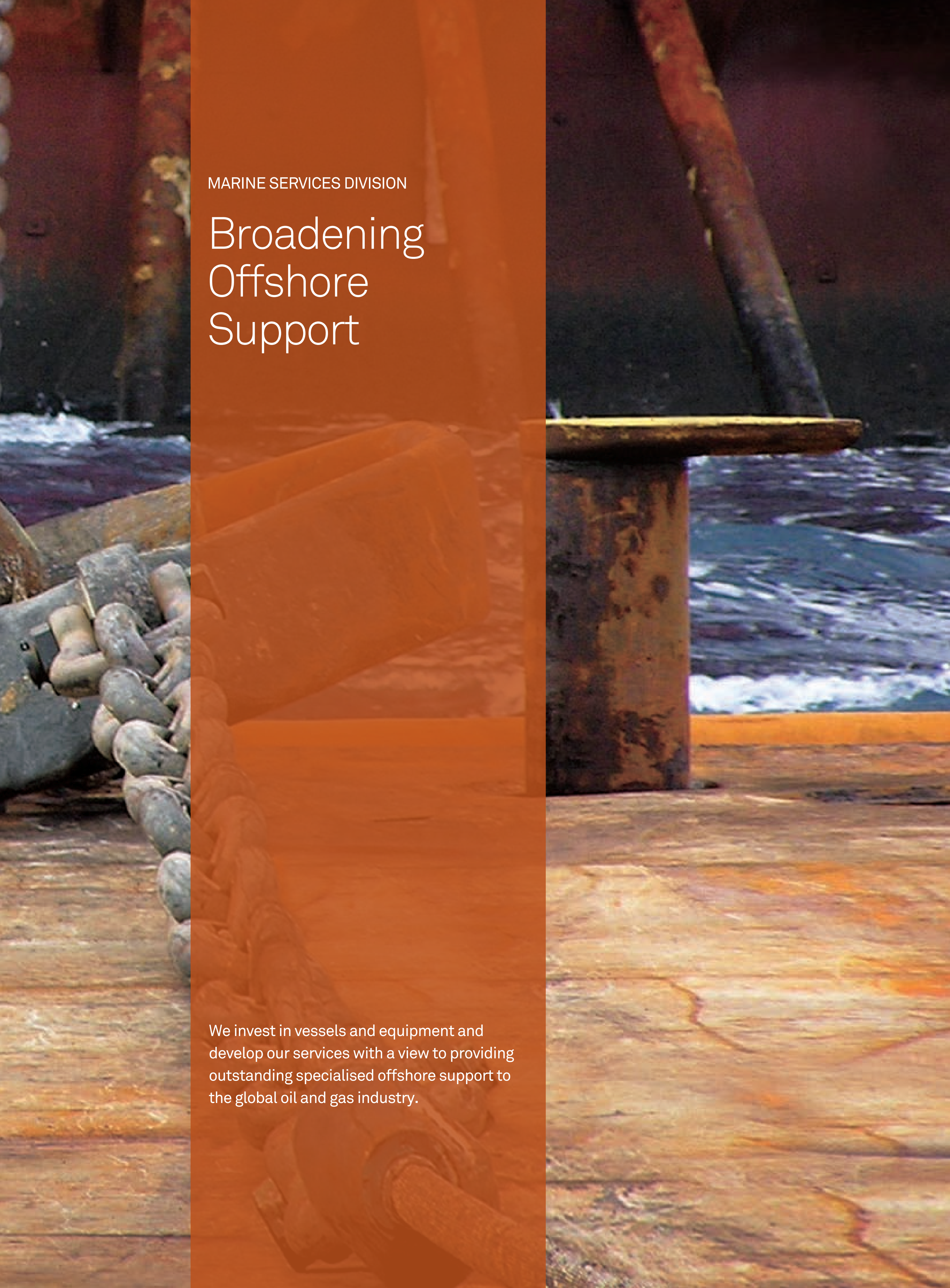


MARINE SERVICES DIVISION

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.

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 USA. SPO also has a logistics business working in the oil and gas industry and a subsea inspection, maintenance and repair ("IMR") business.

SPO can support drilling, production, exploration, pipe-laying, subsea construction and floating production storage and offloading operations. SPO and its subsidiaries can 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.

The division has joint venture interests in engineering and harbour towage services in Hong Kong through the Hongkong United Dockyards ("HUD") group.

SPO

SPO's Fleet

At 31st December 2013, SPO was operating a fleet of 82 offshore support vessels. SPO's expansion plan, which is currently underway, involves building larger, 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 ("AHTSs"), 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 ("WIVs") and accommodation barges.

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 attractive employment opportunities.

Four older vessels were sold in 2013 and SPO took delivery of six new vessels during the year. There were 82 vessels in the fleet at 31st December 2013 and there are another 20 new vessels on order or under construction.

SPO – Fleet Size Growth

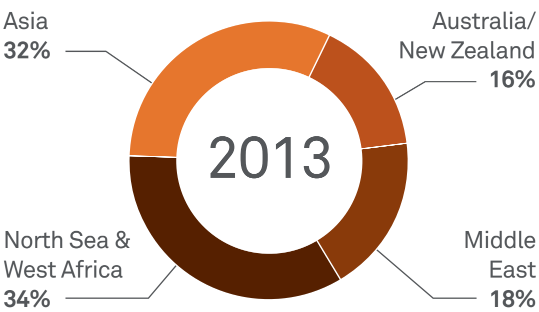
Vessel class	2012	Additions 2013	Disposals 2013	Year-end 2013	Vessels expected to be received in: 2014	2015	2016
Anchor Handling Tug Supply Vessels	47	**–**	**4**	**43**	–	–	–
Large Anchor Handling Tug Supply Vessels	15	**3**	**–**	**18**	6	–	–
Platform Supply Vessels	8	**–**	**–**	**8**	2	4	–
Large Platform Supply Vessels	3	**1**	**–**	**4**	3	3	2
Construction and Specialist Vessels	7	**2**	**–**	**9**	–	–	–
	80	**6**	**4**	**82**	11	7	2

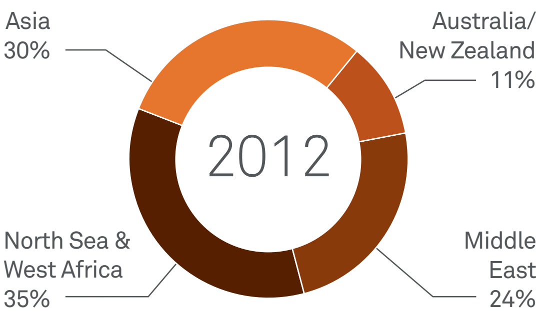
Note: SPO's fleet includes one PSV and one CSV chartered from external parties.

Three large anchor handling tug supply vessels were delivered in 2013 and have been deployed on charters in South East Asian waters. A large platform supply vessel was also delivered during the year and commenced operations in the first quarter of 2013 in West Africa, before being deployed to China.

The two CSVs delivered during the year were an accommodation barge and an IMR vessel. The accommodation barge was delivered at the beginning of the year and, after a crane installation, commenced work in South East Asia. The IMR vessel was delivered in the third quarter of 2013, and mobilised to the Caspian Sea. At 31st December 2013, equipment was being installed on the vessel before commencement of its charter.

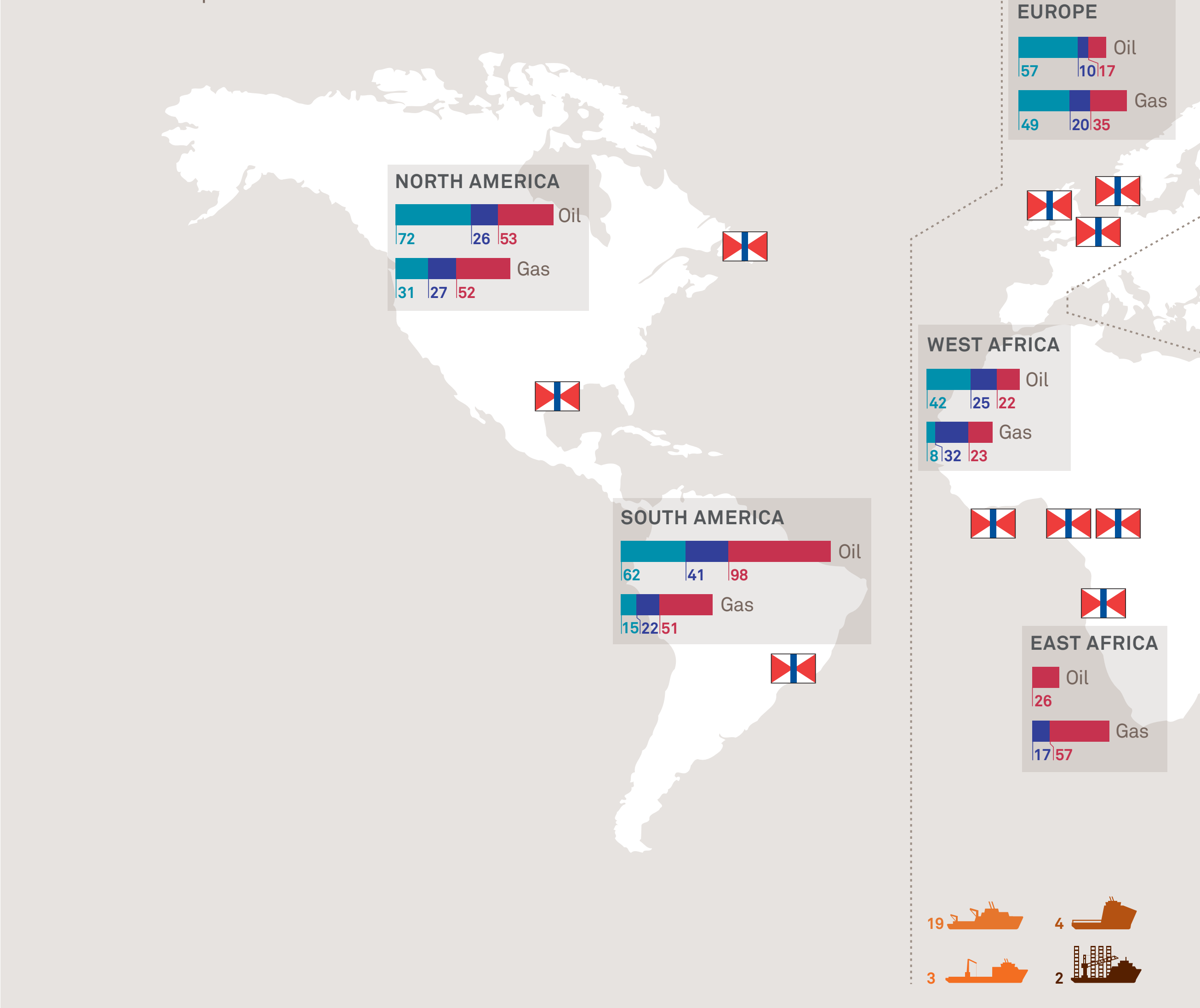
Fleet Distribution by Region





Swire Blue Ocean's two windfarm installation vessels, *Pacific Osprey* and *Pacific Orca*, are designed to undertake the toughest of offshore construction operations.

SPO – Global Footprint



SPO's Geographical Distribution

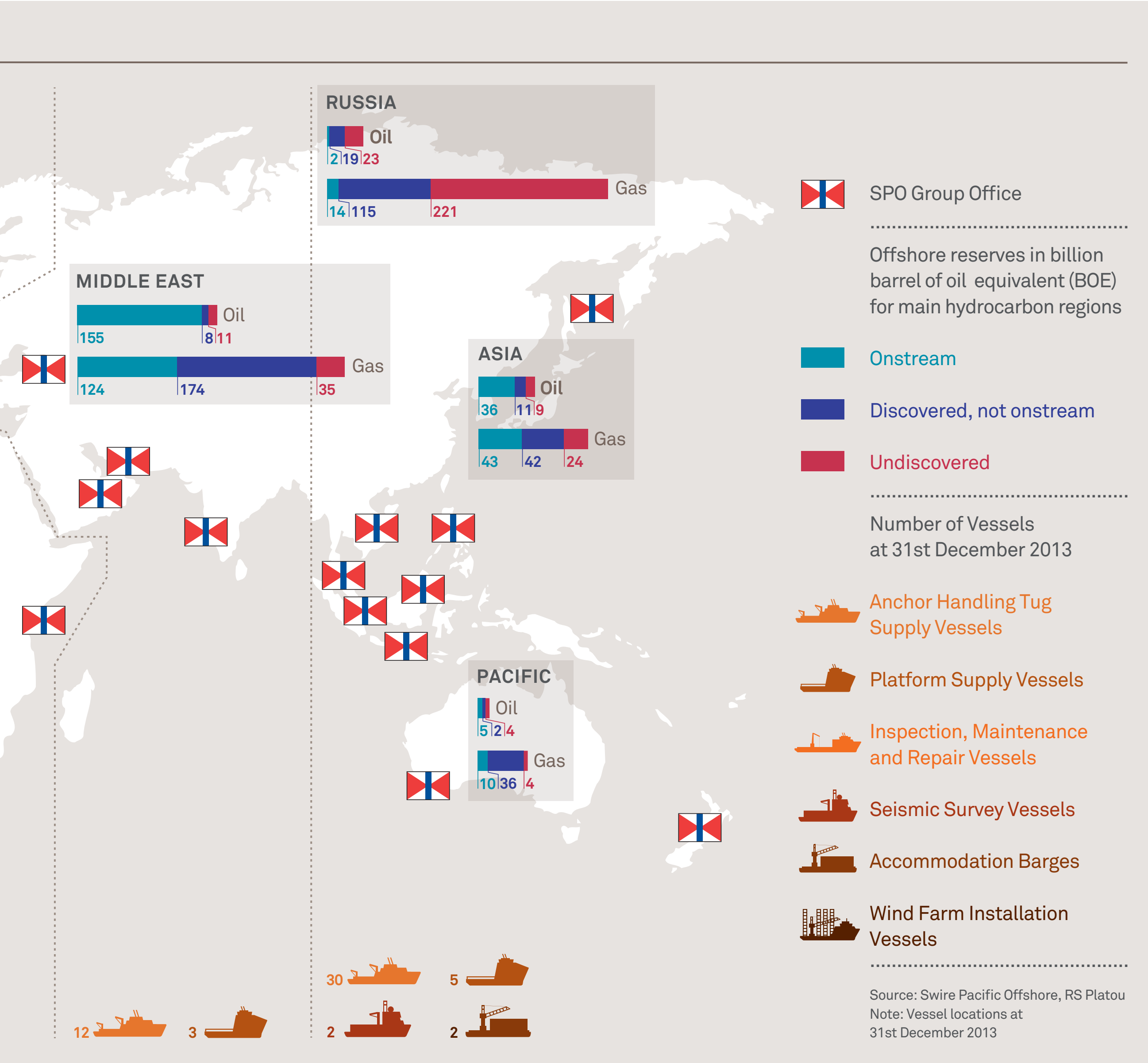
SPO is headquartered in Singapore, with shore support for its vessels provided by outport offices in Angola, Australia, Brazil, Brunei, Cameroon, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Malaysia, New Zealand, Norway, Qatar, Philippines, Russia, Scotland and the United Arab Emirates. Altus Logistics provides logistics services to customers from offices in Australia, Indonesia, Malaysia, Norway, Singapore, the USA and Vietnam. SPO continues to expand geographically, with new offices in Kenya, Canada and Azerbaijan having been opened in 2013.

SPO's Competitors and Customers

COMPETITORS

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

- Tidewater Marine
- Bourbon
- Edison Chouest
- Seacor Holdings
- GulfMark Offshore
- CNOOC
- Maersk Supply Service
- Farstad Shipping
- Hornbeck Offshore
- Topaz Marine



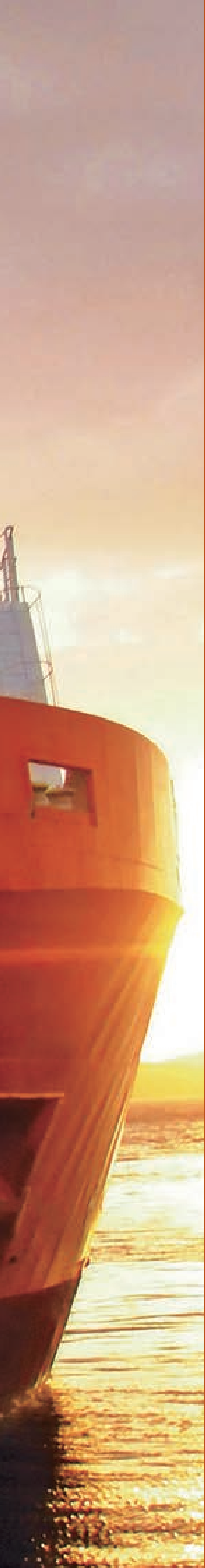
HUD

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

- Engineering – HUD provides 24-hour ship repair from a floating dock and engineering services for infrastructure and onshore projects.
- Salvage and Towage – Hongkong Salvage & Towage ("HKST") is the largest towage operator in Hong Kong, operating 14 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.

PRINCIPAL CUSTOMERS

- Oil Majors (ENI, ExxonMobil, Shell, Total, BP, Chevron)
- National oil companies (PTSC, Petronas, Petrobras, PTTEP)
- Independent exploration companies (Noble, Marathon, Apache, Cairn Energy, HESS)
- Construction and subsea companies (Leighton Contractors, McDermott, Schlumberger, Seabed GeoSolutions, Subsea 7)
- Offshore wind power provider (DONG Energy)
- Seismic and survey companies (WesternGeco, CGG)



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.
- 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).

IMPLEMENTING STRATEGIES

Fleet

The key objective is to strengthen SPO's fleet by making it more diverse and reducing the average age of its 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 have reduced the average age of its fleet by over a third in the past ten years.

2013 Performance

Capital Expenditure

HK$4.4bn

Fleet Size

+2.5%

Average Age of Vessels at Year-end

8.0 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.

2013 Performance

Charter Hire Revenue
+35.8%

Average Charter Hire Rates
+USD6,275 per day

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).

2013 Performance

Average Utilisation Rate
88.9%

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.

2013 Performance

Operating Costs
+25.4%

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.

2013 Performance

LTIR
+12%

2013 PERFORMANCE

Financial Highlights

	2013 HK$M	2012 HK$M
Swire Pacific Offshore group		
Charter hire revenue	**5,257**	3,870
Non-charter hire revenue	**1,035**	994
Turnover	**6,292**	4,864
Charter hire related operating profit	**1,121**	665
Non-charter hire related operating profit	**383**	319
Operating profit	**1,504**	984
Attributable profit	**1,243**	911
Share of post-tax profits from joint venture companies		
HUD group	**64**	53
Attributable profit	**1,307**	964

Sustainable Development Highlights

	2013	2012
Swire Pacific Offshore group		
LTIR	**0.18**	0.16
HUD group		
LTIR	**2.94**	2.16

Fleet Size

	2013	2012
Fleet size (number of vessels)		
Swire Pacific Offshore group	**82**	80
HUD group – Hongkong Salvage & Towage	**20**	21
Total	**102**	101

Notes:
1. Swire Pacific has implemented the revised HKAS19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.
2. Please refer to pages 239 to 242 for further sustainable development statistics.

SWIRE PACIFIC OFFSHORE GROUP

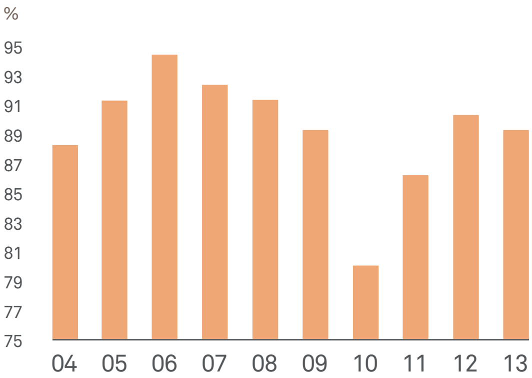
OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Exploration and production spending increased by an average of 10% per annum in 2012 and 2013 as oil companies, against a background of high oil prices, increased exploration and production activity. There is a clear trend towards demand for more sophisticated offshore supply vessels to support operations in harsher environments. This, coupled with clients' risk averse approach to safety, favours modern and reliable tonnage. In parallel, local cabotage rules increasingly prevail as a way to promote locally flagged and owned tonnage.

2013 RESULTS SUMMARY

SPO reported an attributable profit of HK$1,243 million in 2013, an increase of 36% compared to 2012. Excluding non-recurring profits of HK$23 million in 2012 and HK$88 million in 2013, which include profits on disposal of four vessels in 2012 and four vessels in 2013, attributable profit increased by 30%. This reflects the contribution from new vessels delivered during the year and a full year's contribution from vessels delivered in 2012.

SPO – Average Utilisation Rates



Pacific Installer, the second of two accommodation barges ordered by SPO was delivered in January 2013.

Charter Hire

Charter hire revenue increased by 36% to HK$5,257 million in 2013. Of the increase, HK$1,521 million was contributed by new vessels delivered in 2012 and 2013.

Fleet utilisation reduced by 0.7 percentage points to 88.9%. Average charter hire rates rose by 32% to USD26,100 per day.

Utilisation rates of SPO's core fleet of AHTSs and PSVs decreased by 0.9 percentage points to 89.3%. The utilisation of SPO's fleet of CSVs increased by 9.0 percentage points to 85.1%, reflecting high utilisation of WIVs and seismic survey vessels.

Charter hire rates for SPO's core fleet increased by 7% to USD19,800 per day, due to new vessel deliveries and better demand for offshore services.

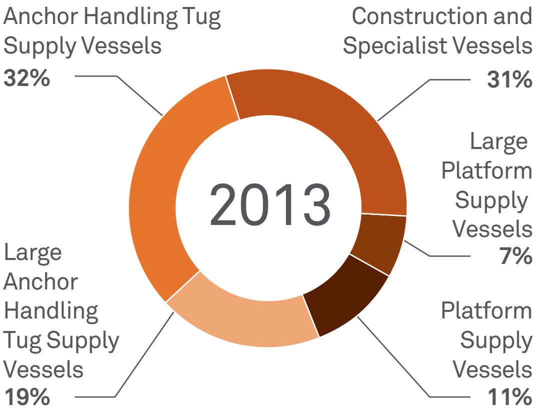
Charter hire rates for SPO's fleet of CSVs increased by 80% to USD92,000 per day. The significant improvement in day rates was mainly due to the higher rates achieved by the WIVs, which commenced operations in 2013.

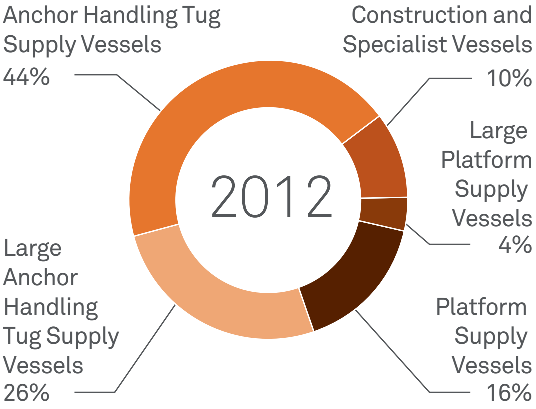
Operating costs increased by HK$985 million or 25% to HK$4,861 million.

Non-charter Hire

Non-charter hire income increased by HK$41 million to HK$1,035 million. This includes liquidated damages received in respect of vessel delivery delays, project revenue recognised by Altus Logistics and revenue earned by SPO's salvage business.

SPO – Charter Hire Revenue by Vessel Class





Swire Pacific Offshore supports the Propeller Club in Manila's scholarship programme. The scholarships help disadvantaged young men and women from the Philippines to train as seafarers. The programme provides language classes, technical training and on the job experience to equip participants with the necessary skills for a career at sea.

Sustainable Development

Lost time injury rates increased by 12% to 0.18 in 2013. SPO places great importance on creating a safer working environment for all employees, working on vessel or on shore.

FLEET EXPANSION

Total capital expenditure on new vessels and other fixed assets in 2013 was HK$4,359 million, compared to HK$5,583 million in 2012. During 2013, SPO did not make any further commitments to purchase new vessels.

Three large PSVs are expected to be delivered in each of 2014 and 2015, with a further two expected to be delivered in 2016. The delivery dates of three of these vessels have been delayed. Two large AHTS vessels ordered by SPO, which were due to be delivered in 2013, are now expected to be delivered in 2014. In total, six large AHTS vessels will be delivered in 2014. Six smaller PSVs will be delivered during 2014 and 2015. The change in delivery dates of SPO's vessels under construction is largely due to delays experienced at contracted shipyards.

At 31st December 2013, SPO had total capital expenditure commitments of HK$7,198 million (31st December 2012: HK$10,301 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 of improving the balance between PSV and AHTS vessels in its fleet.

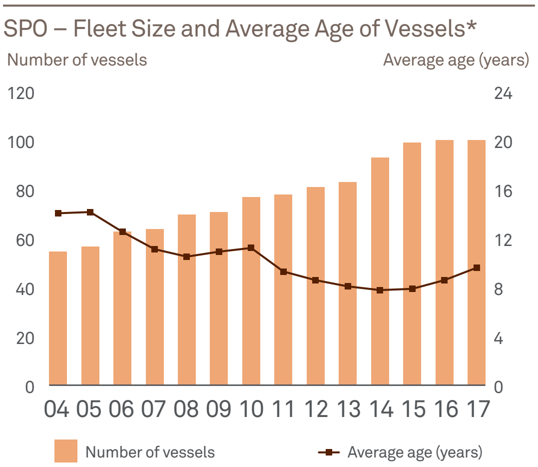
OUTLOOK

Prospects for the offshore exploration and production industry are positive. Exploration activity is expected to increase as a result of the high price of crude oil. However, the rising cost of production may affect demand for offshore services, and a shortage of qualified seafarers is a problem for the industry.

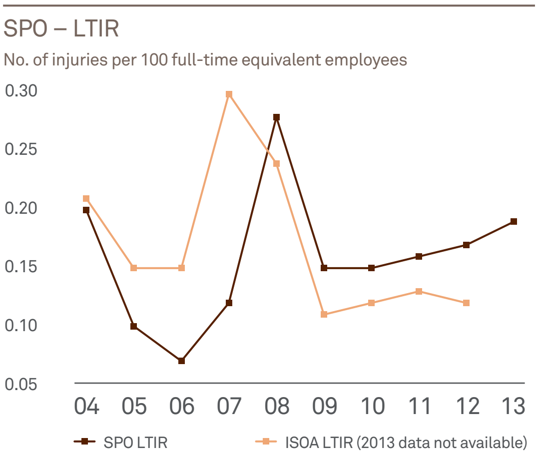
SPO has established presences in Latin America, Canada and East Africa in order to explore opportunities in these regions. In an effort to address the shortage of qualified seafarers, SPO operates a marine training centre and a dedicated crew training department.

SPO – Profile of Capital Commitments

	Expenditure	Forecast year of expenditure			Commitments
	2013	2014	2015	2016	at 31st Dec 2013
	HK$M	HK$M	HK$M	HK$M	HK$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**3,496**	4,458	2,303	211	**6,972**
Construction and Specialist Vessels	**699**	129	–	–	**129**
Other fixed assets	**164**	64	21	12	**97**
Total	**4,359**	4,651	2,324	223	**7,198**



* Includes two vessels chartered from external parties.



HONGKONG UNITED DOCKYARDS GROUP

INDUSTRY BACKGROUND

The shipping industry continues to struggle due to over capacity, which has resulted in low freight and charter rates. This adversely affects ancillary businesses such as towage and marine engineering, as vessel owners and operators seek to reduce costs wherever possible.

There are a number of major infrastructure projects underway in Hong Kong. This, along with maintenance of existing infrastructure, presents growth opportunities for engineering businesses.

2013 RESULTS SUMMARY

The attributable profit of the HUD group for 2013 was HK$64 million compared to HK$53 million in 2012.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2013 of HK$39 million, compared with a loss of HK$59 million in 2012. Major maintenance on HUD's floating dock has reduced revenues from marine engineering, but it has facilitated restructuring.

In 2013, HKST's profit (before tax and interest and on a 100% basis) was HK$192 million, compared with the corresponding 2012 figure of HK$205 million. Major container liner operators continue to introduce larger vessels in order to improve operating costs. This results in reduced harbour tug moves. Additional project work has supported revenues.

The disposal of one 4,000 BHP tug in January 2013 contributed a profit of HK$16 million.

The lost time injury rate in 2013 was 36% higher than last year. The increase is due to more injuries at HKST. Improved risk management procedures will be introduced in 2014.

Headquartered at Tsing Yi Island, HUD operates Hong Kong's largest and most modern tug fleet.

OUTLOOK

Prospects for the Hong Kong harbour towage market are challenging as vessel calls are expected to continue to decline.

Prospects for the engineering division's non-marine projects are promising. The division has identified a number of key areas for development of revenues related to maintenance of infrastructure in Hong Kong.

J B Rae-Smith