Pacific Orca, a windfarm installation vessel.

MARINE SERVICES DIVISION

PROVIDING EXCELLENT OFFSHORE SUPPORT

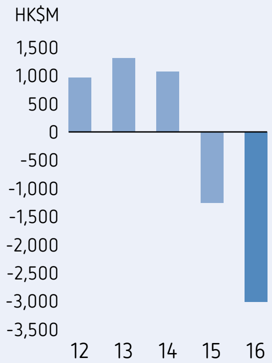
We aim to provide outstanding specialised offshore support to the global oil and gas industry.

OVERVIEW OF THE BUSINESS

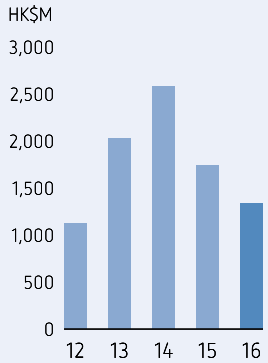
MARINE SERVICES DIVISION

The Marine Services Division, through Swire Pacific Offshore ("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 and a subsea inspection, maintenance and repair ("IMR") business.

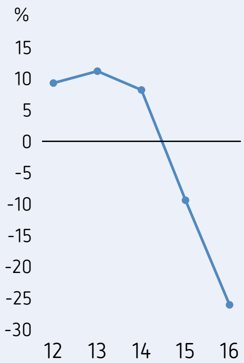
Profit/(loss) Attributable to the Company's Shareholders



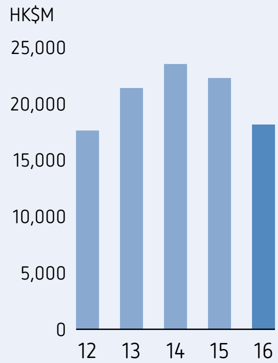
Net Cash Generated from Operating Activities



Return on Equity



Net Assets Employed



SPO can support drilling, production, exploration, pipe-laying, subsea construction and floating production, storage, offloading operations and high speed crew changes. 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 and subsea remotely operated vehicle support.

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 2016, SPO operated a fleet of 81 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"), accommodation barges, a light construction subsea vessel and a high speed catamaran crew boat.

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

SPO's Geographical Distribution

SPO is headquartered in Singapore, with shore support for its vessels provided by outport offices in Angola, Australia, Azerbaijan, Brazil, Brunei, Cameroon, Canada, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Kenya, Malaysia, New Zealand, Norway, Qatar, the Philippines, Scotland, Trinidad & Tobago and the United Arab Emirates. SPO also has a representative office in the USA.

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 a 24-hour service.

STRATEGY

The principal strategic objective of the Marine Services Division is to maintain and strengthen SPO's position as a leading supplier of marine services, focusing primarily on the offshore energy industry. The strategies employed in order to achieve this objective are these:

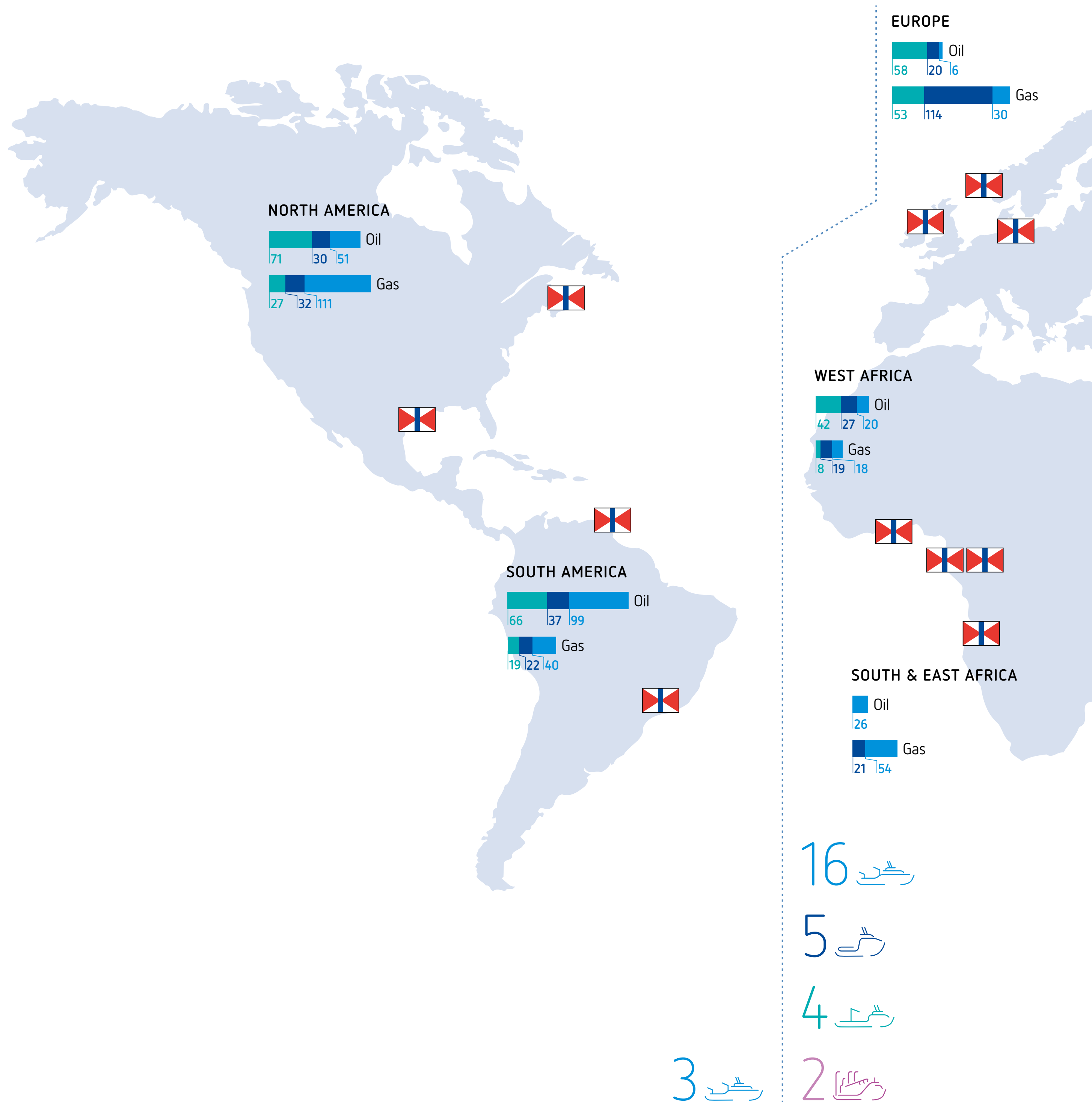
- **Ensuring safety always comes first in every aspect of our business.**
- **Being strongly committed to delivering operational excellence in marine services.**
- **Developing an Industry leading team recognised for quality and professionalism.**
- **Operating a modern and reliable fleet efficiently.**
- **Managing our business sustainably with high standards of corporate governance.**
- **Developing complementary marine services that add value.**
- **Delivering long term value and attractive returns.**

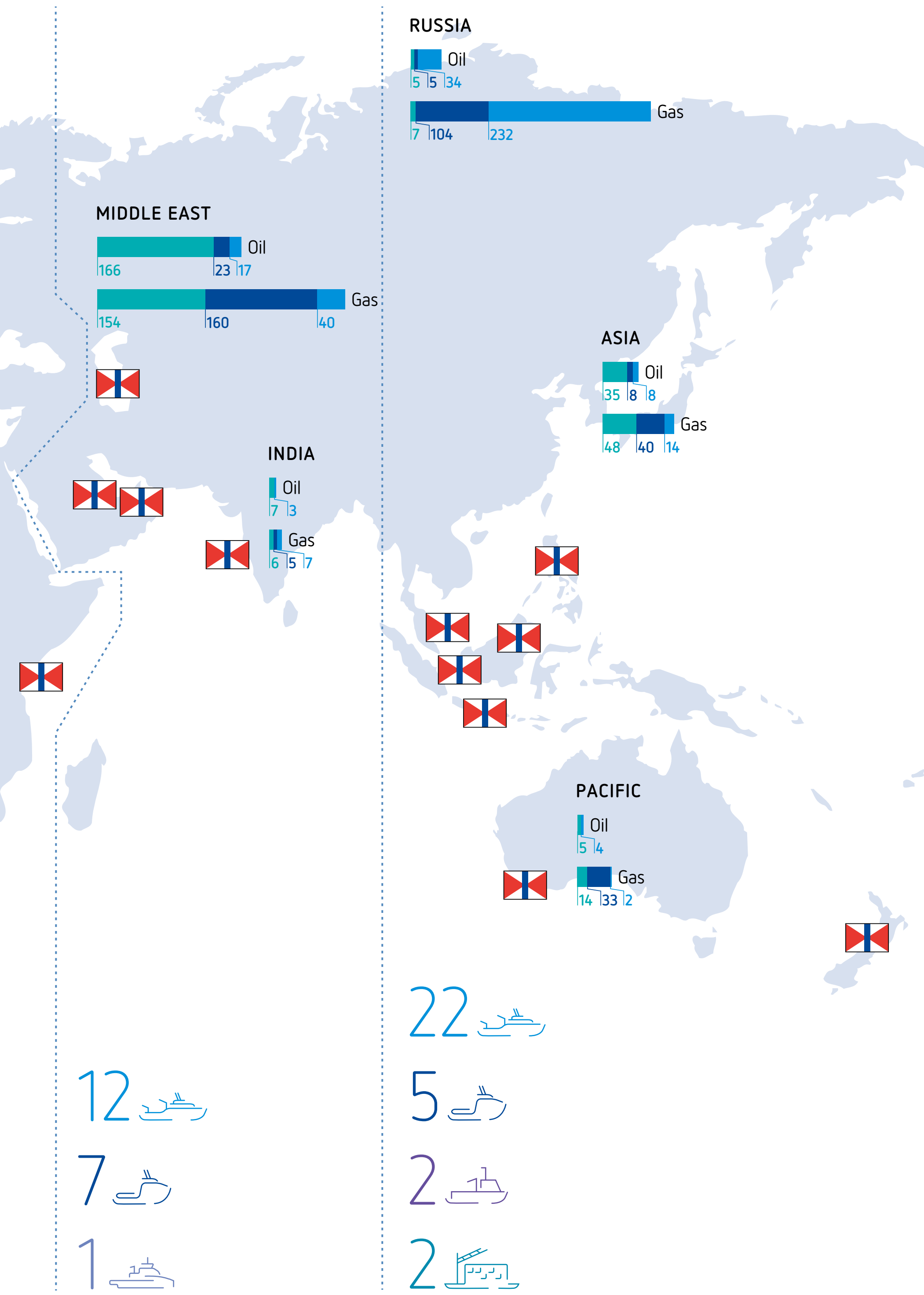
SPO – Fleet Size

Vessel class	2015	Additions 2016	Disposals 2016	Year-end 2016	Vessels expected to be received in: 2017	2018
Anchor Handling Tug Supply Vessels	40	–	6	34	–	–
Large Anchor Handling Tug Supply Vessels	23	–	4	19	–	–
Platform Supply Vessels	12	–	3	9	3	3
Large Platform Supply Vessels	8	–	–	8	–	–
Construction and Specialist Vessels	9	2	–	11	–	–
	92	2	13	81	3	3

Note: SPO's fleet at 31st December 2015 included one PSV and one CSV chartered from external parties. The PSV was redelivered to its owner during the year and is included as a disposal above. SPO's fleet at 31st December 2016 included one CSV chartered from an external party.

SPO – Global Footprint and Offshore Oil & Gas Reserves





SPO Group Office

Offshore reserves in billion barrels of oil equivalent (BOE) for main hydrocarbon regions

Onstream

Discovered, not onstream

Undiscovered

Number of Vessels at 31st December 2016

Anchor Handling Tug Supply Vessels

Platform Supply Vessels

Inspection, Maintenance and Repair Vessels

Seismic Survey Vessels

Accommodation Barges

Wind Farm Installation Vessels

Fast Catamaran

Source: Clarksons Research
Note: Vessel locations at 31st December 2016

2016 PERFORMANCE

Financial Highlights

	2016 HK$M	2015 HK$M
Swire Pacific Offshore group		
Revenue	4,238	5,990
Operating (loss)/profit derived from:		
Operating activities	(165)	432
Impairment charges	(2,313)	(1,278)
Loss on disposal of a subsidiary	(118)	–
Total operating loss	(2,596)	(846)
Attributable loss	(3,033)	(1,285)
HUD group		
Share of post-tax profits from joint venture companies	20	30
Attributable loss	(3,013)	(1,255)

Fleet Size

	2016	2015
Number of vessels		
Swire Pacific Offshore group	81	92
HUD group	19	19
Total	100	111

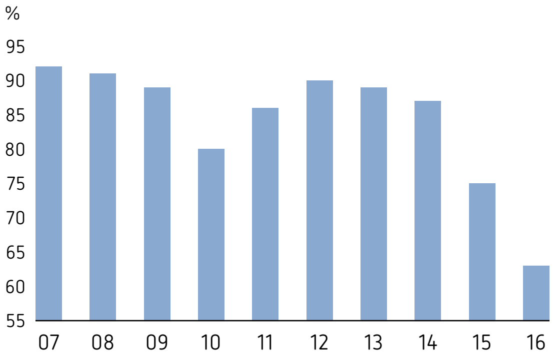
Swire Pacific Offshore has a modern, highly specified and fuel efficient fleet which is capable of meeting the needs of its customers.

SWIRE PACIFIC OFFSHORE GROUP

OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Low oil prices and a reduction in exploration and production spending by oil majors continued to have a material adverse effect on the offshore exploration market in 2016. The oversupply of offshore support vessels has resulted in reduced charter hire and utilisation rates. This in turn has led to the widespread stacking of vessels.

SPO – Average Utilisation Rates



2016 RESULTS SUMMARY

SPO reported an attributable loss of HK$3,033 million in 2016, compared to a loss of HK$1,285 million in 2015.

In the second half of 2016, a review of the carrying value of SPO's assets was completed. Vessel market values and the outlook for the offshore industry had a significant impact on the assessment. SPO's outlook for the industry indicates a longer period for the downturn and a slower rate of recovery than previously expected. The results for the year include vessel impairment charges of HK$2,313 million arising from the review.

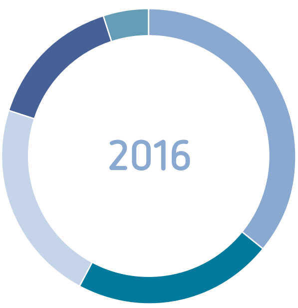
The results for the year also include a loss of HK$118 million arising from the disposal of SPO's logistics subsidiary, Altus Oil & Gas Services in November 2016. The disposal reflects SPO's strategy of refocusing on its core marine operations.

SPO disposed of twelve vessels in 2016 for an aggregate profit of HK$147 million.

Excluding the impairment charges, the loss on disposal on Altus Oil & Gas Services, and the profit on disposal of vessels, SPO reported an attributable loss of HK$749 million in 2016 (compared to a loss of HK$29 million in 2015). These results reflect the difficult market conditions in the offshore energy industry.

SPO generated net cash from operating activities amounting to HK$1,303 million in 2016.

SPO – Charter Hire Revenue by Vessel Class



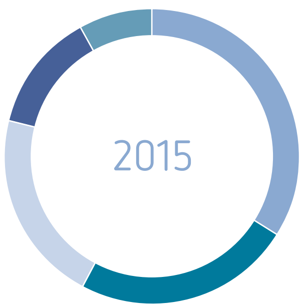
Construction and Specialist Vessels **36%**

Anchor Handling Tug Supply Vessels **22%**

Large Anchor Handling Tug Supply Vessels **22%**

Platform Supply Vessels **15%**

Large Platform Supply Vessels **5%**



Construction and Specialist Vessels **34%**

Anchor Handling Tug Supply Vessels **24%**

Large Anchor Handling Tug Supply Vessels **21%**

Platform Supply Vessels **13%**

Large Platform Supply Vessels **8%**

Charter Hire

Charter hire revenue decreased by 31% to HK$3,574 million in 2016, reflecting reduced charter hire and utilisation rates.

SPO had a fleet utilisation rate of 63.4% in 2016, a decline of 11.5 percentage points from 2015. Average charter hire rates declined by 15% to USD23,100 per day.

Core Fleet (AHTSs and PSVs)

The utilisation rate of SPO's AHTSs and PSVs decreased by 12 percentage points to 63.2% in 2016. Charter hire rates for the core fleet decreased by 17% to USD16,600 per day.

Four AHTSs were in cold stack at 31st December 2016.

Specialist Fleet

The utilisation rate of SPO's CSVs decreased by 7.1 percentage points to 64.9% in 2016. Charter hire rates for the CSVs decreased by 19% to USD76,200 per day.

The wind farm installation vessels were on charter installing wind farm foundations and turbines for the majority of the year. One accommodation barge and two seismic survey vessels were in cold stack at 31st December 2016.

Non-charter Hire

Non-charter hire income was HK$664 million in 2016, a decline of 20% compared to 2015, mainly due to lower revenue from Altus Oil & Gas Services.

Operating Costs

Total operating costs in 2016 decreased by HK$819 million (or 15%) to HK$4,594 million. The reduction principally reflected cost cutting and the disposal and stacking of vessels. SPO had seven vessels in cold stack at 31st December 2016. The vessels will be returned to service (when opportunities arise and deferred maintenance is completed) or sold.

SPO recorded a foreign exchange gain of HK$63 million in 2016, mainly due to SPO's exposure to the Brazilian Real in connection with contracts with a Brazilian shipyard for the construction of four large PSVs. In 2014, SPO cancelled these contracts 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.

FLEET

The fleet size at 31st December 2016 was 81 compared to 92 at 31st December 2015.

SPO disposed of ten older AHTSs, four of which were large AHTSs, and two PSVs in 2016. One PSV chartered from an external party was redelivered to its owner during the year.

A high speed catamaran crew boat was delivered in November 2016 and a light construction subsea vessel was purchased in December 2016. SPO deferred delivery of three PSVs to 2017 and a further three PSVs to 2018 (from 2016 and 2017, respectively).

Total capital expenditure on new vessels and other fixed assets in 2016 was HK$946 million, compared to HK$1,490 million in 2015.

At 31st December 2016, SPO had total capital expenditure commitments of HK$2,278 million (31st December 2015: HK$2,670 million).

OUTLOOK

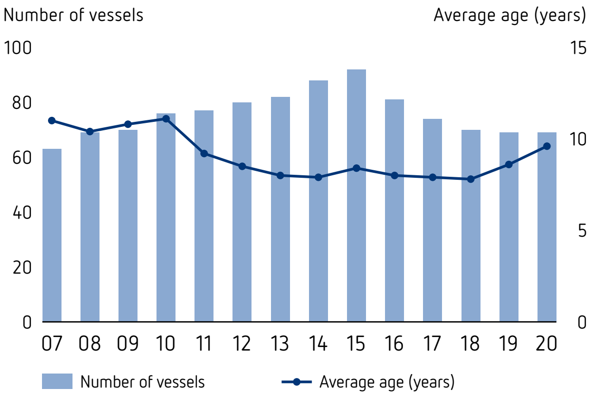
Industry conditions are expected to remain difficult and the market recovery is expected to take longer than previously expected. Exploration and production projects have been delayed and the oversupply of vessels will take time to correct.

SPO remains committed to providing high-quality services to clients and is well placed to take advantage of any improvement in the market when it comes.

SPO – Profile of Capital Commitments

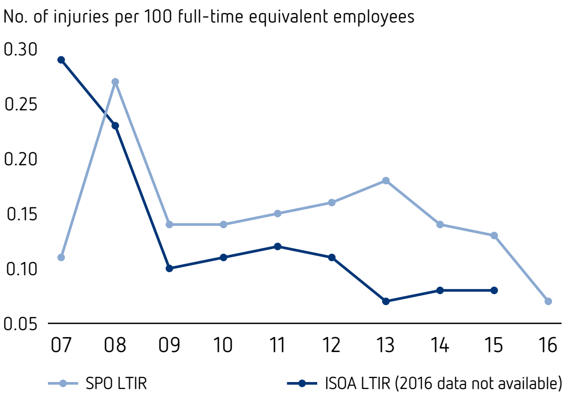
	Expenditure	Forecast year of expenditure			Commitments
	2016 HK$M	2017 HK$M	2018 HK$M	2019 HK$M	at 31st December 2016 HK$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	247	988	692	232	1,912
Construction and Specialist Vessels	597	107	49	86	242
Other fixed assets	102	72	7	45	124
Total	946	1,167	748	363	2,278

SPO – Fleet Size and Average Age of Vessels*



* Including vessels chartered from external parties.

SPO – LTIR



HONGKONG UNITED DOCKYARDS GROUP

INDUSTRY BACKGROUND

The shipping industry remained weak in 2016. Shipping lines continued to cut costs as freight rates remained under pressure. Container terminal throughput in Hong Kong was depressed.

Demand for engineering services for infrastructure projects and for logistics support was firm in Hong Kong. This was supported by the Hong Kong government's large-scale infrastructure projects.

2016 RESULTS SUMMARY

The attributable profit of the HUD group for 2016 was HK$20 million compared to HK$30 million in 2015.

The salvage and towage division's profit (before tax and interest and on a 100% basis) was HK$118 million in 2016, compared with HK$138 million in 2015. Fewer container, bulker and tanker ship movements meant fewer tug moves. Tug rates also remained under pressure. This was offset in part by lower fuel costs.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2016 of HK$62 million, compared to a HK$58 million loss in 2015. Fewer marine engineering contracts were obtained due to the competitive market, and the profitability of non-marine contracts was adversely affected by delays in starting work and higher labour costs.

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

OUTLOOK

HKST will aim to maintain its position as a leading tug operator in Hong Kong, both in the harbour and on the ocean. New safety regulations in Mirs Bay may be implemented by the Hong Kong Marine Department. These should increase demand for tug moves.

Demand for marine engineering work is expected to be weak in 2017. The outlook for land based work is better. HUD started to do rebar work in 2016. More such work will be done in 2017 and it is expected to be profitable.

—

Ronald Mathison – SPO
Derrick Chan – HUD