References are to "Notes to the Accounts" on pages 55 to 76.

Commentary on major variances in the Consolidated Profit and Loss Account, Balance Sheet and Cash Flow Statement

Consolidated Profit and Loss Account	2002 HK$M	2001 HK$M	Reference
TURNOVER			
In the Property Division, the decrease in turnover is mainly due to the fall in gross rental income and reduced proceeds from property trading, partially offset by increased revenue from the sale of investment properties. The Beverages Division's operations in Hong Kong, Taiwan and USA achieved an overall growth in turnover of 6%, mainly driven by volume increases in non-carbonated products. The improved turnover in the Marine Services Division reflects capacity growth at Swire Pacific Offshore following the delivery of eight new vessels during the year. In the Trading & Industrial Division, a fall in turnover for Taikoo Motors in Hong Kong and Mainland China was partially offset by higher sales recorded in Swire Resources and Swire Duro.	**15,215**	15,198	Note 1
OPERATING PROFIT			
In the Property Division, operating profit was higher than 2001 due to increased contribution from the sale of more units in The Albany, partially offset by lower net rental income from the office portfolio and slightly reduced profits from property trading. The Beverages Division achieved a 10% increase in operating profit through good volume growth in all territories, particularly Taiwan. This was further enhanced by savings in operating and material costs. In the Marine Services Division, the improved operating profit of Swire Pacific Offshore reflects further revenue generated from the eight new vessels and the profit from the disposal of one vessel. The Trading & Industrial Division saw a decline in operating profit as a result of closure costs in the car business in Mainland China, and the write-down in value of the Taikoo Car Centre in Kwun Tong. These non-recurring losses were compensated in part by profit on sale of the Division's interest in Schneider Swire.	**4,345**	4,391	Note 2 and Note 3
NET FINANCE CHARGES			
The beneficial effect on finance charges of reduced average net borrowings and lower prevailing interest rates was more than offset by a significant reduction in interest capitalised into investment properties and properties under development for sale.	**(547)**	(493)	Note 6

	2002 HK$M	2001 HK$M	Reference
SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED COMPANIES			
The decrease in the share of profits mainly reflects additional provisions for property development projects in Ocean Shores, Tung Chung and Wong Chuk Hang. The share of contribution from Les Saisons dropped with fewer units sold. The Trading & Industrial Division also suffered a HK$35 million write-off of goodwill in respect of a footwear franchise.	**(36)**	153	Note 7
SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES			
The substantial increase in the share of profits is principally attributable to the markedly improved results at Cathay Pacific. Better performances were also reported from HAECO, Hong Kong Air Cargo Terminals and Dragonair.	**2,750**	1,029	
TAXATION			
The low effective tax rate of 11.1% reflects tax losses brought forward from previous years and the non-taxable profit on the sale of units in The Albany.	**723**	602	Note 8
MINORITY INTERESTS			
The increase is due to improved contributions from Hong Kong Air Cargo Terminals and the beverages operations in Hong Kong and Mainland China.	**385**	360	
PROFIT ATTRIBUTABLE TO SHAREHOLDERS			
The significant increase in profit from the Aviation Division has been partially offset by reduced rental income, provisions against property development projects and the costs associated with the restructuring of businesses in the Trading & Industrial Division.	**5,404**	4,118	

Consolidated Balance Sheet	2002 HK$M	2001 HK$M	Reference
FIXED ASSETS			
The decrease in fixed assets is mainly due to the decrease in the valuation of the investment property portfolio, reflecting the decline in office rental levels, and to a lesser extent the sales of the Hong Kong Spinners Industrial Building and units in The Albany.	**66,975**	71,261	Note 12
INVESTMENTS IN JOINTLY CONTROLLED COMPANIES			
The decrease reflects loan repayments and distribution of dividends from jointly controlled companies holding interests in the property development projects, Ocean Shores and Les Saisons. The decrease also reflects the disposal of the interest in Swire Beverages (Dongguan) and a fall in valuation of investment properties held by jointly controlled companies.	**5,517**	8,058	Note 14

Consolidated Balance Sheet (continued)	2002 HK$M	2001 HK$M	Reference
INVESTMENTS IN ASSOCIATED COMPANIES The increase principally represents the profits retained by associated companies in the Aviation and Marine Services Divisions during the year. The main contributors in the Aviation Division were Cathay Pacific and HAECO.	**17,988**	17,685	Note 15
PROPERTIES FOR SALE The increase is mainly due to the development costs incurred on the new property development projects: Jade Residences in the USA and The Orchards in Hong Kong. The increase is somewhat offset by the sales of units in Three Tequesta Point and Courts Brickell Key in the USA and StarCrest in Hong Kong.	**2,442**	1,683	Note 17
TRADE AND OTHER RECEIVABLES The other receivables at the end of 2002 included proceeds receivable from the sale of the interests in Swire Beverages (Dongguan) and the Hong Kong Spinners Industrial Building.	**2,146**	1,799	Note 19
LONG-TERM LOANS AND BONDS DUE WITHIN ONE YEAR The higher balances outstanding at the end of 2002 mainly reflect the reclassification of HK$2,200 million fixed/floating rate notes and the HK$853 million (US$110 million) private placement due in 2003 from long-term loans and bonds.	**3,107**	1,748	Note 22
LONG-TERM LOANS AND BONDS The decrease reflects the reclassification of loans and bonds due within one year to current liabilities and the repayment of long-term loans with funds from asset realisations in the Property Division.	**5,324**	9,625	Note 22
MINORITY INTERESTS The increase reflects retained profits attributable to minority interests and the minorities' share of 2002's revaluation surplus in respect of Festival Walk (a non-wholly owned investment property), partially offset by the repayment of shareholders' loans to minority interests in the Property Division.	**4,947**	4,651	
SHAREHOLDERS' FUNDS The decrease relates principally to a decrease in the property revaluation reserve partially offset by profits retained during the year. In 2002, the Company purchased a total of 7,804,000 'A' shares and 55,815,000 'B' shares of the Company, at an aggregate consideration of HK$540 million. All the shares repurchased were cancelled.	**69,266**	72,949	

Consolidated Cash Flow Statement	2002 HK$M	2001 HK$M	Reference
CASH GENERATED FROM OPERATIONS			
The increase is mainly due to higher revenue from Swire Pacific Offshore and the Beverages Division, partially offset by less operating cash inflow from property rentals. The reduction in stock level of Taikoo Motors also has a beneficial effect on operating cash inflow. In addition, the cash inflow for 2001 was somewhat reduced by the payment of 2000's accruals relating to the land premium for Horizon Gardens and the acquisition costs for certain property sites.	**4,462**	4,069	Note 30
INTEREST PAID			
The decrease in interest paid during the year is principally attributable to the decline in interest rates and to the lower level of the group's net borrowings.	**1,007**	1,160	
SALES OF SHAREHOLDINGS IN AND REPAYMENT OF LOANS BY JOINTLY CONTROLLED COMPANIES			
The increase in inflow for 2002 mainly arose from the repayment of loans by jointly controlled companies following the completion and sales of property development projects. This also includes proceeds received from the sale of interests in Schneider Swire.	**2,434**	458	
LOANS DRAWN AND REFINANCING			
Loans drawn in 2002 were mainly for the financing of the construction of development properties in the USA. In 2001 new loans drawn (HK$2,200 million medium term loans and HK$3,100 million syndicated loans) were to refinance the settlement of a syndicated loan and various bilateral facilities.	**163**	5,588	
REPAYMENT OF LOANS			
The outflow in 2002 represents repayment of the HK$1,500 million floating rate notes (upon maturity) and other bank loans with funds from asset realisations in the Property Division and operating cash generated by the group.	**3,103**	4,892	

Corporate Goals, Investment Appraisal and Performance Review

The Swire Pacific group aims to maximise long-term returns to shareholders through investing in businesses with good prospects where the group has relevant expertise and experience, and divesting from businesses where returns in the longer term are not projected to exceed the cost of capital.

Swire Pacific's executive management sets target rates of return for each company in the group based on its assessment of the risk premium appropriate for each business. The target rate of return is a weighted average of the cost of debt and the estimated cost of equity. The cost of equity reflects the equity risk premium of comparable quoted businesses, adjusted by management's assessment of the competitive position and particular circumstances of the company.

These target rates of return are considered when appraising all new investments and recommending them to the Board for approval.

The actual and projected returns of each company in the group are compared annually to target rates of return with a view to increasing investment where the group can add significant value and rationalising investment where expected returns are not commensurate with the cost of capital and management time.

Changes in the group's net assets employed and capital expenditure commitments over the past three years are set out below:

	Net assets employed (per ten-year financial summary)			Capital commitments		
	2000 HK$M	2001 HK$M	**2002 HK$M**	2000 HK$M	2001 HK$M	**2002 HK$M**
Property investment						
– at cost	36,263	37,127	**38,182**	1,500	1,898	**2,178**
– revaluation reserve	35,735	28,752	**22,892**			
Property trading	2,174	4,081	**1,790**			
Aviation	16,691	16,019	**16,518**			
Beverages	3,774	3,554	**3,697**	52	25	**19**
Marine Services	2,752	2,928	**3,823**	940	1,397	**431**
Trading & Industrial	1,849	1,744	**1,381**			
Central items	203	151	**118**			
	99,441	94,356	**88,401**	2,492	3,320	**2,628**

Commenting on these numbers:

- Property investment has risen as the group continues to add to its core property portfolios at Pacific Place and Island East. Current projects include Three Pacific Place and Cambridge House in Island East. Capital commitments for investment property include the Taikoo Hui development in Guangzhou at 31st December 2002.
- The investment in property trading assets increased in 2001 as construction of the Ocean Shores residential project reached its peak. The assets employed have now declined as this and other projects move towards completion and flats are sold.
- The Aviation Division comprises associated companies and net assets employed therefore reflect the change in their retained profit. This retained profit decreased in 2001 due to Cathay Pacific's final dividend for 2000 exceeding its profit attributable to shareholders for 2001. Not shown in these numbers is the change in Cathay Pacific Airways' debt financed assets. In 2001 its fixed assets grew by HK$3,112 million as it took ownership of ten new aircraft. In 2002 its fixed assets reduced by HK$1,622 million as depreciation and disposal of fixed assets exceeded capital expenditure, given no delivery of new aircraft other than the two on operating leases.
- Beverages' assets employed have remained stable as improved utilisation of facilities built in the mid-1990s has allowed the business to grow with minimal additional investment in fixed assets.
- Marine Services' assets employed have increased as a result of Swire Pacific Offshore's fleet expansion. Eight vessels were delivered in 2002 with six more due to arrive in 2003 at a balance cost of HK$431 million.
- Trading & Industrial's assets employed have declined between 2000 and 2002 through the disposal of the group's interests in Carlsberg, Schneider Swire, the Hong Kong Spinners Industrial Building and the withdrawal from the motor business in Mainland China.

Introduction

This section of the report covers:

TREASURY MANAGEMENT

- Structure and Policy
- Interest Rate Exposure
- Currency Exposure
- Commodity Exposure
- Credit Exposure
- Accounting for Derivatives

CREDIT PROFILE

- Key Credit Ratios
- Cash Flow Summary
- Currency Profile
- Sources of Finance
- Maturity Profile and Refinancing
- Covenants and Credit Triggers
- Interest Cover and Gearing
- Debt In Associated and Jointly Controlled Companies

Treasury Management

STRUCTURE AND POLICY

Swire Pacific's Head Office Treasury sets its financial risk management policies in accordance with policies and procedures approved by its Board. It also manages the majority of the group's funding needs and currency, interest rate, credit and event risk exposures. Within the same policy framework, operating subsidiaries manage currency, interest rate and commodity exposures that are specific to particular transactions within their businesses. It is the policy of the Swire Pacific group not to enter into derivative transactions for speculative purposes.

The group's listed associated companies, Cathay Pacific and HAECO, arrange their financial and treasury affairs on a stand-alone basis, in a manner consistent with the overall policies of the group.

Non-listed associated and jointly controlled companies also arrange their financial and treasury affairs on a stand-alone basis. Swire Pacific provides financial support by way of guarantees in cases where significant cost savings are available and risks are acceptable.

INTEREST RATE EXPOSURE

The level of fixed rate debt for the group is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and the cash flow cycles of the group's businesses and investments.

In addition to raising funds on a fixed rate basis, the Swire Pacific group uses interest rate swaps in the management of its long-term interest rate exposure. It also uses forward rate agreements to manage its exposure to short-term interest rate volatility.

CURRENCY EXPOSURE

Exposure to movements in exchange rates on individual transactions in the Swire Pacific group is minimised using forward foreign exchange contracts where active markets for the relevant currencies exist. With the exception of the Perpetual Capital Securities, which have no scheduled maturity, all significant foreign currency borrowings are covered by appropriate currency hedges.

Translation exposure arising on consolidation of the group's overseas net assets is reduced, where practicable, by matching assets with borrowings in the same currency. Substantial proportions of the revenues, costs, assets and liabilities of Swire Pacific and its subsidiary companies are denominated in Hong Kong dollars.

The long-term financial obligations of Cathay Pacific have been arranged primarily in currencies in which it has substantial positive operational cash flows, thus establishing a natural currency hedge. The policy adopted requires that anticipated surplus foreign currency earnings should be at least sufficient to meet the foreign currency interest and principal repayment commitments in any year.

COMMODITY EXPOSURE

Certain Swire Pacific group companies have underlying exposures to commodity risk. Derivatives including swaps, forwards and options are used in the management of these exposures in accordance with the policies approved by the Board.

CREDIT EXPOSURE

When depositing surplus funds or entering into derivative contracts, the group controls its exposure to non-performance by counterparties by transacting with investment grade counterparties, setting approved counterparty limits and applying monitoring procedures. The group is not required by its counterparties to provide collateral or any other form of security against any change in the market value of a derivative. There are no specific conditions that would require the termination of derivative contracts should the credit rating of Swire Pacific be downgraded.

ACCOUNTING FOR DERIVATIVES

Derivatives are used solely for management of an underlying risk and the group is not exposed to market risk since gains and losses on the derivatives are offset by losses and gains on the assets, liabilities or transactions being hedged, hence, derivatives are not required to be valued at their market values.

Derivative transactions entered into by Swire Pacific and its subsidiary companies, and outstanding at the year end are summarised below by their respective types and maturities:

Maturity	Type	Purpose	Currency paid	Principal HK$	Basis of rate paid	Currency received	Basis of rate received
2003	Interest rate swap	To swap fixed rate debt into floating rate	HKD	1,200,000,000	Floating	HKD	Fixed
2003	Cross currency swap	To hedge principal repayment of USD debt	HKD	852,445,000	Floating	USD	Floating
2003	Cross currency swap	To hedge principal repayment of HKD debt and HKD coupons of a US subsidiary	USD	1,000,000,000	Floating	HKD	Floating
2004	Cross currency coupon only swap	To hedge USD coupons	HKD	2,534,850,000	Fixed	USD	Fixed
2004	Cross currency swap	To hedge principal repayment of USD debt	HKD	1,313,665,000	Fixed	USD	Fixed
2004	Cross currency swap	To hedge principal repayment of USD debt	HKD	1,007,435,000	Floating	USD	Floating
2004	Interest rate swap	To swap fixed rate debt into floating rate	HKD	500,000,000	Floating	HKD	Fixed
2005	Cross currency coupon only swap	To hedge USD coupons	HKD	390,000,000	Fixed	USD	Fixed
2008	Interest rate swap	To swap floating rate debt into fixed rate	USD	241,756,600	Fixed	USD	Floating

Maturity	Type	Purpose	Currency	Principal HK$
2003	Put option sales	To hedge aluminium prices	USD	19,843,149
2003	Swap	To hedge aluminium prices	USD	19,535,494
2003	Forward sales	To hedge aluminium prices	USD	13,312,211
2004	Put option sales	To hedge aluminium prices	USD	30,227,375

Credit Profile

Swire Pacific aims to maintain a capital structure that is appropriate for long-term credit ratings of A3 to A1 on Moody's scale and A- to A+ on Standard & Poor's scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances.

As at 31st December 2002 our long-term credit ratings were A3 from Moody's and BBB+ from Standard & Poor's. The Moody's rating has remained unchanged since 1994 while the Standard & Poor's rating was lowered from A- on 21st May 2002 as part of this agency's general downgrading of Hong Kong property companies, with the comment: *"The one-notch downgrade reflects Standard & Poor's expectations that Swire Pacific's credit protection measures will not strengthen to a level consistent with the previous rating in the medium term."*

KEY CREDIT RATIOS

The table below sets out those credit ratios of the group which credit agencies commonly assess when determining credit ratings:

	1998	1999	2000	2001	**2002**
Operating margin	31.4%	26.8%	29.8%	33.1%	**32.5%**
EBIT/net interest	4.2	3.5	4.2	5.5	**6.5**
FFO+net interest/net interest	3.9	3.8	4.6	5.8	**6.3**
Rental income/net interest	2.9	2.8	2.7	3.4	**4.2**
FFO/net debt	27.1%	27.0%	33.8%	34.7%	**34.6%**
Net debt/net capital	21.1%	18.5%	16.9%	17.8%	**16.0%**

Operating margin = Operating profit before depreciation/turnover
EBIT = Earnings before interest and taxes
FFO (Funds from operations) = Net income plus depreciation plus deferred tax plus non-cash items
Net capital = Shareholders' funds plus minority interests plus proposed dividends plus net debt
Net interest is stated before deducting capitalised interest.

CASH FLOW SUMMARY

	2002 HK$M	2001 HK$M
Net cash generated by businesses and investments		
Cash generated from operations	**4,462**	4,069
Cash from asset realisations*	**3,272**	2,058
Dividends received	**1,245**	1,672
Capital expenditure and investments**	**(2,619)**	(4,169)
Tax and net interest paid	**(1,220)**	(1,266)
	5,140	2,364
Cash paid to shareholders and net funding by external debt		
Share repurchases	**(540)**	–
Dividends paid	**(1,884)**	(1,973)
(Decrease)/increase in borrowings	**(3,115)**	369
	(5,539)	(1,604)
(Decrease)/increase in cash and cash equivalents	**(399)**	760

* *Includes proceeds from fixed asset disposals and the sale of shareholdings in and repayments of loans by associated and jointly controlled companies and investment securities as well as net changes in long-term receivables.*
** *Includes additions of fixed assets and deferred expenditure, purchase of shareholdings in and loans to associated and jointly controlled companies and investment securities.*

Cash from asset realisations increased in 2002 due mainly to sale proceeds received from joint venture property projects in Ocean Shores and Les Saisons. Other asset realisations include the sale of The Albany units.

Capital expenditure and investments for 2002 consist mainly of construction costs for Cambridge House and Three Pacific Place and investments in offshore support vessels.

The major debt repayment for the year was HK$1,500 million of floating rate notes in June 2002. Other repayments relate to funds drawn from a HK$5,000 million syndicated loan and revolving credit loans. Repayments were funded by cash from operations and asset realisations.

CURRENCY PROFILE

An analysis of debt by currency at 31st December 2002, including US$600 million (HK$4,642 million) of Perpetual Capital Securities, is shown below:

Currency	Total HK$M	%
Hong Kong Dollar	8,124	57
United States Dollar	5,571	39
New Taiwan Dollar	492	3
Others	1	1
	14,188	100

SOURCES OF FINANCE

At 31st December 2002, committed loan facilities and debt securities amounted to HK$18,766 million, of which HK$5,277 million (28%) remained undrawn. Together with undrawn uncommitted facilities of HK$2,069 million, a total of HK$7,346 million was available. Sources of funds at the end of 2002 comprised:

	Available HK$M	Drawn HK$M	Undrawn HK$M
Committed facilities			
Perpetual Capital Securities	4,642	4,642	–
Bonds	2,321	2,321	–
Private Placement	852	852	–
Fixed/Floating Rate Notes	3,400	3,400	–
Bank and other loans	7,551	2,274	5,277
	18,766	13,489	5,277
Uncommitted facilities			
Money market and others	3,336	1,267	2,069

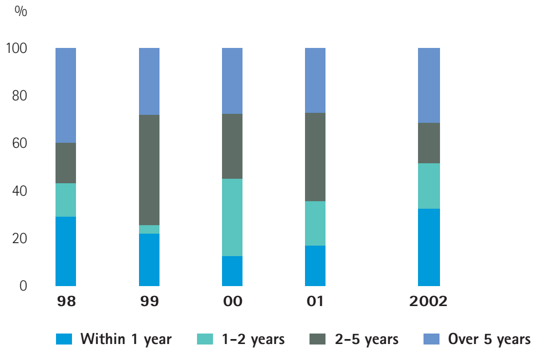
MATURITY PROFILE AND REFINANCING

The group's weighted average term and cost of debt is:

	2002	2001
Weighted average term of debt	**4.4 years**	4.9 years
Weighted average term of debt (excluding Perpetuals)	**1.8 years**	2.5 years
Weighted average cost of debt	**5.6%**	6.5%
Weighted average cost of debt (excluding Perpetuals)	**4.1%**	5.5%

The maturity profile of the group's gross borrowings at the end of each of the last five years is set out below:

Maturity profile



Note that included in the group's debt is HK$4,642 million of Perpetual Capital Securities, half of which the group can call at any time after 30th October 2006. The other half can be called at any time after 13th May 2017. As the call is at the option of the group, this debt is reported as having a life of the longer of the first call date and ten years.

The group manages refinancing risks by spreading the maturity of its facilities over a number of years so that refinancing needs are not excessive in any one year. The repayment schedule of the group's committed debt facilities is detailed below:

Debt Maturity

	2003 HK$M	2004 HK$M	2005 HK$M	2006 HK$M	beyond 2006 HK$M
Capital market debts	3,252	2,821	–	500	4,642
Bank loans	997	1,866	2,799	1,867	22
	4,249	4,687	2,799	2,367	4,664

COVENANTS AND CREDIT TRIGGERS

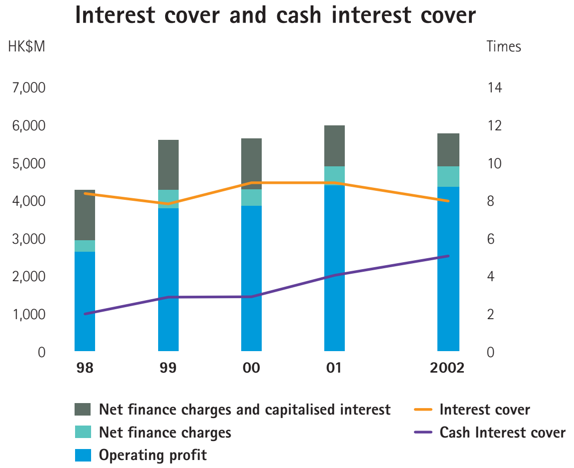
There are no specific covenants given by the group for its debt facilities which would require debt repayment or termination of a facility should the group's credit rating be revised by the credit rating agencies. In the event that Swire Pacific's credit rating is revised, the margin on a bank loan facility of HK$117 million would be subject to adjustment.

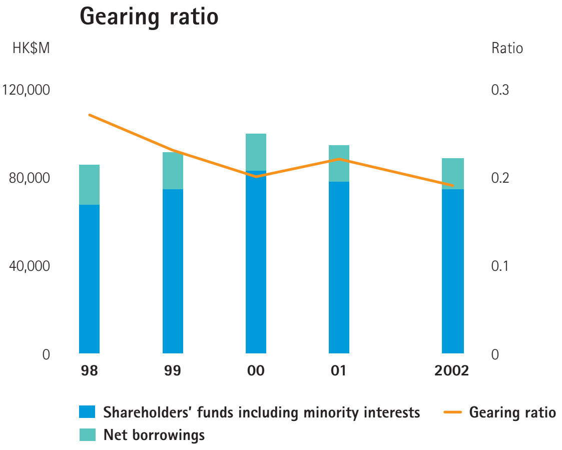
Covenants have been given in respect of gearing limits, maintenance of minimum consolidated tangible net worth and interest cover. During the term of these facilities, none of the covenants were breached.

INTEREST COVER AND GEARING

At 31st December 2002, 53% of the group's gross borrowings were on a fixed rate basis and 47% were on a floating rate basis.

The following graphs illustrate interest cover and gearing ratios for each of the last five years. Interest cover for the year ended 31st December 2002 was 7.94 times while cash interest cover, calculated by reference to total interest charges including capitalised interest was 5.03 times. The gearing ratio was 19% at the end of 2002.





DEBT IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

In accordance with Hong Kong accounting standards, the group's balance sheet does not include the net debt in its associated and jointly controlled companies. These companies had the following net debt positions at the end of 2002 and 2001:

	Total net debt		Portion of net debt attributable to Swire Pacific		Debt guaranteed by Swire Pacific or its subsidiaries	
	2002 HK$M	2001 HK$M	**2002 HK$M**	2001 HK$M	**2002 HK$M**	2001 HK$M
Property Division	**2,404**	1,814	**736**	618	**349**	358
Aviation Division						
Cathay Pacific	**9,645**	14,279	**4,414**	6,547	**–**	–
Hactl	**2,711**	3,096	**666**	761	**–**	–
Dragonair	**2,606**	1,626	**413**	258	**–**	–
Other Aviation Division companies	**(45)**	1,089	**(91)**	229	**–**	–
Beverages Division	**(167)**	54	**(97)**	47	**–**	–
Marine Services Division	**1,707**	1,552	**499**	437	**500**	500
Trading & Industrial Division	**(42)**	290	**(14)**	109	**–**	–
	18,819	23,800	**6,526**	9,006	**849**	858

Business Values

A reputation for fair dealing and integrity is a valuable corporate asset and we are determined to foster and maintain high standards of corporate governance. We also believe that maximisation of long-term returns to shareholders is best achieved by acting in a socially responsible manner which recognises the interests of other community stakeholders. Our commitment is to:

- provide high-quality products and services to the satisfaction of our customers;
- maintain high standards of business ethics and corporate governance;
- ensure the safety and well-being of employees, customers and others with whom we have contact;
- protect the environment from harm; and
- achieve these goals whilst, at the same time, providing satisfactory returns to shareholders.

During the year the group adopted a Corporate Code of Conduct which sets out principles, values and standards of conduct expected of management and staff throughout the group, and underpins group operating procedures and policies.

The Board of Directors

The Board consists of 14 directors, whose details are given on page 42 of this report. Of these, six, including the Chairman of the Board, are executive directors. The number of non-executive directors on the Board increased during the year to eight, of whom five are considered to be independent. The non-executive directors bring a wide range of experience and expertise to the group and are encouraged to play an active role in the work of the Board and its sub-committees.

The Board meets formally six times a year. In addition to this, board papers covering important issues are circulated for approval at other times. The average attendance rate of the directors for the year was 80%.

The Board is accountable to shareholders for the strategic development of the group with the goal of maximising long-term shareholder value, whilst balancing broader stakeholder interests. The Board's specific responsibilities include the formulation of long-term strategy, ensuring that effective systems of internal control are in place, reviewing the performance of the operating divisions against their agreed budgets and targets, and the approval of financial statements, major acquisitions and disposals, major capital projects and the annual budget.

The Directors are accountable for the proper stewardship of the Company's affairs, and acknowledge that they have the responsibility for ensuring that the Company keeps fair and accurate accounting records which disclose the financial position of the Company, and which enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance.

Executive Management

Swire Pacific focuses on the long-term development and growth of businesses where it can add value through its industry-specific expertise and particular knowledge of the Greater China region. The group believes that a stable shareholding structure and a strong balance sheet provide a firm foundation for achieving sustainable long-term growth. As a conglomerate Swire Pacific combines the efforts of dedicated management teams in the individual business units, closely supported by a small head office team providing services including strategic direction, investment review, treasury, senior personnel management and staff development, performance monitoring, corporate governance and investor relations. The investment review activity covers the appraisal of specific investment opportunities. Performance monitoring covers the assessment of target rates of return for each business and periodic reviews of the businesses with a view to increasing investment where the group can add significant value and rationalising investment where expected returns are not commensurate with the risk-adjusted cost of capital and management resources.

Remuneration of executive directors and other senior managers is aimed at attracting, motivating and retaining high-calibre individuals in a competitive international market. Remuneration consists of base salary, benefits including a provident fund and housing assistance, and performance-related bonuses related to the longer-term profitability of the group so as to align management incentives with shareholder interests. Executive directors are not involved in determining their own remuneration. In 2002, executive directors' basic salaries accounted for 27% of gross emoluments, performance-related bonuses for 22%, housing for 33%, benefits and allowances for 3% and retirement benefits for 15%. Further information on directors' emoluments is given in note 4 to the accounts, on page 60.

Staff Development

The group employs over 55,700 staff and recognises that our success depends fundamentally on the efforts of a well-managed, skilled and motivated workforce. Group companies aim to provide competitive employment packages which are regularly monitored in relation to the market. Many group companies make use of incentive schemes in which elements of pay are related to individual and corporate performance in order to better align the interests of the group and its employees in the long-term success of the group. Staff members are encouraged to join staff associations to facilitate good industrial relations and effective consultation. The group is widely recognised for its commitment to staff training and development.

Audit Committee and Internal Control

The Board has overall responsibility for the system of internal control and conducts regular reviews of its effectiveness.

The group's system of internal controls has a key role in the management of risks that are significant to the fulfilment of business objectives. A sound system of internal control contributes to safeguarding shareholders' investment and the group's assets. Since profits are, in part, the reward for successful risk-taking in business, the purpose of internal controls is to help manage and control risk appropriately, rather than to eliminate the risk of failing to achieve business objectives.

The Board is assisted in discharging its responsibility for internal control by the work of the Group Internal Audit Department, the external auditors and the Audit Committee.

The Board recognises the importance of the internal audit function and has communicated this throughout the group. The Group Internal Audit Department, being more familiar with the operations of the group than the external auditors, assists the Board on an ongoing basis. The internal auditors regularly review operational procedures to ensure they incorporate adequate controls and comply with the policies laid down by the Board, and assist management in developing appropriate solutions to any problems which are identified.

The Audit Committee, under the chairmanship of Mr David Eldon, consists of three non-executive directors, two of whom are independent. The Audit Committee reviews the findings of both the internal and external auditors on a regular basis and ensures that key issues are brought to the attention of the full Board. In 2002, the Audit Committee met three times, with 100% attendance, to review and discuss the 2001 results and Annual Report, the 2002 interim results and report and the external and internal audit plans for 2002 and 2003.

Each meeting received written reports from the external and internal auditors, which detail matters of significance arising from the work conducted since the previous meeting. The external auditors, Group Finance Director and the Head of Group Internal Audit attend each meeting to answer questions on their reports or their work.

In assessing the effectiveness of the control environment, the Committee actively monitors:

- overall internal control trends in the group
- the number and seriousness of the findings made by the Group Internal Audit Department, and
- the speed and effectiveness with which the recommendations made are implemented.

Key matters raised by the Group Internal Audit Department and discussed during the year included:

- a review of the regulatory environments for various group businesses operating in Mainland China with a particular focus on the way in which businesses are adapting to the changes brought about by Mainland China's entry into the World Trade Organisation;
- the process under which wider strategic risks are identified, documented and addressed;
- the way in which the group's IT systems ensure data integrity, and
- IT capacity planning.

The Group Internal Audit Department, staffed by 11 qualified professionals, conducts risk-based audits in Swire Pacific and its subsidiaries, with additional work as required and agreed in some of the jointly-controlled and associated companies. These audits are designed to provide the Board of Directors with reasonable assurance that the internal control systems of the group are effective, and that the risks associated with the achievement of business objectives are being properly managed.

The annual work plan, manning levels and qualifications of the department are discussed and agreed with the Audit Committee. In addition to its agreed schedule of work, the department conducts other projects and investigative work as may be required.

The department's primary reporting line is to the Chairman. There is also open access to the Chairman of the Audit Committee. Copies of all internal audit reports are sent to the Chairman, the Group Finance Director, the auditee and the external auditors. The results of each review are also discussed with the Audit Committee.

Risk Management

Risk management is concerned with the identification and effective management of business risks, including safety and security, legal, financial, environmental and reputational risks.

The group maintains a Risk Management Committee which coordinates the proper application of operational risk management procedures throughout the group. This committee, which meets quarterly, is chaired by the Group Finance Director and includes senior representatives from each division. The Committee's aim is to inculcate a risk management culture throughout the group, by setting policy guidelines, monitoring divisional performance, promoting education and maximising group leverage to reduce the overall cost of risk. Two specialist sub-committees focus on insurance matters and loss prevention initiatives.

During 2002, the committee's work included:

- the establishment of a loss prevention sub-committee;
- the appointment of a dedicated Group Risk Manager;
- the identification of key risks in each division and the development of a group risk register;
- the ongoing development of group-wide policies covering ethical, health and safety, environmental and business risks;
- a review of security issues in the light of recent acts of terrorism;
- the implementation of an enhanced group insurance programme which consists of both core and non-core insurance policies. The core policies are property and casualty insurances, including statutory Employees Compensation insurance and Motor Vehicle insurance, which are taken out by the group for its Hong Kong based companies. With effect from 2002 the procurement of these core insurances has been centralised and single master policies are now in place for each line of cover thus maximising the Company's potential to achieve economies of scale. The non-core policies are specialist lines which are not required by all companies and are therefore bought separately by the divisions;
- the development of a programme to track and control the group's cost of risk;
- the review of insurance claims to identify loss trends and determine appropriate risk mitigation measures; and
- a study on the feasibility of establishing a wholly-owned captive insurance company.

Relations with Shareholders

The group is committed to fair disclosure and comprehensive and transparent reporting of its performance and activities. Printed copies of the Annual and Interim Reports are sent to all shareholders. As part of a regular programme of investor relations, senior executives hold briefings and attend conferences with institutional investors and financial analysts to engage in two-way communications on the Company's performance and objectives. Copies of presentation materials from such briefings are made available to investors and the public through our corporate website *www.swirepacific.com*, which also contains a wide range of additional information on the group's business activities.

Environmental and Social Responsibility

Swire Pacific is committed to conducting its business in a sustainable manner. As a major diversified business group we are very conscious of the potential impact of our activities on the environment. We are committed to ensuring our businesses meet or exceed legal and regulatory requirements for environmental best practice wherever we do business.

The group Environment Committee, chaired by a Board Director, coordinates overall group policy on environmental issues. In 2002, the Committee and its working groups met nine times.

Group companies have taken a number of initiatives to address specific environmental issues including designing buildings for greater energy efficiency, the reduction of air pollution through the use of low sulphur fuels in vehicle fleets, the operation of world-class public waste management facilities, and investments in waste water treatment and conservation. The group has also made significant progress with a project to track a wide range of key environmental, health and safety performance measures across major business units within the group, with the aim of establishing baseline performance measures and setting goals for continuous improvement.

Swire Pacific is a founder member of the Hong Kong Business Environment Council; was recognised in the United Nations Global 500 Roll of Honour for its commitment to sound environmental practice; and is included as a member of the 2003 Dow Jones Sustainability Index.

Community Relations

Swire Pacific is committed to playing a full role as a responsible corporate citizen. We provide financial support, other donations in kind and voluntary activity by our employees to sustain a diverse range of community programmes and charitable activities in the various countries where we do business, especially in the Hong Kong community where the Swire group has been active for over 130 years.

Swire Pacific has a particular interest in supporting educational causes, and funds a variety of graduate and post-graduate scholarships both in Hong Kong and overseas for Hong Kong, Mainland Chinese and other Asian students. The group has also funded a number of development projects at local universities and other educational institutions. The official opening of the new campus for Taikoo Primary School, constructed by Swire Properties, took place in December 2002 and the group has provided additional support for language teaching and the use of information technology. The group also supports a Community English Language Laboratory (CELL) which provides further training in the use of spoken English.

Swire Pacific and Cathay Pacific are major sponsors in Hong Kong of the Life Education Activity Programme (LEAP), which uses mobile classrooms and specially trained staff to teach over 67,000 school children about healthy lifestyles and the dangers of substance abuse, including drugs, tobacco and alcohol. Other organisations we support include the Community Chest, Project Orbis, the Asia Society, the Hong Chi Association, the Outward Bound Trust, the Society for the Promotion of Hospice Care, the Hong Kong Red Cross and the Sunnyside Club.

Executive Directors

* **J W J Hughes-Hallett**, aged 53, has been a Director of the Company since January 1994. He was appointed Deputy Chairman in March 1998 and Chairman in June 1999. He is also Chairman of Cathay Pacific Airways Limited and Swire Properties Limited. He joined the Swire group in 1976 and has worked with the group in Hong Kong, Taiwan, Japan and Australia.

* **M J Bell**, aged 54, has been a Director of the Company since April 1997 and was Finance Director until August 1999 when he assumed the position of Staff Director of John Swire & Sons (H.K.) Limited. He joined the Swire group in 1972 and has worked with the group in the United Kingdom, Hong Kong and Japan.

* **M Cubbon**, aged 45, has been a Director of the Company since September 1998 with responsibility for Group Finance. He is also a Director of Cathay Pacific Airways Limited and Swire Properties Limited. He joined the Swire group in 1986.

* **D Ho**, aged 55, has been a Director of the Company since March 1997. He is Chairman of the group's Taiwan operations and of a number of Swire group companies with shipping and travel interests. He is also a Director of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1970 and has worked with the group in Hong Kong and Taiwan.

* **K G Kerr**, aged 50, has been a Director of the Company with responsibility for the Property Division since January 1991. He joined Swire Properties Limited in 1975 and has been its Managing Director since February 1989.

* **D M Turnbull**, aged 47, has been a Director of the Company since November 1996 and has responsibility for the Aviation Division. He is Deputy Chairman and Chief Executive of Cathay Pacific Airways Limited and Chairman of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1976.

Non-Executive Directors

* **Baroness Dunn**, DBE, aged 63, has been a Director of the Company since February 1981 and until January 1996 had responsibility for the Trading Division. She is also a Director of John Swire & Sons Limited and is Deputy Chairman of HSBC Holdings plc. She joined the Swire group in 1963.

+ **P A Johansen**, aged 60, has been a Director of the Company since January 1983 and was Finance Director until April 1997. He joined the Swire group in 1973 and has worked with the group in Hong Kong and Japan. He is also a Director of John Swire & Sons Limited, Swire Properties Limited and Hong Kong Aircraft Engineering Company Limited.

* **Sir Adrian Swire**, aged 71, is Chairman of John Swire & Sons Limited. He joined the Swire group in 1956 and has been a Director of the Company since October 1978. He is also a Director of Cathay Pacific Airways Limited.

Independent Non-Executive Directors

+ **D G Eldon**, aged 57, has been a Director of the Company since June 1996. He is also a Director of HSBC Holdings plc., The Hongkong and Shanghai Banking Corporation Limited and MTR Corporation Limited. He has been with the HSBC Group since 1968. He is also Non-Executive Chairman of Hang Seng Bank Limited.

C K M Kwok, aged 43, has been a Director of the Company since September 2002. He is also Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited.

+ **C Lee**, aged 49, has been a Director of the Company since January 1993 and previously was Alternate Director for J S Lee from January 1987. He is also a Director of Hysan Development Company Limited.

T S Lo, GBM, CBE, aged 68, has been a Director of the Company since July 1975 and is the senior partner of Lo & Lo, Solicitors. He is also Vice-Chairman of Henderson Land Development Company Limited.

M M T Yang, aged 50, has been a Director of the Company since October 2002. She is also Chairman and Chief Executive Officer of Esquel Group, and a Director of The Gillette Company. She sits on various advisory boards of educational institutions including the Harvard Business School, Massachusetts Institute of Technology, Hong Kong University of Science and Technology, Tsinghua, Fudan, and Lingnan Universities.

Secretary

M S M Yu Chan, aged 57, has been Company Secretary since September 2002. She joined the Swire group in 1978.

* *These Directors are also Directors of John Swire & Sons (H.K.) Limited*
\+ *Members of the Audit Committee*

The Directors submit their report together with the audited accounts for the year ended 31st December 2002, which are set out on pages 50 to 91.

Principal activities

The principal activity of the Company is investment holding and the principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 83 to 91. An analysis of the group's performance for the year by business and geographical segments is set out in note 3 to the accounts.

Dividends

The Directors recommend the payment of final dividends for 2002 of HK¢90.0 per 'A' share and HK¢18.0 per 'B' share which, together with the interim dividends paid on 2nd October 2002 of HK¢40.0 per 'A' share and HK¢8.0 per 'B' share, make total dividends for the year of HK¢130.0 per 'A' share and HK¢26.0 per 'B' share: an increase of 16.1% over those for 2001. This represents a total distribution for the year of HK$1,998 million. Subject to the approval of the 2002 final dividends by the shareholders at the annual general meeting on 15th May 2003, it is expected that those dividends will be paid on 2nd June 2003 to shareholders registered on 15th May 2003. The share registers will be closed from 12th May 2003 to 15th May 2003, both dates inclusive.

Reserves

Movements in the reserves of the group and the Company during the year are set out in note 26 to the accounts.

Accounting policies

The principal accounting policies of the group are set out on pages 77 to 82.

The reason for a departure from the Statement of Standard Accounting Practice No. 11 (HK SSAP No. 11) laid down by the Hong Kong Society of Accountants is set out in principal accounting policy no. 4.

Donations

During the year, the Company and its subsidiaries made donations for charitable purposes of HK$5.0 million and donations towards various scholarships of HK$0.8 million.

Fixed assets

Details of movements in fixed assets are shown in note 12 to the accounts. An analysis of capital expenditure by division is shown in note 3 to the accounts.

Properties

The annual valuation of the group's property portfolio, whether complete or in the course of development, was carried out by professionally qualified executives of the group on the basis of open market value at 31st December 2002. The valuations have been recorded in the accounts of the individual companies concerned and an overall net decrease of HK$5,408 million in respect of these properties is reflected in group reserves.

A schedule of the principal properties of the Company and its subsidiary, jointly controlled and associated companies is given on pages 94 to 102.

Bank and other borrowings

The bank loans and overdrafts, other borrowings, Perpetual Capital Securities and Medium Term Notes of the Company and its subsidiary companies are shown in notes 21 and 22 to the accounts.

Interest

A statement of the amount of interest capitalised by the Company and its subsidiaries is included in note 6 to the accounts.

Financial summary

A ten-year financial summary of the results and of the assets and liabilities of the group is shown on pages 104 to 105.

Major customers and suppliers

During the year, less than 30% of the group's sales and 30% of the group's purchases were attributable to the group's five largest customers and suppliers respectively.

Connected transactions

(1) On 16th August 2002, agreement was reached for Swire Coca-Cola HK Limited ("SCCHK") to sell its entire interest in Swire Beverages (Dongguan) Limited ("SBDG") to Coca-Cola (China) Investment Limited ("CCCIL"), a wholly-owned subsidiary of Coca-Cola South Asia Holdings Inc. ("CCSAH") for RMB193.5 million, subject to adjustment in accordance with the net asset value of SBDG as at completion agreed by both parties. This transaction was contingent upon SCCHK first acquiring the minority 13.9% interest of SBDG held by Dongguan Huaxin Industry and Commerce Corporation ("Huaxin").

SBDG operates a dedicated Non-Carbonated Beverage ("NCB") production facility in Mainland China. It was 86.1% owned by SCCHK and 13.9% by Huaxin.

The reason for this transaction was that Swire Pacific Limited considered that the direct involvement of Coca-Cola in SBDG's NCB production would provide broader opportunities to develop this segment of the business in Mainland China, which in turn was expected to be of benefit to its other bottling operations there.

SCCHK is a wholly-owned subsidiary of Swire Beverages Limited ("SBL"), which is 87.5% owned by Swire Beverages Holdings Limited, a wholly-owned subsidiary of the Company, and 12.5% by CCSAH. CCSAH in turn is a wholly-owned subsidiary of The Coca-Cola Company.

On 28th August 2002, SCCHK signed an agreement with Huaxin for the purchase of its 13.9% interest in SBDG for RMB38.5 million. Approval for this transaction was obtained from relevant government and registration authorities in Mainland China and SBDG became a wholly-owned subsidiary of SCCHK on 4th November 2002.

It has been now agreed that the consideration for the sale of 100% of SBDG by SCCHK to CCCIL will be RMB202.8 million comprising RMB38.5 million for the 13.9% interest acquired from Huaxin and RMB164.3 million for SCCHK's 86.1% interest. Applications for approvals from relevant government and registration authorities in Mainland China to this transaction are in progress after which formal completion will take place.

Both transactions were connected transactions under Rule 14.25(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") because of (a) CCSAH's 12.5% interest in SBL, and (b) Huaxin's 13.9% interest in SBDG. A press notice was published on 29th August 2002.

(2) On 9th December 2002, SBL entered into an agreement with Canary Ventures Company Holdings Limited ("Canary") to acquire its 30% of the issued capital of Xian BC Hans Foods Company Limited ("Xian BC") for a consideration of US$11.9 million.

Xian BC operates a Coca-Cola bottling facility in Xian, Shaanxi Province, China. It was 30% owned by Canary and 70% by BC Development Company Limited ("BCD") which is in turn 85% owned by SBL.

This transaction was completed on 19th December 2002 whereupon the attributable interest of Swire Pacific Limited in Xian BC was increased from 52.06% to 78.31%. It was considered that this would further enhance the development of the Company's Coca-Cola bottling business in Mainland China.

This was a connected transaction under Rule 14.25(1) of the Listing Rules because of Canary's 30% interest in Xian BC. A press notice was published on 10th December 2002.

(3) On 29th January 2003, SBL entered into an agreement to sell its recently acquired 30% interest in Xian BC to BCD for US$11.9 million, i.e. the same price it paid to Canary.

The reason for this transaction, which was completed on 21st February 2003, was to consolidate the group's holdings in Xian BC into BCD, which is the group's primary Mainland China holding company for its beverages interest. After the transaction, the attributable interest of Swire Pacific Limited in Xian BC was reduced from 78.31% to 74.38%.

BCD is owned 85% by SBL and 15% by CITIC Beverage (HK) Limited ("CITIC Beverage"). CITIC Beverage is a subsidiary of China International Trust and Investment Corporation ("CITIC"). CITIC holds 20% of Swire Coca-Cola Beverages Hefei Ltd., the majority 80% being held by BCD, and is a connected person of Swire Pacific Limited.

Both SBL and BCD are non-wholly owned subsidiaries of Swire Pacific Limited and CITIC Beverage is an associate of CITIC, which is a connected person of Swire Pacific Limited. Therefore this is a connected transaction under Rule 14.25(1) of the Listing Rules. A press notice was published on 30th January 2003.

Share capital

During the year under review and up to the date of this report, the Company made the following purchases of its shares on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). These purchases were made for the benefit of the Company and shareholders taking into account relevant factors and circumstances at the time. All the shares purchased were cancelled.

		Month	Number purchased	Highest price paid HK$	Lowest price paid HK$	Aggregate price paid HK$
'A' shares	2002	July	1,410,000	39.40	38.10	54,619,350
		Sept.	1,836,000	31.50	30.50	57,116,900
		Dec.	4,558,000	31.20	29.45	138,128,075
	2003	Jan.	1,932,500	31.90	29.35	60,382,400
		Total	9,736,500			310,246,725
'B' shares	2002	July	7,965,000	5.60	5.50	44,269,625
		Aug.	13,000,000	5.45	5.25	69,609,250
		Sept.	12,175,000	5.25	4.85	60,960,063
		Oct.	13,802,500	5.15	4.825	68,501,614
		Nov.	2,435,000	5.30	5.25	12,813,875
		Dec.	6,437,500	5.15	5.05	32,948,250
		Total	55,815,000			289,102,677
Total (including 'A' & 'B' shares)						599,349,402

Agreements for services

There are agreements for services, in respect of which the John Swire & Sons Limited group provides services to Swire Pacific Limited and some of its subsidiary and associated companies and under which costs are reimbursed and fees payable. The counterparty was John Swire & Sons Limited ("JS&S") until 30th June 2002 and has been John Swire & Sons (HK) Limited ("JS&SHK"), a wholly-owned subsidiary of JS&S, since 1st July 2002. The agreements can be terminated by either party giving not less than twelve months' notice of termination expiring on 31st December 2004 or any subsequent 31st December.

Baroness Dunn, P A Johansen and Sir Adrian Swire, as directors and shareholders of JS&S, are interested in these agreements and E J R Scott was similarly interested. In addition, J W J Hughes-Hallett, M J Bell, M Cubbon, D Ho, K G Kerr and D M Turnbull are directors of JS&SHK and therefore have an interest in the agreements with JS&SHK.

Directors

Of the Company's present Directors whose names are listed on page 42, C K M Kwok and M M T Yang were appointed on 19th September 2002 and 1st October 2002, respectively. In addition, E J R Scott also served as a Director of the Company during the year. It is with sadness that the Directors report the death of Mr. Scott on 29th January 2002. M J Bell has tendered his resignation from the Board with effect from 8th March 2003.

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, D G Eldon, K G Kerr, J W J Hughes-Hallett, D M Turnbull and D Ho retire this year and being eligible offer themselves for re-election. T S Lo also retires in accordance with Article 93, but does not offer himself for re-election.

C K M Kwok and M M T Yang, having been appointed to the Board under Article 91 since the last annual general meeting, also retire and offer themselves for election.

No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Corporate governance

The Company has complied throughout the year with the Code of Best Practice as set out in the Listing Rules.

Directors' interests

At 31st December 2002, the interests of the Directors in the shares of Swire Pacific Limited and in its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI")), as recorded in the register maintained under section 29 of the SDI were as follows:

	Personal Interests	Other Interests	Total	Remarks
Swire Pacific Limited – 'A' shares				
J W J Hughes-Hallett	4,500	–	4,500	–
P A Johansen	10,000	–	10,000	–
T S Lo	8,774	–	8,774	–
Sir Adrian Swire	–	1,364,006	1,364,006	See Note 1
D M Turnbull	1,266	–	1,266	–
Swire Pacific Limited – 'B' shares				
M J Bell	30,000	–	30,000	–
D Ho	100,000	–	100,000	–
J W J Hughes-Hallett	158,000	–	158,000	–
P A Johansen	–	200,000	200,000	See Note 2
T S Lo	3,948	–	3,948	–
C Lee	750,000	20,330,000	21,080,000	See Note 3
Sir Adrian Swire	4,813,169	20,810,916	25,624,085	See Note 1
Cathay Pacific Airways Limited – Ordinary shares				
J W J Hughes-Hallett	12,000	–	12,000	–

Notes

1. *All the Swire Pacific Limited 'A' and 'B' shares held by Sir Adrian Swire under "Other Interests" are held by him as trustee only and he has no beneficial interest in those shares.*
2. *P A Johansen is a beneficiary of trusts which hold the 200,000 Swire Pacific Limited 'B' shares listed under "Other Interests".*
3. *C Lee is a beneficiary of a trust which holds the 20,330,000 Swire Pacific Limited 'B' shares listed under "Other Interests".*

In addition, the Company has received notifications from Directors of the following interests in John Swire & Sons Limited, which is an associated corporation of Swire Pacific Limited (within the meaning of the SDI):

	Personal Interests	Family Interests	Other Interests	Total	Remarks
Ordinary Shares of £1					
Baroness Dunn	8,000	–	–	8,000	See Note 1
P A Johansen	8,000	–	–	8,000	See Note 1
Sir Adrian Swire	2,292,152	2,815,062	37,699,197	42,806,411	See Note 2
8% Cum. Preference Shares of £1					
Baroness Dunn	2,400	–	–	2,400	See Note 1
Sir Adrian Swire	1,186,758	843,411	11,669,615	13,699,784	See Note 2

Notes

1. *Sir Adrian Swire has a residual beneficial interest in 4,000 Ordinary Shares held by each of Baroness Dunn and P A Johansen and in 1,200 Preference Shares held by Baroness Dunn. These holdings are therefore duplicated in the personal interests of Sir Adrian Swire.*
2. *Neither Sir Adrian Swire nor his wife, who are trustees of trusts which hold the Ordinary and Preference Shares listed under "Other Interests" has any beneficial interest in those shares.*

Neither during nor prior to the year under review, has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of Swire Pacific Limited.

Other than as stated above, the Directors of the Company held no interests, whether beneficial or non-beneficial, in the shares or warrants of Swire Pacific Limited or its associated corporations.

At no time during the year did any Director, other than as stated in this report, have a beneficial interest, whether directly or indirectly, in a contract to which Swire Pacific Limited or any of its associated corporations was a party which was of significance and in which the Director's interest was material.

At no time during the year was Swire Pacific Limited, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI shows that at 31st December 2002 the Company had been notified of the following interests. These interests are in addition to those disclosed above in respect of the Directors:

	'A' shares	'B' shares	Remarks
John Swire & Sons Limited	40,765,128	1,995,635,765	
Shrewsbury Holdings Limited	–	321,240,444	) Duplication of John Swire &
John Swire & Sons (H.K.) Limited	40,661,326	1,958,038,746	) Sons Limited's holding
Brandes Investment Partners, L.P.	130,714,465	–	
Franklin Resources, Inc.	103,228,390	–	
Templeton Worldwide, Inc.	101,717,390	–	) Duplication of Franklin Resources, Inc.'s holding
The Capital Group Companies, Inc.	93,976,938	–	

At 31st December 2002, the John Swire & Sons Limited Group owned, directly or indirectly, interests in shares of Swire Pacific Limited representing 28.8% of the issued capital and 52% of the voting rights.

Auditors

A resolution for the reappointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

J W J Hughes-Hallett
Chairman
Hong Kong, 6th March 2003