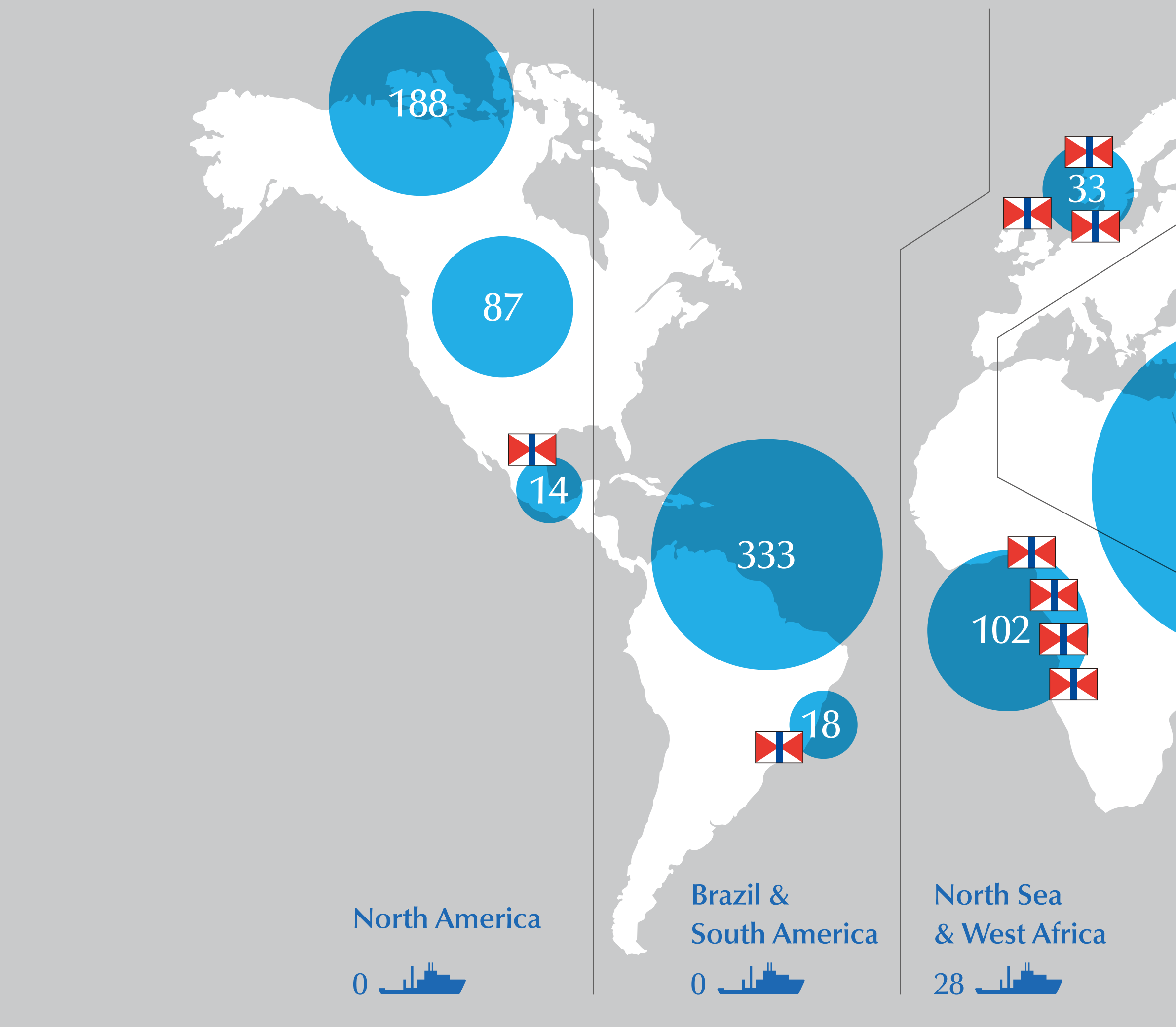
In the second half of 2012, SPO took delivery of two wind farm installation vessels and one accommodation barge.

SPO – FLEET DISTRIBUTION BY REGION





SPO – GLOBAL FOOTPRINT



SPO's Geographical Distribution

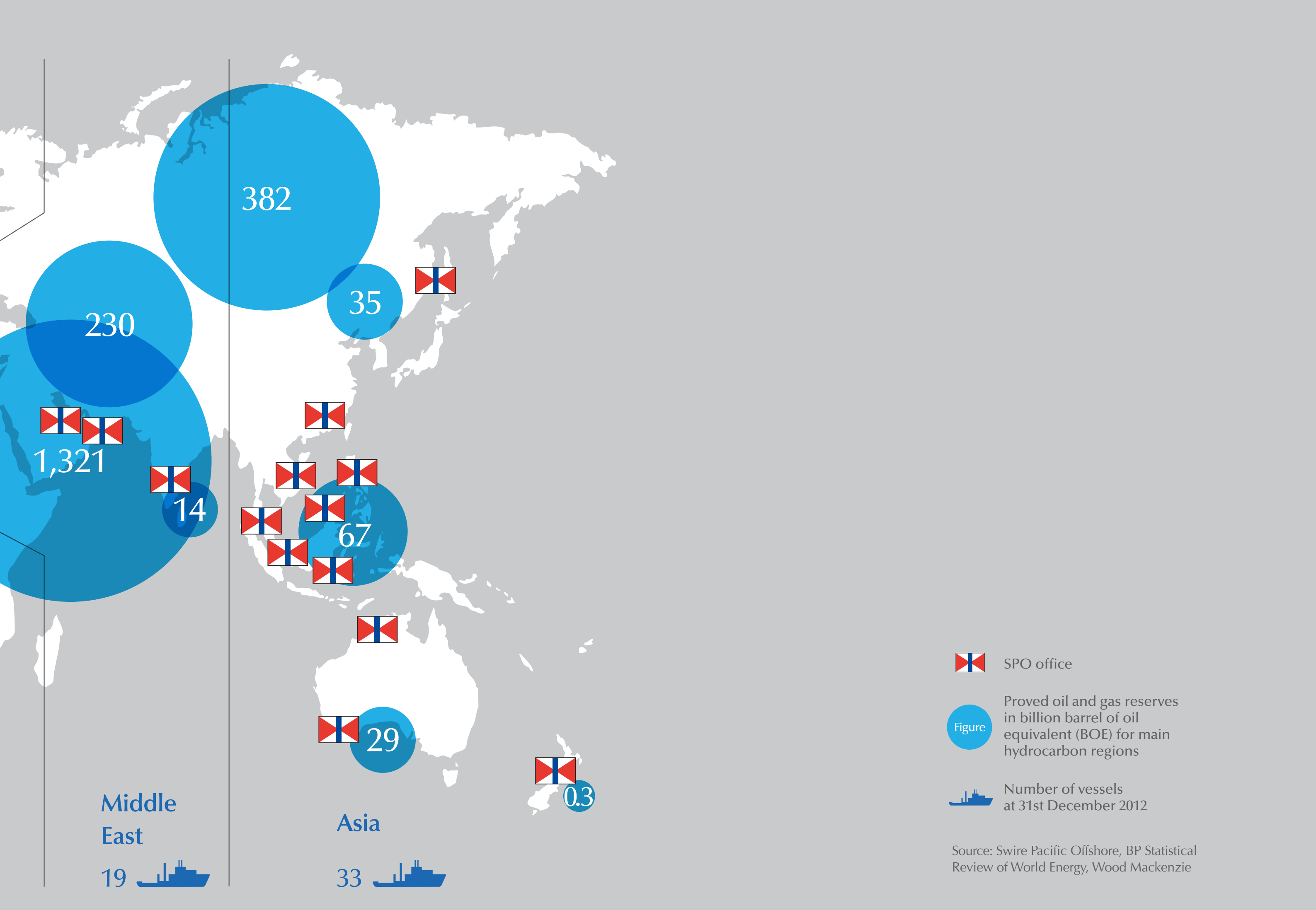
SPO is headquartered in Singapore, with shore support for its vessels provided by outport offices in Angola, Australia, Brazil, Brunei, Cameroon, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Malaysia, New Zealand, Norway, Qatar, Philippines, Russia, Scotland and the United Arab Emirates. Altus Logistics provides logistics to customers from offices in Australia, Indonesia, Malaysia, Norway, Singapore, the USA and Vietnam.

SPO's Competitors and Customers

Competitors

The industry has approximately 1,300 offshore support vessel owners. The main operators are:

- Tidewater Marine
- Bourbon
- Edison Chouest
- Gulfmark Offshore
- Maersk
- Farstad Shipping



SPO's Principal Customers

- Oil Majors (ENI, ExxonMobil, Shell, Total, BP, Chevron, ConocoPhillips)
- National oil companies (PTSC, Petronas, Petrobras, PTTEP)
- Independent exploration companies (Anadarko, Apache, Cairn Newfield, Pioneer)
- Construction and subsea companies (Leighton Contractors, McDermott, Saipem, Subsea 7)
- Seismic and survey companies (WesternGeco, CGG)

HUD

HUD, a joint venture between Hutchison Whampoa and Swire Pacific, is a leading provider of ship repair, harbour towage and salvage services from its facilities on Tsing Yi Island in Hong Kong. HUD has two main business units:

- Ship Repair – HUD provides 24-hour ship repair from a floating dock.

- Salvage and Towage – Hongkong Salvage & Towage ("HKST") is the largest towage operator in Hong Kong, operating 15 tugs and providing 24-hour service in Hong Kong. HKST manages six container vessels which are on long-term contracts to transport refuse for the Hong Kong Government.

STRATEGY

The principal strategic objective of the Marine Services Division is to maintain and strengthen SPO's position as a leader in the offshore energy supply industry. The strategies employed in order to achieve this objective are these:

- **Substantial and continuous investment by SPO in new vessels, especially those designed to operate in deeper waters, where the fastest growth in oil and gas exploration is expected.**
- **Selective investment in the provision of complementary marine services with a view to increasing both the range of services offered to customers and the scope of opportunities to utilise assets and resources.**

IMPLEMENTING STRATEGIES

Fleet

The key objective is to strengthen SPO's fleet by making it more diverse and reducing the average age of the vessels. A more diverse and younger fleet helps SPO to meet the needs of its customers by offering modern vessels capable of providing a wide range of offshore support services. Increased investment in vessels designed to operate in deeper waters means that SPO is well placed in the market where the fastest growth in oil and gas exploration is expected. Customers expect a modern, reliable fleet. SPO's investments in new vessels and the retiring of older vessels has reduced the average age of its tonnage by over a third in the past ten years.

Charter Hire Revenue

SPO aims to maximise its charter hire revenue, which is its primary source of revenue. Charter hire revenue depends on demand for and supply of tonnage and on utilisation and current charter hire rates (which are themselves a product of demand and supply but also vary significantly between vessel classes and operating regions). SPO aims to deploy its vessels where demand and charter hire rates are expected to be strongest and to offer specialised offshore services in order to maximise its revenue.

2012 PERFORMANCE

Capital Expenditure

HK$5.6 bn

Charter Hire Revenue

+18%

(+10% excluding new acquisitions)

Fleet Size Growth

+4%

Average Charter Hire Rates

+USD1,773 per day

Average Age of Vessels at Year-end

8.5 years

- A commitment to operational excellence and to maintaining and enhancing high standards of service to customers, including by placing major emphasis on safety and training.
- Strengthening the global and local network of SPO, both by entry into new areas and by developing the network in existing areas.
- Doing business through operating commercial joint ventures where necessary or appropriate.
- Diversifying into the servicing of offshore wind farm developments (as an end in itself and as a contribution to the development of sustainable energy).

Fleet Utilisation

SPO aims to maintain a high fleet utilisation rate by reducing the number of days that vessels are unavailable. Low utilisation rates can occur as a result of a lack of demand or because vessels are unavailable due to repairs and maintenance (a modern fleet helps in this regard).

Operating Costs

While SPO seeks to maximise its revenues, it is also important that operating costs are kept low to maintain margins. SPO's principal operating costs are manning costs, repair and maintenance costs and depreciation of vessels.

Health and Safety

Customers are increasingly risk averse and demand high standards of health and safety and operational excellence. SPO already has a strong reputation in the market for being a safe and reliable operator, but it constantly seeks to do more and places great emphasis on safety and training.

Average Utilisation Rate

+4% pts

Operating Costs

+40%

(+9% increase excluding new acquisitions)

LTIR

+10%

Average Training Hours*

+8%

* Average training hours represents seafarer health and safety training hours per year.

2012 PERFORMANCE

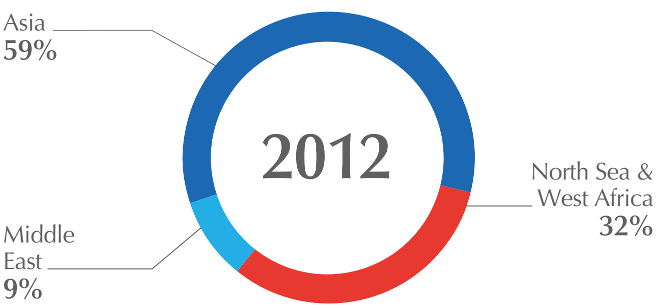
FINANCIAL HIGHLIGHTS

	2012 HK$M	2011 HK$M
Swire Pacific Offshore group		
Charter hire revenue	**3,870**	3,291
Non-charter hire revenue	**994**	214
Turnover	**4,864**	3,505
Charter hire related operating profit	**665**	642
Non-charter hire related operating profit	**325**	177
Operating profit	**990**	819
Attributable profit	**917**	785
Share of post-tax profits from jointly controlled companies		
HUD group	**58**	78
Attributable profit	**975**	863

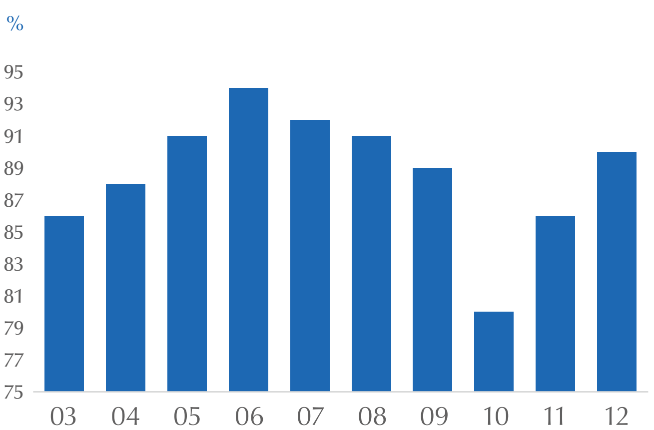
Fleet Size

	2012	2011
Fleet size (number of vessels)		
Swire Pacific Offshore group	**80**	77
HUD group – Hongkong Salvage & Towage	**21**	19
Total	**101**	96

SPO – TURNOVER BY REGION



SPO – AVERAGE UTILISATION RATES



SWIRE PACIFIC OFFSHORE GROUP

OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Exploration and production spending increased by an average of 13% per annum in 2011 and 2012 as oil companies, against a background of rising oil prices, increased exploration and production activity. As a result, demand for offshore services increased in 2012 and this was reflected in higher utilisation of vessels. However, the over-supply of tonnage entering the industry continued to restrict the recovery in charter hire rates.

The move by energy companies towards exploration in deeper waters continued in 2012, as did demands by national governments for local participation in offshore supply vessel contracts. Brazil and West Africa continued to be important growth areas.

2012 RESULTS SUMMARY

SPO reported an attributable profit of HK$917 million in 2012, an increase of 17% compared to 2011. Excluding the profit of HK$79 million on disposal of seven vessels in 2011 and the profit of HK$23 million on disposal of four vessels in 2012, the attributable profit increased by 27% compared to 2011.

Charter hire revenue increased by 18% to HK$3,870 million in 2012. Of the increase, HK$343 million was contributed by new vessels delivered in 2011 and 2012, and HK$230 million was contributed by Swire Seabed, acquired in 2012. Fleet utilisation improved by four percentage points to 90% and average charter hire rates rose by 10% to USD19,800 per day.

Non-charter hire income increased by HK$780 million to HK$994 million, of which HK$601 million was due to the inclusion of revenue from Altus Logistics, acquired in 2012. HK$77 million was due to higher revenue from SPO's salvage business, which carried out a number of challenging salvage operations in 2012.

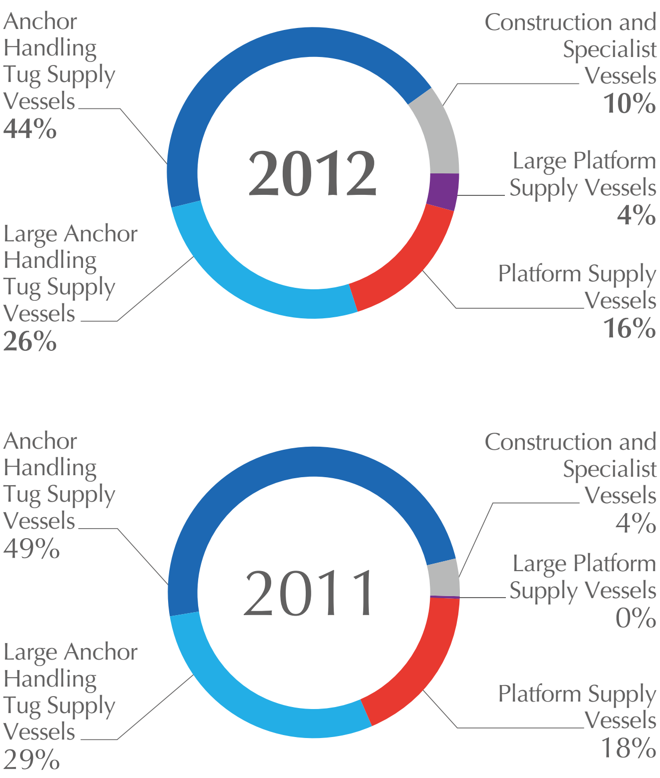
Total operating costs increased by HK$1,105 million, mainly due to the inclusion of costs from Swire Seabed and Altus Logistics, which accounted for 77% of the increase. Excluding the effect on operating profit from the two new acquisitions, the operating profit margin would have increased by 1.5 percentage points.

FLEET EXPANSION

Total capital expenditure on new vessels and other fixed assets in 2012 was HK$5,583 million, compared to HK$2,992 million in 2011. The main expenditure was on the two wind farm installation vessels which were delivered during the year.

SPO committed to purchase 27 vessels in 2011. The commitment to acquire ten PSVs was converted to an order

SPO – CHARTER HIRE REVENUE BY VESSEL CLASS



Pacific Orca, the world's largest wind farm installation vessel, was the first of two wind farm installation vessels delivered to SPO in 2012.

SPO is reducing its carbon footprint by participating in a forest conservation scheme in Paraguay. The scheme is expected to generate approximately one million tonnes of carbon credits, making SPO carbon neutral over the period to 2030.

SPO – PROFILE OF CAPITAL COMMITMENTS

	Expenditure	Forecast year of expenditure				Commitments
	2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M	2016 HK$M	**at 31st Dec 2012 HK$M**
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**2,855**	4,835	2,957	1,490	42	**9,324**
Construction and Specialist Vessels	**2,647**	741	–	–	–	**741**
Other fixed assets	**81**	187	38	10	1	**236**
Total	**5,583**	5,763	2,995	1,500	43	**10,301**

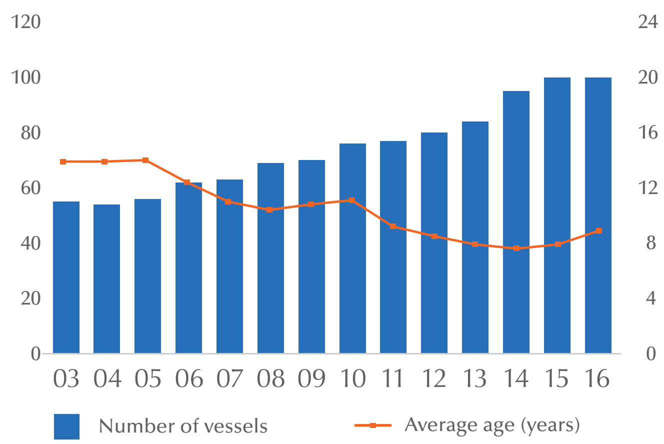
SPO – LTIR

No. of injuries per 100 full-time equivalent employees

SPO – FLEET SIZE AND AVERAGE AGE OF VESSELS*

Number of vessels

Average age (years)



* Includes two vessels chartered from external parties.

for six PSVs and two Large PSVs. One of the Large PSVs was delivered in 2012 and the other is expected to be delivered in 2013. The six smaller PSVs will be delivered in 2014 and 2015.

The shipyard with which SPO contracted to build three Large AHTS vessels could not perform the contracts. SPO has entered into a contract with another shipyard to complete the first such vessel, which is expected to be delivered in 2013. SPO intends to include the remaining two vessels in a later newbuilding programme.

SPO took delivery of two wind farm installation vessels and the first of two accommodation barges in the second half of 2012. The second accommodation barge was delivered in January 2013. SPO has committed to purchase an additional IMR vessel of a similar size to the existing IMR vessels, which is expected to be delivered in 2013.

At 31st December 2012, SPO had total capital expenditure commitments of HK$10,301 million (31st December 2011: HK$13,469 million).

These commitments reflect SPO's strategy of focusing a large part of its new building programme on vessels capable of operating in deeper waters where demand is expected to be greatest and in improving the balance of PSVs to AHTS vessels within its fleet.

OUTLOOK

The price of oil is expected to remain high in 2013 leading to a further increase in exploration and production commitments by

HUD took delivery of the final two (of an order of four) 5,000 bhp tugs in 2012. They are the biggest tugs ever operated in the port of Hong Kong, providing harbour towage, salvage, fire-fighting and oil-pollution control capabilities.

energy companies. In turn, demand for offshore support vessels is expected to improve, but the over-supply of tonnage in the industry will continue to restrict charter hire rates until it has been absorbed by the market.

In the longer-term, depletion of reserves and increasing consumption of oil and gas are expected to intensify the trend to increased exploration by energy companies in deeper waters. Brazil and West Africa are expected to be growth areas, as are Mexico, Australia, China and the Philippines. Barriers to entry to certain markets may increase as national governments demand more local participation.

To address these industry trends, SPO has taken steps to develop a fleet which is balanced, flexible and supported by a strong network of regional offices and complementary businesses. The two wind farm installation vessels will begin their first projects in Europe and are contracted for the balance of 2013. The IMR business will continue to expand with the delivery of a third IMR vessel and SPO will have two accommodation barges providing floating hotel services to those working on offshore projects. An additional five Large AHTS vessels, capable of operating in deep water, are expected to be delivered in 2013. Together these vessels represent a significant development in SPO's fleet, which was previously characterised by small and medium AHTS vessels, and give SPO the capability and capacity to strengthen its position as a leader in the offshore marine support industry.

HONGKONG UNITED DOCKYARDS GROUP

INDUSTRY BACKGROUND

Over supply of tonnage continued to depress the shipping industry in 2012. Larger generation container ships are being launched which HUD's dockyard is too small to handle. Hong Kong is still a major regional container port. But some Mainland China container ports are starting to handle more cargo than Hong Kong.

2012 RESULTS SUMMARY

The attributable profit of the HUD group for 2012 was HK$58 million compared to HK$78 million in 2011.

The ship repair division recorded a loss (before tax and interest and on a 100% basis) for 2012 of HK$61 million, compared with a loss of HK$5 million in 2011. Demand for ship repair services was weak, reflecting the weakness of the shipping industry. The division was unable to handle the new larger generation container ships. Operating costs increased because of a shortage of skilled labour in Hong Kong.

In 2012, HKST's profit (before tax and interest and on a 100% basis) was HK$187 million, compared with the corresponding 2011 figure of HK$210 million. Against a weak shipping industry background, there were 9% fewer tug moves in 2012 than in 2011.

The final two (of an order of four) 5,000 bhp tugs were delivered during the year and became operational by July 2012.

OUTLOOK

The ship repair division will continue to be affected by the weakness of the shipping industry, by its inability to handle the new larger generation container ships and by high operating costs caused by labour shortages. The results of the ship repair division are not expected to improve in 2013. HKST expects to maintain its market share in 2013 and to increase its revenues from work generated by infrastructure projects in Hong Kong and from ocean going work.

J B Rae-Smith