MARINE SERVICES DIVISION

PROVIDING EXCELLENT OFFSHORE SUPPORT

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

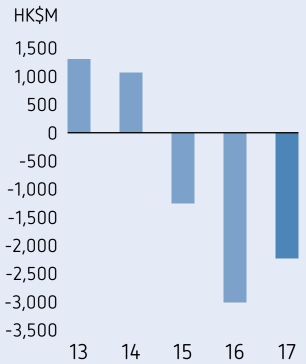
Swire Pacific Offshore’s subsea vessel *Seabed Constructor*.


SWIRE SEABED

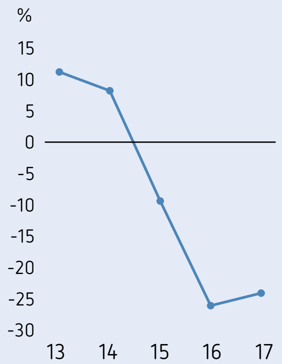
MARINE SERVICES DIVISION

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 also has a wind farm installation business and a subsea inspection, maintenance and repair ("IMR") business.

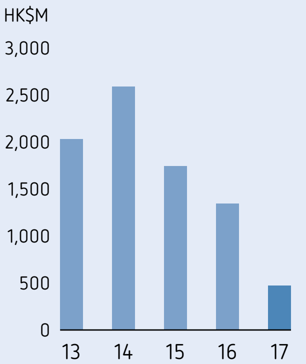
Profit/(loss) Attributable
to the Company's Shareholders



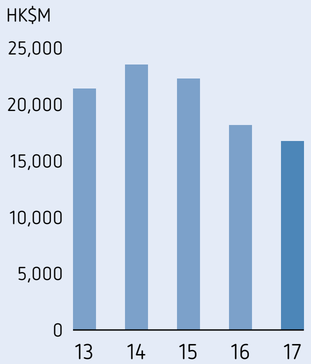
Return on Equity



Net Cash Generated
from Operating Activities



Net Assets
Employed



SPO can support offshore drilling, production, exploration, platform construction, subsea IMR and light construction work and high speed crew changes. SPO 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 2017, SPO operated a fleet of 77 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 CK Hutchison 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.

SPO – Fleet Size

		Additions	Disposals	Year-end	Vessels expected to be received in:	
Vessel class	2016		2017		2018	2019
Anchor Handling Tug Supply Vessels	34	–	4	30	–	–
Large Anchor Handling Tug Supply Vessels	19	–	–	19	–	–
Platform Supply Vessels	9	2	1	10	4	–
Large Platform Supply Vessels	8	–	–	8	–	–
Construction and Specialist Vessels	11	–	1	10	1	1
	81	2	6	77	5	1

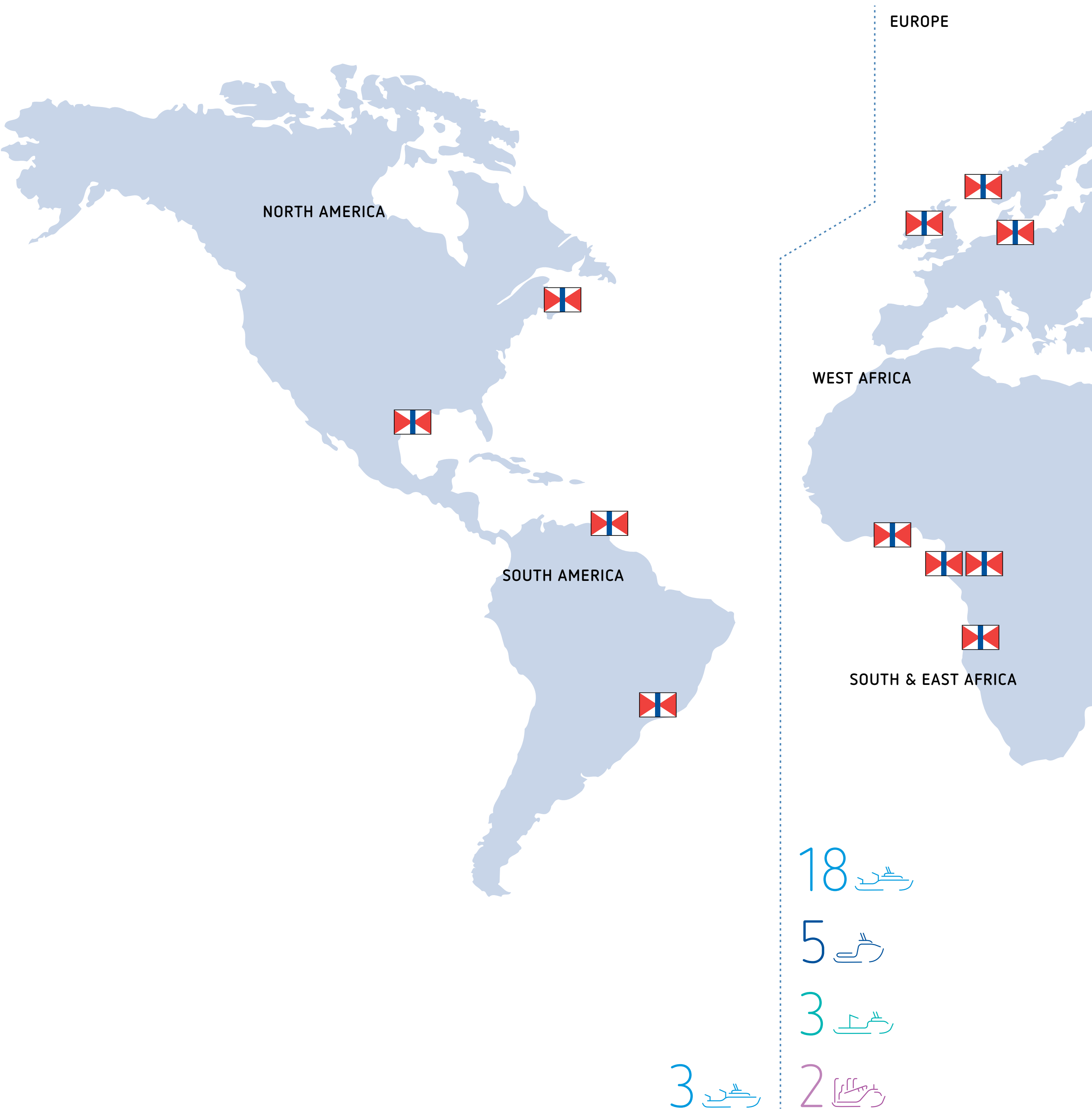
Note: SPO's fleet at 31st December 2016 included one CSV chartered from an external party. The CSV was redelivered to its owner in 2017 and is included as a disposal. The CSVs expected to be received in 2018 and 2019 will be on operating leases.

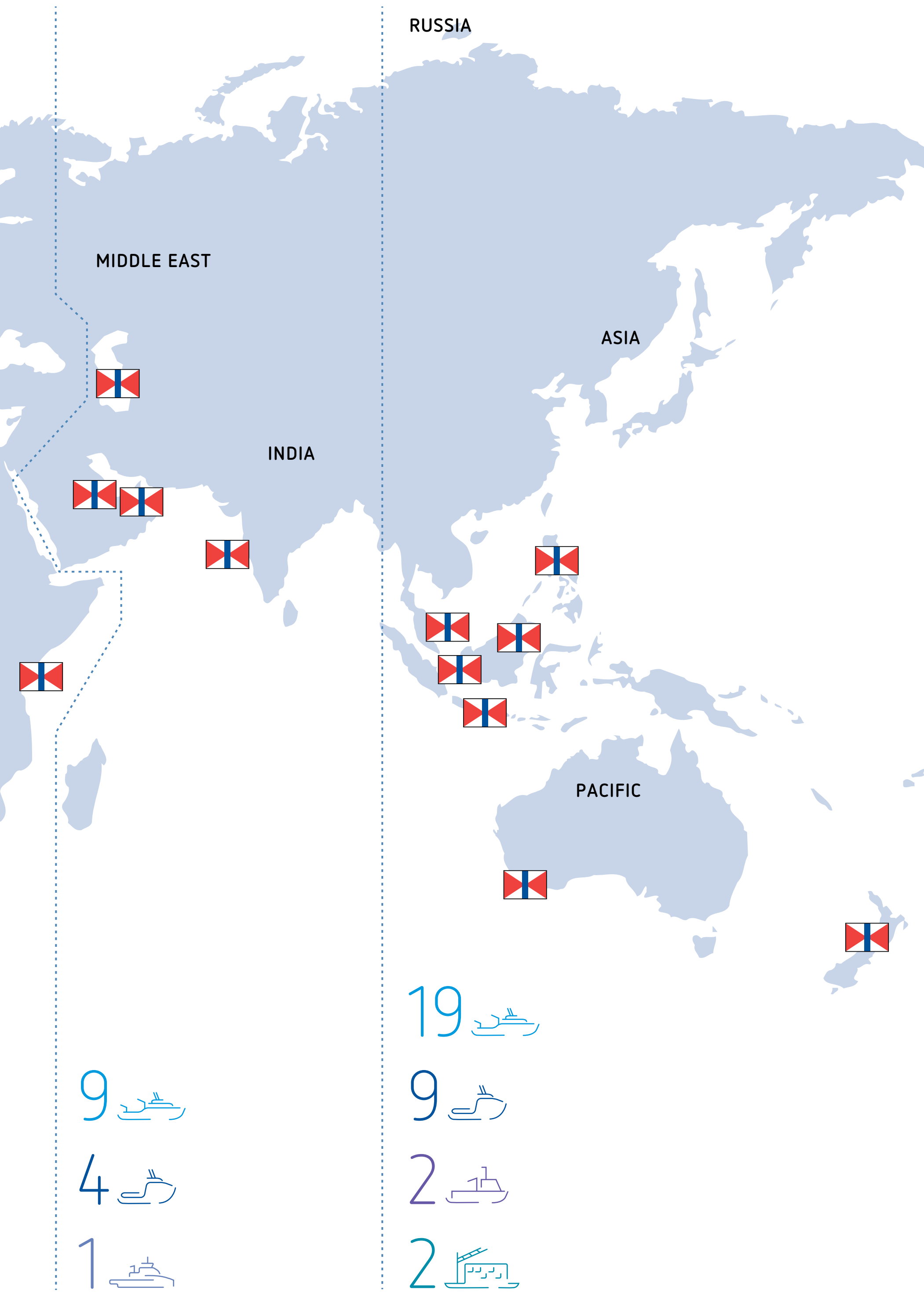
STRATEGY

The principal strategic objective of the Marine Services Division is to maintain and strengthen SPO's position as a leading supplier of marine services, focussing 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.**
- **Delivering operational excellence in marine services.**
- **Developing an industry leading team recognised for quality and professionalism.**
- **Efficiently operating a modern and reliable fleet.**
- **Managing its business sustainably with high standards of corporate governance.**
- **Developing complementary marine services that add value.**

SPO – Global Footprint and Offshore Oil & Gas Reserves





SPO Group Office

Number of Vessels
at 31st December 2017

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 2017

2017 PERFORMANCE

Financial Highlights

	2017 HK$M	2016 HK$M
Swire Pacific Offshore group		
Revenue	3,067	4,238
Operating (loss)/profit derived from:		
Operating activities	(779)	(165)
Impairment charges	(1,015)	(2,313)
Gain/(Loss) on disposal of a subsidiary	3	(118)
Total operating loss	(1,791)	(2,596)
Attributable loss	(2,255)	(3,033)
HUD group		
Share of post-tax profits from joint venture companies	23	20
Attributable loss	(2,232)	(3,013)

Fleet Size

	2017	2016
Number of vessels		
Swire Pacific Offshore group	77	81
HUD group	19	19
Total	96	100

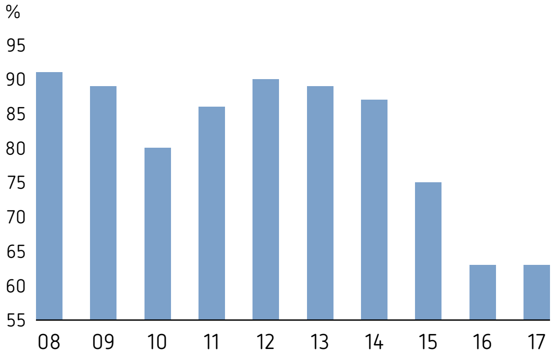
Swire Pacific Offshore received its latest G-class platform supply vessel, *Pacific Grebe*, in 2017.

SWIRE PACIFIC OFFSHORE GROUP

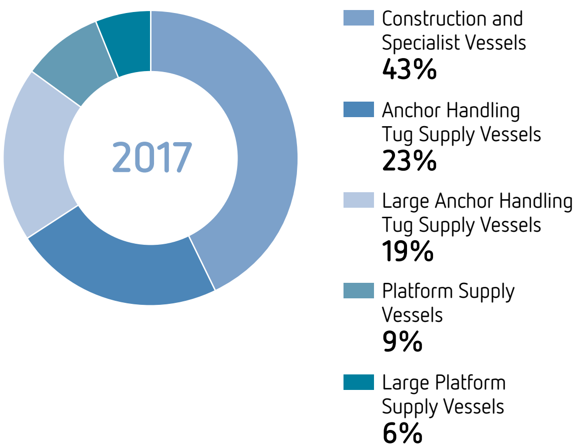
2017 OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY REVIEW

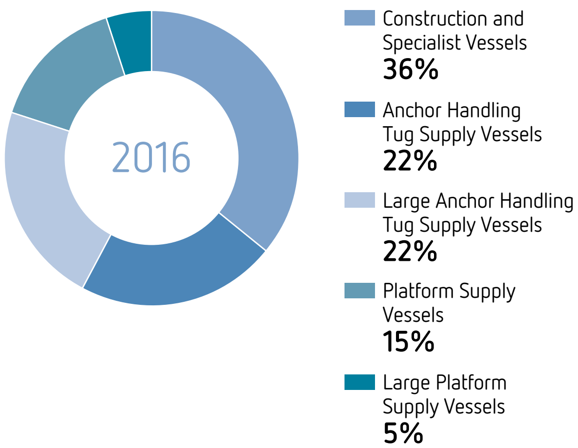
The level of exploration and production spending by oil majors remained weak in 2017 and continued to have a material adverse effect on the offshore exploration market. This was despite a recovery in oil prices during the year. Rig fixing activities increased in the second half of 2017, resulting in an improvement in vessel utilisation rates. However, the oversupply of offshore support vessels continued to put pressure on charter hire rates.

SPO – Average Utilisation Rates



SPO – Charter Hire Revenue by Vessel Class





2017 RESULTS SUMMARY

SPO reported an attributable loss of HK$2,255 million in 2017, compared to a loss of HK$3,033 million in 2016.

In the second half of 2017, as required by applicable accounting standards, a review was undertaken of the carrying value of SPO's fleet. A significant influence on the value of the fleet is the outlook for the offshore industry in which it operates. The review of the fleet's carrying value reflected that outlook. As a result of the review, impairment charges of HK$1,015 million were included in the results for the year (2016: HK$2,313 million).

SPO disposed of five vessels in 2017 at an aggregate loss of HK$19 million (2016: gain of HK$147 million).

Excluding impairment charges and profits and losses on disposal of vessels in both years and the loss on disposal of Altus Oil & Gas Services of HK$118 million in 2016, SPO reported an attributable loss of HK$1,224 million in 2017 (compared to a loss of HK$749 million in 2016). These results reflect the difficult market conditions in the offshore energy industry.

SPO generated net cash from operating activities of HK$389 million in 2017, compared to HK$1,303 million in 2016.

Charter Hire

Charter hire revenue decreased by 25% to HK$2,684 million in 2017, principally reflecting reduced charter hire rates.

SPO had a fleet utilisation rate of 62.5% in 2017, a small decline (of 0.9 percentage points) from 2016. Average charter hire rates declined by 19% to USD18,800 per day.

Core Fleet (AHTSs and PSVs)

The utilisation rate of SPO's AHTSs and PSVs increased by 1.1 percentage points to 64.3% in 2017. Charter hire rates for the core fleet decreased by 25%, to USD12,400 per day.

Four AHTSs were in cold stack at 31st December 2017.

Specialist Fleet

The utilisation rate of SPO's CSVs decreased by 13.7 percentage points, to 51.2% in 2017. Charter hire rates for the CSVs decreased by 7%, to USD71,000 per day.

Following periods of being offhire, the wind farm installation vessels were both working in the North Sea, installing wind farm foundations and turbines in the summer months of 2017. One accommodation barge and two seismic survey vessels were in cold stack at 31st December 2017.

Non-charter Hire

Non-charter hire income was HK$383 million in 2017, a decline of 42% compared to 2016. This principally reflected the absence of logistics revenue following the disposal of Altus Oil & Gas Services in November 2016. The decline was offset in part by higher income from project engineering and survey work.

Operating Costs

Total operating costs in 2017 decreased by HK$761 million (or 17%) to HK$3,833 million. The reduction principally reflected lower activity, the disposal and stacking of vessels and reductions in administrative and discretionary expenditure. SPO had seven vessels in cold stack at 31st December 2017. The vessels will be returned to service (when opportunities arise and deferred maintenance is completed) or sold.

FLEET

The fleet size at 31st December 2017 was 77 compared to 81 at 31st December 2016.

SPO disposed of four older AHTSs and one PSV in 2017. One subsea IMR vessel chartered from an external party was redelivered to its owner during the year. SPO expects to dispose of more older vessels.

Two PSVs were delivered to SPO during the year. A bareboat charter was signed for a survey and light construction vessel for a period of up to three years. SPO is expecting delivery of another four PSVs in 2018.

Total capital expenditure on new vessels and other fixed assets in 2017 was HK$818 million, compared to HK$946 million in 2016.

At 31st December 2017, SPO had total capital expenditure commitments of HK$1,647 million (31st December 2016: HK$2,278 million).

OUTLOOK

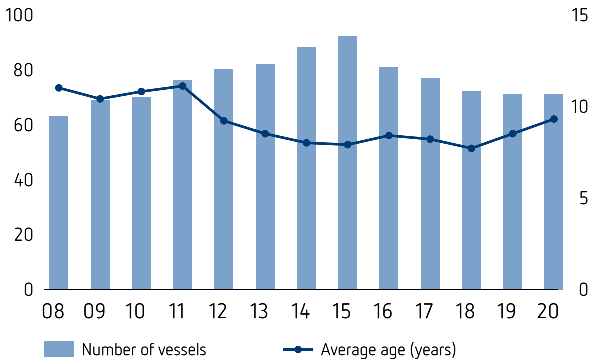
Industry conditions remain difficult, but there are signs that the offshore support market may be bottoming out. Exploration and production spending is expected to increase modestly in 2018. Utilisation of mobile offshore drilling units and of offshore supply vessels is gradually recovering. However, charter hire rates remain depressed.

SPO is vigilant in controlling costs. It is evaluating its fleet profile with a view to being well placed to take advantage of any market recovery in the coming years.

SPO – Profile of Capital Commitments

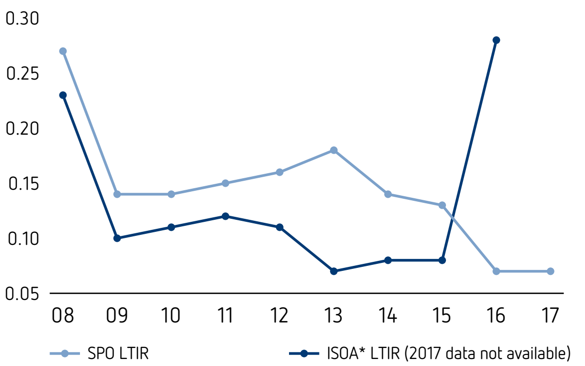
	Expenditure	Forecast year of expenditure			Commitments
	2017 HK$M	2018 HK$M	2019 HK$M	2020 HK$M	at 31st December 2017 HK$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	708	892	277	163	1,332
Construction and Specialist Vessels	60	63	78	16	157
Other fixed assets	50	25	48	85	158
Total	818	980	403	264	1,647

SPO – Fleet Size and Average Age of Vessels*



* Including vessels chartered from external parties.

SPO – LTIR



* ISOA – International Support Vessel Owners' Association

HONGKONG UNITED DOCKYARDS GROUP

2017 INDUSTRY REVIEW

The shipping industry benefited from a number of alliances and mergers in 2017. It is more stable as a result. But the result may be fewer and larger ships visiting Hong Kong, which could adversely affect the results of the salvage and towage division.

There were fewer engineering contracts awarded in connection with infrastructure projects in Hong Kong in 2017. This adversely affected HUD's non-marine engineering business.

2017 RESULTS SUMMARY

The attributable profit of the HUD group for 2017 was HK$23 million compared to HK$20 million in 2016.

The salvage and towage division's profit (before tax and interest and on a 100% basis) was HK$127 million in 2017, compared with HK$118 million in 2016. Tug moves increased by 4%.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2017 of HK$69 million, compared to a HK$62 million loss in 2016. Fewer marine engineering contracts were obtained in a highly competitive market. The profitability of non-marine contracts was adversely affected by high labour costs.

The salvage and towage division has 19 vessels in its fleet, including six container vessels.

OUTLOOK

The results of the salvage and towage division are expected to be affected by increasing competition.

Demand for engineering work is expected to be weak in 2018.

Ron Mathison – SPO
Derrick Chan – HUD