



Pacific Legacy, one of Swire Pacific Offshore's L-Class vessels.



MARINE SERVICES DIVISION

BROADENING OFFSHORE SUPPORT



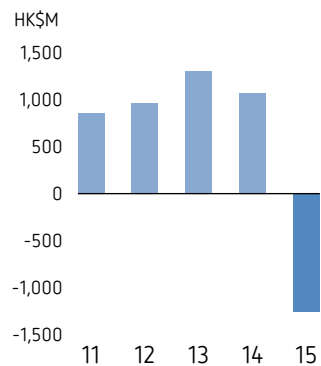
We invest in vessels and equipment
and develop our services with a view to
providing outstanding specialised offshore
support to the global oil and gas industry.

OVERVIEW OF THE BUSINESS

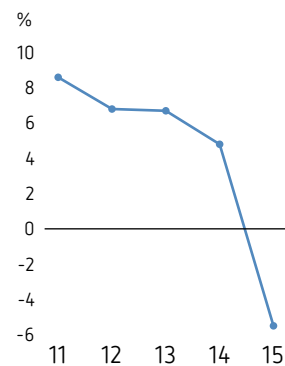
MARINE SERVICES DIVISION

The Marine Services Division, through SPO, operates offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA. SPO has a windfarm installation business, a subsea inspection, maintenance and repair (“IMR”) business and a logistics business working in the oil and gas industry.

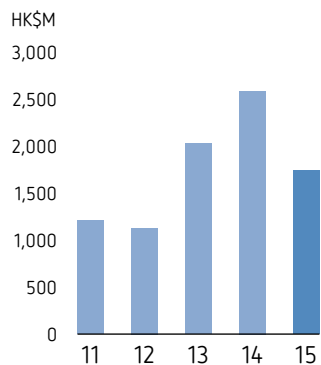
Profit/(Loss) Attributable to the Company’s Shareholders



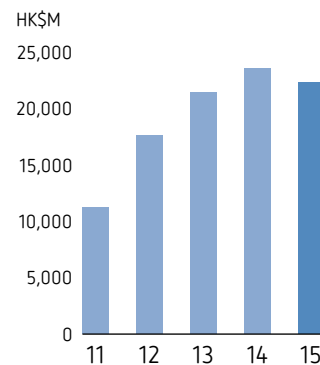
Return on Net Assets Employed



Net Cash Generated from Operating Activities



Net Assets Employed



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 2015, SPO had 92 offshore support vessels. The fleet consists of anchor handling tug supply vessels (“AHTSs”), platform supply vessels (“PSVs”) and construction and specialist vessels (“CSVs”). The CSVs consist of inspection, maintenance and repair vessels, seismic survey vessels, wind farm installation vessels (“WIVs”) and accommodation barges.

SPO – Fleet Size

| Vessel class | 2014 | 2015 | | Year-end | Vessels expected to be received in: | |
|--|------|-----------|-----------|----------|-------------------------------------|------|
| | | Additions | Disposals | | 2016 | 2017 |
| Anchor Handling Tug Supply Vessels | 40 | – | – | 40 | – | – |
| Large Anchor Handling Tug Supply Vessels | 23 | 1 | 1 | 23 | – | – |
| Platform Supply Vessels | 9 | 3 | – | 12 | 3 | 3 |
| Large Platform Supply Vessels | 7 | 1 | – | 8 | – | – |
| Construction and Specialist Vessels | 9 | – | – | 9 | 1 | – |
| | 88 | 5 | 1 | 92 | 4 | 3 |

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

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

SPO’s Geographical Distribution

SPO is headquartered in Singapore, with shore support for its vessels provided by outpost offices in Angola, Australia, Azerbaijan, Brazil, Brunei, Cameroon, Canada, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Kenya, Malaysia, New Zealand, Norway, Qatar, the Philippines, Russia, Scotland and the United Arab Emirates. Altus Oil & Gas Services provides logistics services to clients from offices in Australia, Indonesia, Malaysia, Singapore, the USA and Vietnam.

HUD

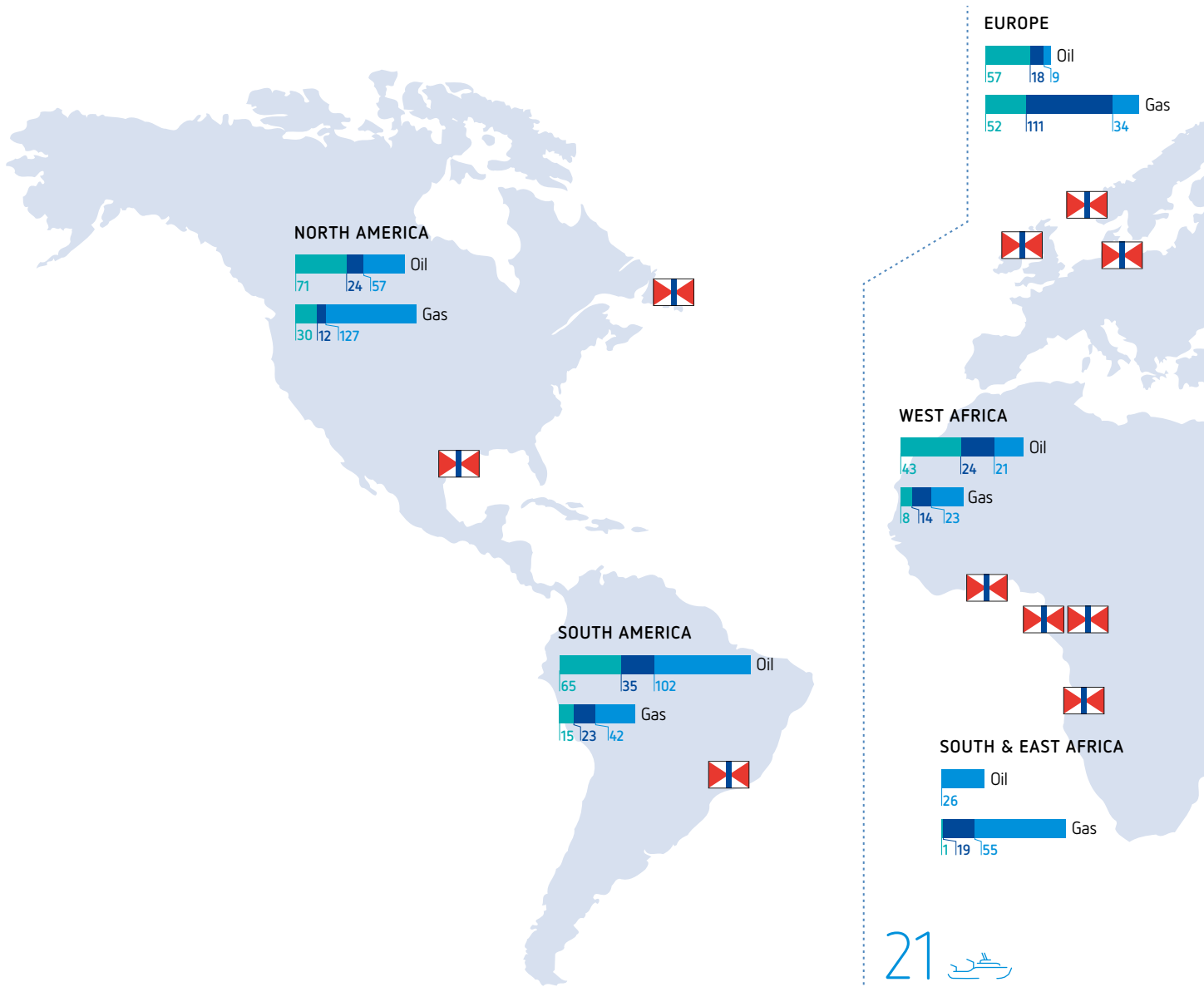
HUD, a joint venture between Hutchison Whampoa and Swire Pacific, provides engineering, harbour towage and salvage services from its facilities on Tsing Yi Island in Hong Kong. It is the largest towage operator in Hong Kong, operating 13 tugs and providing 24-hour service.

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:

- A commitment to operational excellence, to maintaining and enhancing high standards of service to clients and to placing major emphasis on safety and training.
- Selective investment in the provision of complementary marine services with a view to increasing the range of services offered to clients and the opportunities to utilise assets and resources.
- Operating commercial joint ventures with local partners where necessary or appropriate.

SPO – Global Footprint and Offshore Oil & Gas Reserves



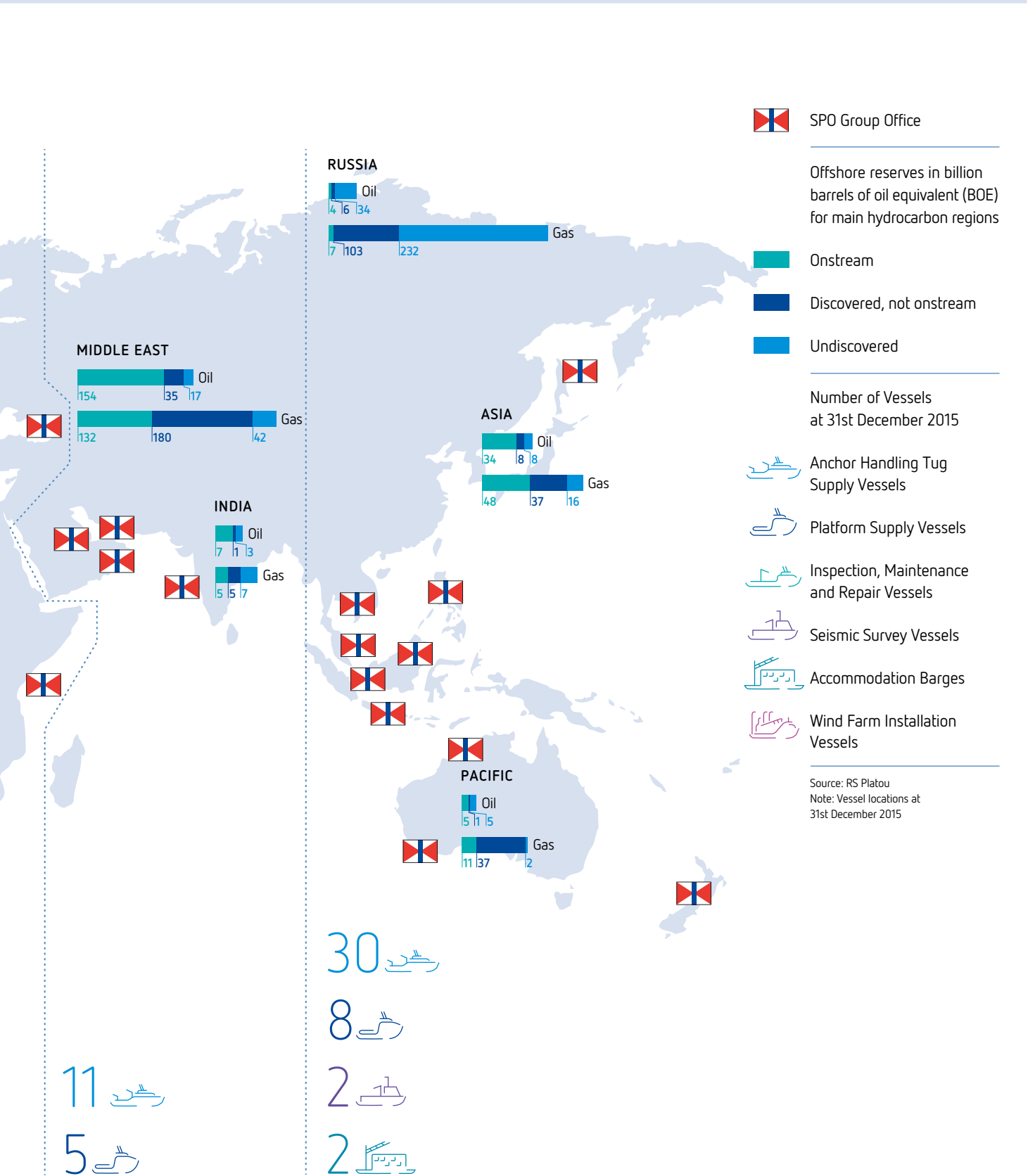
21 ریسرچ

7 ڈریلنگ

3 ریسرچ

1 ڈریلنگ

2 ڈریلنگ



2015 PERFORMANCE

Financial Highlights

| | 2015 HK\$M | 2014 HK\$M |
|---|----------------|---------------|
| Swire Pacific Offshore group | | |
| Revenue | 5,990 | 7,234 |
| Operating (loss)/profit | (846) | 1,320 |
| Operating activities | 432 | 1,320 |
| Impairment charges | (1,278) | – |
| Attributable (loss)/profit | (1,285) | 1,041 |
| Share of post-tax profits from joint venture companies | | |
| HUD group | 30 | 31 |
| Attributable (loss)/profit | (1,255) | 1,072 |

Sustainable Development Highlights

| | 2015 | 2014 |
|-------------------------------------|------|------|
| Swire Pacific Offshore group | | |
| LTIR | 0.13 | 0.14 |
| HUD group | | |
| LTIR | 1.47 | 1.86 |

Fleet Size

| | 2015 | 2014 |
|------------------------------|------------|------------|
| Number of vessels | | |
| Swire Pacific Offshore group | 92 | 88 |
| HUD group | 19 | 19 |
| Total | 111 | 107 |

SPO's newest platform supply vessel, *Pacific Grackle*, was delivered in September 2015.



SWIRE PACIFIC OFFSHORE GROUP OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Oil prices have declined significantly since 2014, adversely affecting the offshore exploration market. Oil majors have reduced spending on exploration and production. Too many offshore support vessels are chasing too little work. Utilisation and day rates have declined accordingly.

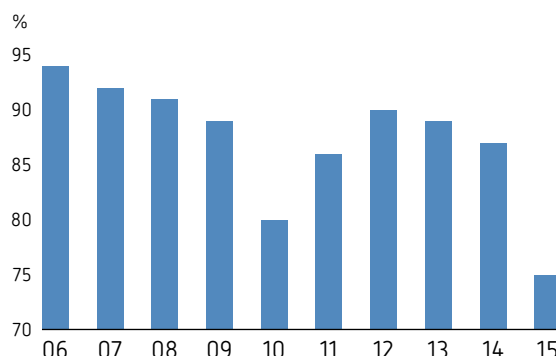
2015 RESULTS SUMMARY

SPO reported an attributable loss of HK\$1,285 million in 2015, compared to a profit of HK\$1,041 million in 2014.

Following a review of the business and having regard in particular to the outlook for the offshore oil services industry assuming that oil prices will not recover for some time, it was concluded that the book value of SPO's fleet would be subject to significant impairment charges. The results for the year include impairment charges of HK\$793 million accordingly, of which HK\$743 million relates to vessels and equipment and HK\$50 million relates to goodwill and intangible assets.

The results for the year also include an impairment charge of HK\$485 million arising from the cancellation of contracts

SPO – Average Utilisation Rates

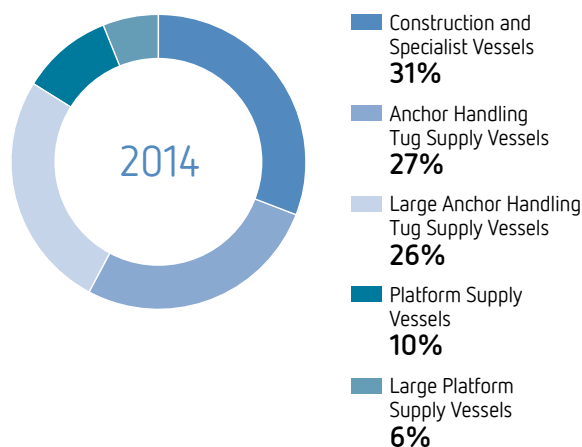
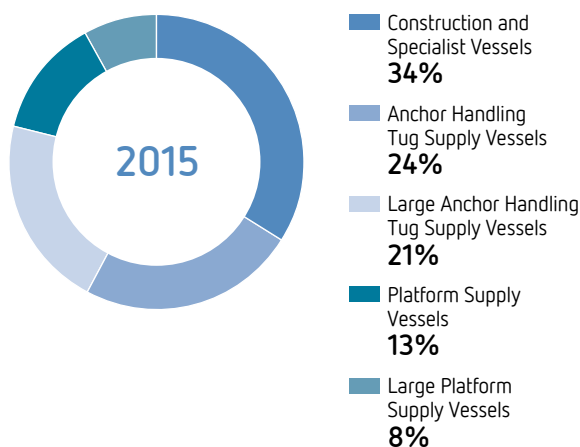


with a Brazilian shipyard for the construction of four large PSVs. The contracts were cancelled by SPO due to the shipyard's failure to deliver the vessels in accordance with the contractually agreed schedule. The matter is the subject of arbitration proceedings in Brazil.

Excluding the impairment charges of HK\$1,278 million, SPO reported an attributable loss of HK\$7 million in 2015. These results reflect the difficult conditions in the offshore industry.

SPO continued to generate net cash from operating activities (in an amount of HK\$1,692 million) in 2015.

SPO – Charter Hire Revenue by Vessel Class



Charter Hire

Charter hire revenue decreased by 17% to HK\$5,161 million in 2015.

SPO had a fleet utilisation rate of 74.9% in 2015, a decline of 11.7 percentage points from 2014. Average charter hire rates declined by 10% to USD27,100 per day.

The oversupply of tonnage in the market has put pressure on charter hire rates and utilisation.

Core Fleet

The utilisation rate of SPO's AHTSs and PSVs decreased by 12.1 percentage points to 75.2%. Charter hire rates for the core fleet decreased by 13% to USD20,000 per day. This reflected the decline in offshore oil and gas exploration activity.

Specialist Fleet

The utilisation rate of SPO's CSVs decreased by 8.6 percentage points to 72.0% and charter hire rates for the CSVs decreased by 3% to USD94,200 per day. During the first half of 2015, upgrades to the jacking systems of the two wind farm installation vessels were completed. This resulted in off-hire periods. Both vessels were subsequently on charter installing wind farm foundations and turbines in the North Sea for most of the rest of 2015. One of the vessels also completed a decommissioning contract in the North Sea. The utilisation rate of seismic survey and IMR vessels fell. Two of the three IMR vessels are now on long-term charters.

Non-charter Hire

Non-charter hire income was HK\$829 million, a decline of 20% compared to 2014. This mainly reflected lower revenue from Altus Oil & Gas Services.

Operating Costs

Total operating costs in 2015 decreased by HK\$373 million (or 6%) to HK\$5,413 million. SPO reduced operating costs by stacking eight vessels (one seismic survey vessel, four AHTSs and three large AHTSs). The vessels will be returned to service (when opportunities for their employment arise and deferred maintenance is completed) or sold.

Foreign exchange losses of HK\$167 million were recognised during the year, mainly due to the revaluation of cash held in Brazilian Reals and of claims made arising out of the termination of shipbuilding contracts denominated in the same currency. The cash was held in order to meet payments which, but for the cancellation, would have been due in respect of the terminated contracts.

Sustainable Development

Lost time injury rates decreased by 7% to 0.13 in 2015. SPO is committed to operating vessels in a safe and sustainable manner. SPO invests in training facilities with a view to ensuring high levels of technical and safety awareness.

FLEET

Total capital expenditure on new vessels and other fixed assets in 2015 was HK\$1,490 million, compared to HK\$3,286 million in 2014.

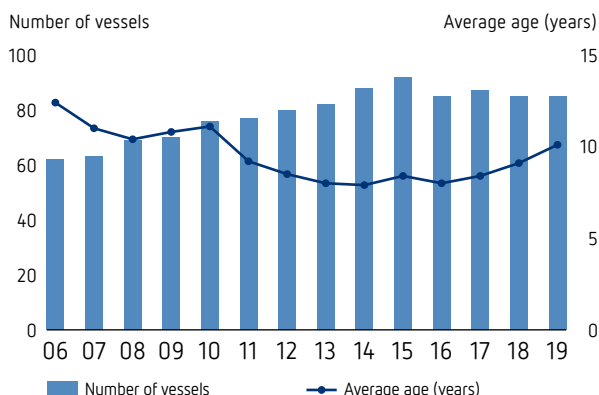
The delivery of one PSV which was due in 2015 has been delayed until 2016, when two additional PSVs are also expected to be delivered. During 2015, SPO committed to purchase a high-speed catamaran crew boat, which is expected to be delivered in 2016. SPO is expecting to dispose of its older vessels in the coming years when opportunities arise.

At 31st December 2015, SPO had total capital expenditure commitments of HK\$2,670 million (31st December 2014: HK\$5,177 million).

SPO – Profile of Capital Commitments

| | Expenditure | Forecast year of expenditure | | | Commitments |
|--|---------------|------------------------------|---------------|---------------|---------------------------|
| | 2015 HK\$M | 2016 HK\$M | 2017 HK\$M | 2018 HK\$M | at 31st Dec 2015 HK\$M |
| Anchor Handling Tug Supply Vessels and Platform Supply Vessels | 1,273 | 958 | 904 | 322 | 2,184 |
| Construction and Specialist Vessels | 157 | 145 | 81 | 25 | 251 |
| Other fixed assets | 60 | 154 | 65 | 16 | 235 |
| Total | 1,490 | 1,257 | 1,050 | 363 | 2,670 |

SPO – Fleet Size and Average Age of Vessels*



* Includes two vessels chartered from external parties.

OUTLOOK

A recovery in the offshore industry is not expected in the short term, on the assumption that low oil prices will continue to depress offshore exploration activity. Oil majors are postponing projects and reducing expenditure on existing projects. All this is likely to affect SPO’s results adversely.

SPO is well positioned to take advantage of market opportunities when conditions improve. SPO has a modern, highly specified and fuel efficient fleet which is capable of meeting the needs of its customers, and is confident of its long term future.

HONGKONG UNITED DOCKYARDS GROUP

INDUSTRY BACKGROUND

The shipping industry was weaker than expected in 2015. Freight rates remained under pressure. Shipping lines cut costs and are expected to continue to do so.

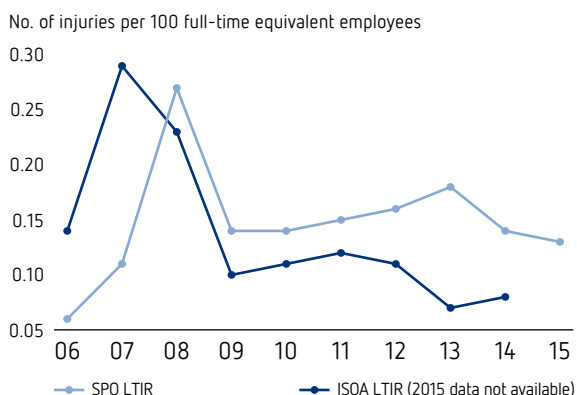
Demand for engineering services for port equipment maintenance, infrastructure projects and logistics support was firm.

2015 RESULTS SUMMARY

The attributable profit of the HUD group for 2015 was HK\$30 million, similar to 2014.

The salvage and towage division’s profit (before tax and interest and on a 100% basis) was HK\$138 million in 2015, compared

SPO – LTIR



with HK\$152 million in 2014. The 2014 profit included a profit on disposal of a tug of HK\$16 million. Fewer container ship movements meant fewer tug moves, but the effect of this was offset in part by more sea-going work and lower fuel costs.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2015 of HK\$58 million, compared with a loss of HK\$70 million in 2014. More engineering contracts were obtained, both marine and non-marine. But revenues were affected by delays in starting work on contracts and labour shortages. Higher labour costs affected profitability.

Hong Kong Salvage & Towage (“HKST”) has 19 vessels in its fleet, including six container vessels.

The lost time injury rate in 2015 was 21% lower than last year.

OUTLOOK

Demand for marine engineering work is expected to remain under pressure in 2016. However, the engineering division has been awarded a significant non-marine contract by the Drainage Services Department of the Hong Kong government. The contract is for three years and commenced in February 2016.

HKST will aim to maintain its position as a leading tug operator in Hong Kong, both in the harbour and on the ocean, and will seek additional types of work in Hong Kong.

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J B Rae-Smith