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Additional information is provided below to illustrate the impact and key changes on the group's financial results arising from the adoption of the new Hong Kong Financial Reporting Standards ("HKFRS"). These statements set out the reconciliations between profit per accounts, underlying profit and profit as reported under the previous accounting standards in effect until 31st December 2004 (the "Old HKAS") for the two years ended 31st December 2005 and 31st December 2004. In addition there is a reconciliation between equity attributable to the Company's shareholders per accounts and underlying equity attributable to the Company's shareholders on those same dates.

Reconciliation of Profit Per Accounts, Underlying Profit and Profit Under the Old HKAS

For the year ended 31st December 2005

		HKAS 40 and HKAS-Int 21 Investment property and deferred tax								
	Profit per accounts HK$M	Sale of property HK$M	Fair value changes HK$M	Owner-occupied property HK$M	Taikoo Shing interest HK$M	Write-back of land premium HK$M	Underlying profit HK$M	HKAS 1 Presentation of financial statements HK$M	HKAS 32 / HKAS 39 Financial instruments HK$M	Profit under the old HKAS HK$M
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)		(Note 6)	(Note 7)	
Turnover	18,937						18,937			18,937
Cost of sales	(10,755)	352					(10,403)			(10,403)
Gross profit	8,182	352					8,534			8,534
Other income	3,264				(158)	(692)	2,414		(42)	2,372
Distribution costs	(2,250)						(2,250)			(2,250)
Administrative expenses	(1,019)			7			(1,012)			(1,012)
Other operating expenses	(222)						(222)			(222)
Change in fair value of investment properties	11,887		(11,887)				–			–
Operating profit	19,842	352	(11,887)	7	(158)	(692)	7,464		(42)	7,422
Finance charges	(645)						(645)		(37)	(682)
Finance income	63						63		–	63
Net finance charges	(582)						(582)		(37)	(619)
Share of profits less losses of jointly controlled companies	756		(95)				661	135		796
Share of profits less losses of associated companies	2,306		(19)				2,287	393	(92)	2,588
Profit before taxation	22,322	352	(12,001)	7	(158)	(692)	9,830	528	(171)	10,187
Taxation	2,688	62	(2,041)		(28)	(121)	560	528	(1)	1,087
Profit for the year	19,634	290	(9,960)	7	(130)	(571)	9,270	–	(170)	9,100
Attributable to :										
The Company's shareholders	18,757	290	(9,610)	6	(130)	(571)	8,742		(170)	8,572
Minority interests	877		(350)	1			528			528
	19,634	290	(9,960)	7	(130)	(571)	9,270	–	(170)	9,100
	HK$						HK$			HK$
Earnings per share ('A' shares)	12.25						5.71			5.60

Notes:

1. Profit on sale of investment properties

Under the former accounting policy, when an investment property was sold the amount shown in the profit and loss account represented the difference between the selling price and cost and a transfer was made between profit and loss account and property valuation reserve, representing the difference between cost and the carrying value. Under HKAS 40, the amount shown in the profit and loss account on sale of an investment property is the difference between selling price and carrying value.

2. (a) Change in fair value of investment properties

This adjustment is the amount by which the group's investment property increased in fair value during 2005 and 2004, which hitherto had been credited to the group's property valuation reserve. Under HKAS 40 all movements in fair value are now shown in the profit and loss account, and the cumulative amount of the property valuation reserve as at 31st December 2004 has been transferred to revenue reserves (Note 35 to the Accounts).

(b) Deferred taxation in respect of change in fair value of investment properties

HKAS Interpretation 21 requires that deferred taxation be provided in respect of valuation surpluses and deficits on leasehold investment property at profits tax rates. This adjustment therefore provides for taxation on the change in fair value of investment properties for 2005 and 2004. Capital gains arising on sale of property in Hong Kong are not subject to taxation.

3. Reclassification of owner-occupied investment properties

Under HKAS 40, the portion of owner-occupied investment properties should be reclassified and accounted for as property, plant and equipment under HKAS 16 and subject to annual depreciation unless that portion of investment properties cannot be sold separately. Prior to 2005 an exemption was applied under the Old HKAS where the owner-occupied portion represented less than 15% of the properties.

4. Transfer from property valuation reserve to profit and loss account of finance cost relating to land premium
This adjustment represents the release of an amount previously charged against the property valuation reserve in relation to the Taikoo Shing Arbitration, but transferred to finance cost when the quantum of premium was determined. For the year ended 31st December 2005 this amount was HK$158 million, whilst for the year ended 31st December 2004 the amount was HK$500 million, an amount determined at the time a payment on account was made in 2004.

5. Write-back of overprovision for land premium
This represents the amount of HK$692 million overprovided in 2000 in respect of the Taikoo Shing Arbitration premium and interest. Under HKAS 40 such a movement is released in the profit and loss account, where previously it would have been released as a movement in the property valuation reserve.

6. Reclassification of taxation
The share of profits less losses of jointly controlled and associated companies are shown after tax in accordance with HKAS 1. Previously, tax had been shown separately.

7. Remeasurements of financial liabilities and change in fair value of derivative financial instruments
This represents the remeasurements of financial liabilities as well as the movements in fair value of those derivative financial instruments which do not qualify as effective hedging instruments. Further details can be found in Note 1 (c) and (d) to the Accounts.

Reconciliation of Profit Per Accounts, Underlying Profit and Profit Under the Old HKAS

For the year ended 31st December 2004

		HKAS 40 and HKAS-Int 21 Investment property and deferred tax								
	Profit per accounts HK$M	Sale of property HK$M	Fair value changes HK$M	Owner-occupied property HK$M	Taikoo Shing interest HK$M	Write-back of land premium HK$M	Underlying profit HK$M	HKAS 1 Presentation of financial statements HK$M	HKAS 32 / HKAS 39 Financial instruments HK$M	Profit under the old HKAS HK$M
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)		(Note 6)	(Note 7)	
Turnover	18,324						18,324			18,324
Cost of sales	(10,458)	408					(10,050)			(10,050)
Gross profit	7,866	408					8,274			8,274
Other income	654				(500)		154		6	160
Distribution costs	(2,035)						(2,035)			(2,035)
Administrative expenses	(981)		(7)	5			(983)			(983)
Other operating expenses	(253)						(253)			(253)
Change in fair value of investment properties	15,730		(15,986)	256			–			–
Operating profit	20,981	408	(15,993)	261	(500)	–	5,157		6	5,163
Finance charges	(999)						(999)			(999)
Finance income	33						33			33
Net finance charges	(966)						(966)			(966)
Share of profits less losses of jointly controlled companies	995		(89)				906	149		1,055
Share of profits less losses of associated companies	2,793		28	2			2,823	389		3,212
Profit before taxation	23,803	408	(16,054)	263	(500)	–	7,920	538	6	8,464
Taxation	3,481	73	(2,815)	45	(88)		696	538		1,234
Profit for the year	20,322	335	(13,239)	218	(412)	–	7,224	–	6	7,230
Attributable to :										
The Company's shareholders	18,818	335	(12,411)	208	(412)		6,538		6	6,544
Minority interests	1,504		(828)	10			686			686
	20,322	335	(13,239)	218	(412)	–	7,224	–	6	7,230
	HK$						HK$			HK$
Earnings per share ('A' shares)	12.29						4.27			4.27

Reconciliation of Equity Attributable to the Company's Shareholders Per Accounts and Underlying Equity Attributable to the Company's Shareholders

Underlying equity attributable to the Company's shareholders ignores the impact of deferred tax on property valuations required under HKAS 40 and HKAS-Int 21.

	2005 HK$M	2004 HK$M
Equity attributable to the Company's shareholders per accounts	**94,843**	78,625
HKAS 40 and HKAS-Int 21 adjustments (net)	**10,457**	8,395
Underlying equity attributable to the Company's shareholders	**105,300**	87,020
Underlying minority interests	**6,496**	6,428
Underlying total equity	**111,796**	93,448

	HK$	HK$
Equity attributable to the Company's shareholders per share ('A' shares)		
Per accounts	**61.95**	51.35
Underlying	**68.77**	56.84

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

References are to "Notes to the Accounts" on pages 84 to 131.

Consolidated Profit and Loss Account

	2005 HK$M	2004 (restated) HK$M	Reference
Turnover	**18,937**	18,324	Note 4

In the Property Division, turnover from property investment increased due to higher gross rental income from both office and retail areas together with the booking of an additional HK$136 million rental arising from the change in accounting for rent-free periods. Turnover from property trading decreased as a result of fewer unit closings in the USA - namely the balance of units from Jade Residences together with units from The Carbonell commencing from October 2005. The Beverages Division's operations in the USA recorded volume growth of 2% in 2005, with revenue increasing by 8% mainly due to higher selling prices and improved product mix. With some specific price increases and a favourable mix, turnover for the Taiwan operation improved slightly despite a 3% decline in sales volume. In the Marine Services Division, Swire Pacific Offshore recorded higher charter-hire revenue due to improvements in both fleet utilisation and charter rates. Turnover for 2005 was further enhanced by the delivery of three new vessels during the year. In the Trading & Industrial Division, Taikoo Motors group achieved a 22% increase in the number of vehicles sold and turnover improved by 27% over 2004. Swire Resources saw robust revenue growth of 35%.

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Consolidated Profit and Loss Account (continued)

	2005 HK$M	2004 (restated) HK$M	Reference
Operating Profit In the Property Division, the higher net rental from property investment was more than offset by the decline in profits from property trading and the sale of investment properties. The operating profit also includes a write-back of over-provision for the Taikoo Shing land premium amounting to HK$692 million. The current year's valuation gains on investment properties were HK$3,843 million lower than those of 2004. The Beverages operations in Hong Kong recorded a slightly improved profit because of effective control over operating costs, which offset the higher material and distribution costs. Operating profit for the US operations increased due to higher retail pricing and effective cost control, while that of the Taiwan operations declined due to pricing pressure. Operating profit in the Marine Services Division includes a HK$2,270 million profit on sale of a 17.6% interest in Modern Terminals Limited along with a higher contribution from Swire Pacific Offshore. The Trading & Industrial Division saw a significant increase in operating profit mainly arising from higher contributions from Taikoo Motors' vehicle distribution business and from the sale of sports apparel and sports shoes in Swire Resources.	**19,842**	20,981	Note 5 and Note 6
Net Finance Charges The decrease in net finance charges was due to reduced interest charges on the Taikoo Shing land premium and lower average borrowings, partially offset by higher interest charges on borrowings due to the rise in market rates.	**(582)**	(966)	Note 10
Share of Profits Less Losses of Jointly Controlled Companies The decrease was due to the absence of an impairment provision written-back on Ocean Shores and Tung Chung Crescent amounting to HK$299 million (net of tax), partially compensated by higher profit contribution from ICI Swire Paints and the HK$72 million capital profit on sale of a production rig by Expro Swire Production. The fair value gains of investment properties held by jointly controlled companies in the Property Division were lower than those of 2004.	**756**	995	
Share of Profits Less Losses of Associated Companies The profit contributions from Cathay Pacific and Dragonair have dropped by HK$566 million in 2005, reflecting the record high fuel costs notwithstanding strong demand for both passenger and cargo traffic. HAECO contributed an increase in profit of HK$83 million, which reflects higher utilisation of facilities. Strong throughput growth of 7.5% for Hong Kong Air Cargo Terminals, reflecting increased exports to Mainland China, US and Europe, gave rise to a higher profit contribution to the group. Occupancy and room rates for the hotel interests at Pacific Place improved during the year, contributing an increase in profit of HK$13 million to the group. The current year's share of profit also includes a valuation gain of HK$19 million on a 20% interest in an investment property, PCCW Tower, acquired in 2005.	**2,306**	2,793	

Consolidated Profit and Loss Account (continued)

	2005 HK$M	2004 (restated) HK$M	Reference
Taxation	**2,688**	3,481	Note 11

The lower effective tax rate in 2005 mainly reflects the non-taxable capital profit on sale of a 17.6% interest in Modern Terminals Limited.

Profit Attributable to the Company's Shareholders	**18,757**	18,818	Note 12

The exceptional profit booked in the Marine Services Division on sale of a 17.6% interest in Modern Terminals Limited has been more than offset by the decrease in valuation gains on investment properties held by the Property Division and reduction in profits from the Aviation Division as a result of higher fuel costs. Higher profits were recorded from property investment, the Beverages Division, Swire Pacific Offshore and the Trading & Industrial Division.

Minority Interests	**877**	1,504	

The fall was primarily due to the reduced share of profit attributable to minorities in a residential property trading project in the USA – Jade Residences, where 95% of unit closings occurred in 2004 with the balance in 2005. The decrease was also due to the reduction in fair value gains on investment properties held by partly-owned subsidiaries.

Consolidated Balance Sheet

Investment Properties	**86,606**	74,905	Note 16

The increase was mainly due to valuation gains on the investment property portfolio in Hong Kong during the year and the construction costs incurred on Three Pacific Place and One Island East.

Investments in Jointly Controlled Companies	**3,869**	4,086	Note 20

The decrease mainly represented the remittance of funds during the year from a jointly controlled company holding the interest in the Ocean Shores property project.

Investments in Associated Companies	**19,281**	18,441	Note 21

The increase was largely attributable to the share of profit retained in Aviation Division companies, in particular the Cathay Pacific group, and hotel interests in the Property Division. During the year, the Property Division acquired a 20% interest in PCCW Tower at a consideration of HK$212 million. In August the company sold its 17.6% interest in Modern Terminals Limited with a carrying value of HK$627 million.

Financial Review

Consolidated Balance Sheet (continued)

	2005 HK$M	2004 (restated) HK$M	Reference
Available-for-sale Investments The increase during the year represented fair value gains on both listed and unlisted investments held by the group. The market value of one unlisted investment is given by reference to the year end valuation of investment property held by the investee company.	**470**	299	Note 22
Properties for Sale The decrease was due to closings of units in Jade Residences and The Carbonell in USA.	**529**	874	Note 24
Stocks and Work in Progress The increase arose principally from the higher level of stocks maintained by Swire Resources at the year end to meet the anticipated strong retail sales at Chinese New Year in late January 2006.	**1,334**	1,236	Note 25
Trade and Other Receivables The increase mainly represented the outstanding proceeds receivable from the sale of units in The Carbonell at the year end.	**2,325**	2,059	Note 26
Short-term Deposits and Bank Balances The increase was due to surplus cash retained in Swire Finance, and in Swire Pacific Offshore pending settlement of instalments on new vessels in January 2006.	**1,891**	1,500	Note 27
Provisions The final settlement of Taikoo Shing land premium to the government of HK$1,531 million in September together with the write-back of excess provision of HK$692 million mainly accounted for the decrease.	**35**	2,278	Note 29
Bank Overdrafts and Short-term Loans The sales proceeds from The Albany (HK$508 million) and from the disposal of Modern Terminals (HK$2,900 million), net of the Taikoo Shing land premium payment (HK$1,531 million), were applied to the repayment of short-term loans during the year.	**889**	2,635	Note 31
Long-term Loans and Bonds Due within One Year The increase was due to the reclassification of one medium-term note due 2006 of HK$500 million from long-term loans to current liabilities.	**500**	11	Note 31

Consolidated Balance Sheet (continued)

	2005 **HK$M**	2004 (restated) HK$M	Reference
Long-term Loans and Bonds The decrease represented repayment of a USD bank loan relating to The Carbonell trading property project and a HKD syndicated loan. This also included the reclassification of one medium-term note due 2006 to current liabilities.	**1,426**	2,582	Note 31
Equity Attributable to the Company's Shareholders The increase was principally due to the profits retained by the group during the year and the post-tax fair value gains on investment properties.	**94,843**	78,625	Note 34 and Note 35
Minority Interests Upon completion of all unit closings in Jade Residences, the share of net assets in the development project attributable to the minority shareholders was distributed during the year. This reduction in minority interests together with the repayment of a capital contribution to minorities in Festival Walk more than offset the minorities' share of the current year's retained profit (including post-tax fair value gains on investment properties).	**5,929**	5,943	Note 36

Consolidated Cash Flow Statement

	2005 **HK$M**	2004 (restated) HK$M	Reference
Cash Generated from Operations The decrease was due to less cash inflow from unit closings of trading properties in the United States, partially offset by improved operating inflows from Swire Pacific Offshore, Taikoo Motors and Swire Resources.	**5,030**	6,064	Note 40
Interest Paid The decrease in interest paid during the year was attributable to the lower level of the group's net borrowings following the sale of the group's interest in Modern Terminals Limited in August.	**529**	713	
Purchase of Property, Plant and Equipment The increase was mainly due to the purchase of additional vessels by Swire Pacific Offshore.	**1,324**	773	
Additions of Investment Properties The additions of investment properties in 2005 mainly comprise construction work on Three Pacific Place (tunnel link to Admiralty) and One Island East as well as renovation work on Parkside.	**489**	781	

Consolidated Cash Flow Statement (continued)

	2005 HK$M	2004 (restated) HK$M	Reference
Proceeds from Investment Properties Disposals The decrease in proceeds was due to the sale of the remaining 13 units at The Albany during the year against 15 units sold in 2004.	**508**	744	
Purchase of Shareholdings in Jointly Controlled Companies The outflow in 2005 reflects the payment for the investment in Shekou Container Terminals (Phase II) committed in 2004.	**129**	8	
Loans to Jointly Controlled Companies The Ocean Shores residential development undertaken by a jointly controlled company was substantially completed in 2003 and 2004, which explains the reduced cash outflow to fund this development project in the current year.	**135**	492	
Purchase of Shareholdings in Associated Companies The cash outflows principally represent the investment in the PCCW Tower.	**225**	245	
Sale of Shareholdings in Jointly Controlled Companies Proceeds received in the current year were attributable to the sale of a 7.5% interest in Shekou Container Terminals concluded in 2004.	**186**	7	
Repayment of Loans from Jointly Controlled Companies The decreased loan repayments were due to less proceeds from the sale of units in Ocean Shores as the majority of the units were sold in previous years.	**505**	1,508	
Sale of Shareholdings in Associated Companies This represents the sale of the group's 17.6% interest in Modern Terminals Limited in August.	**2,897**	36	
Repayment of Loans and Bonds The outflow for 2005 represents the repayment of bank loans following the receipt of a HK$2.9 billion proceeds from the sale of a 17.6% interest in Modern Terminals Limited and net operating cash inflows from the divisions. In addition, proceeds from the unit closings of The Carbonell trading property project in the USA were used to repay bank loans.	**4,963**	4,500	

Investment Appraisal and Performance Review

	Net assets employed			Capital commitments		
	2003 (restated) HK$M	2004 (restated) HK$M	**2005 HK$M**	2003 HK$M	2004 HK$M	**2005 HK$M**
Property investment						
– at cost	37,803	38,569	**39,106**	1,632	4,142	**7,187**
– valuation surplus	20,217	35,981	**47,633**			
– deferred taxation	(5,803)	(8,574)	**(10,681)**			
– working capital	(2,866)	(1,289)	**1,436**			
	49,351	64,687	**77,494**	1,632	4,142	**7,187**
Property trading	2,980	1,358	**598**			
Aviation	16,260	17,304	**18,431**	99	99	**99**
Beverages	3,111	2,936	**2,930**	24	16	**46**
Marine Services	4,335	4,772	**5,061**	170	1,304	**1,744**
Trading & Industrial	1,042	1,363	**1,540**			
Head office	283	410	**166**			
Total net assets employed	77,362	92,830	**106,220**	1,925	5,561	**9,076**
Less net debt	10,116	8,262	**5,448**			
Less minority interests	4,806	5,943	**5,929**			
Equity attributable to the Company's shareholders	62,440	78,625	**94,843**			

	Equity attributable to the Company's shareholders			Return on equity attributable to the Company's shareholders*		
	2003 (restated) HK$M	2004 (restated) HK$M	**2005 HK$M**	2003	2004	**2005**
Property investment	36,241	50,555	**62,323**	-0.6%	33.4%	**22.0%**
Property trading	2,641	1,855	**1,630**	7.1%	27.4%	**15.0%**
Property – overall	38,882	52,410	**63,953**	0.2%	33.1%	**21.8%**
Aviation	16,245	17,289	**18,397**	5.1%	14.3%	**10.8%**
Beverages	1,967	2,151	**2,380**	18.1%	18.7%	**20.9%**
Marine Services	2,968	3,417	**3,358**	23.2%	23.2%	**22.6%**
– including profit on sale of Modern Terminals	–	–	**2,270**			**67.2%**
Trading & Industrial	1,252	1,309	**1,779**	21.3%	30.3%	**33.7%**
Head office	1,126	2,049	**2,706**			
Total	62,440	78,625	**94,843**	3.2%	26.7%	**21.6%**

* The return on equity attributable to the Company's shareholders is calculated as attributable profit for the year divided by the average of equity attributable to the Company at the start and end of the year.

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Investment Appraisal and Performance Review (continued)

Swire Pacific focuses on the long-term development of businesses where it can add value through its industry-specific expertise and particular knowledge of the Greater China region. It endeavours to create value for shareholders by making investments which exceed the target rate of return appropriate for each of its businesses.

The tables on page 43 show where the group's assets are employed, capital commitments by division and changes in returns on equity attributable to the Company's shareholders.

Investment property: Net assets employed in investment property increased by HK$12,807 million during the year as a result of a HK$11,652 million (including minority interests) increase in the valuation of existing property along with a net investment of HK$537 million principally in Three Pacific Place and One Island East and the refurbishment of Parkside. The changes in working capital reflect the payment of land premium of HK$1,531 million and write-back of the balance of land premium provision of HK$692 million in 2005.

Capital commitments of HK$7,187 million at the end of 2005 are primarily for the construction of One Island East and Taikoo Hui in Guangzhou.

Rental income from both the office and the retail portfolio increased in 2005. Office rentals in particular rebounded strongly as a result of increased demand and limited new supply. The group is confident that rental income from investment property will continue to improve with stable demand and with the addition of One Island East to the portfolio upon completion in 2008. Contributions from the sale of investment property however will be negligible in the future as all units of The Albany have been sold.

The return on equity calculated for investment property decreased from 33.4% (restated) in 2004 to 22.0% in 2005 primarily due to the lower valuation gains on investment properties and decrease in profit from the sale of units in The Albany. The increase in fair values of investment property arising from the revaluation is recognised as profit and has been included in the calculation of return on equity following the adoption of HKAS 40 which took effect on 1st January 2005. The 2003 and 2004 comparatives have been restated.

Property trading: The group develops residential property for sale in Hong Kong and Miami. Property trading in Hong Kong has reduced substantially during recent years.

The division's return from property trading in 2005 derived primarily from developments in the USA. The average return from property trading in the USA over the last three years was 23.2%.

Aviation Division: The division comprises associated companies and investments. Net assets employed increased by HK$1,127 million in 2005 mainly due to Cathay Pacific Airways using retained profits for expansion.

Return on equity attributable to the Company's shareholders decreased from 14.3% in 2004 to 10.8% in 2005 as escalating fuel costs eroded the airlines' profit margins.

Beverages Division: Whilst this division has been experiencing substantial volume growth, its assets employed have been falling as depreciation on production facilities built in the 1990s has exceeded new investment. In 2005, attributable net assets employed fell by HK$6 million to HK$2,930 million.

Beverages' average return on equity attributable to the Company's shareholders increased 2.2% points to 20.9% in 2005 with improved profits from volume growth partly offset by higher raw material and fuel related costs.

Marine Services Division: The division's net assets increased by HK$289 million reflecting the acquisition of new vessels by Swire Pacific Offshore. Further growth is planned for this division with Swire Pacific Offshore having committed HK$1,744 million as at the end of 2005 mainly for 15 vessels currently on order. Return on equity attributable to the Company's shareholders for the division increased significantly to 67.2% reflecting the profit of HK$2,270 million from the disposal of the group's 17.6% interest in Modern Terminals Limited. The return excluding this non-recurring profit was 22.6%.

Trading & Industrial Division: The division's net assets increased by HK$177 million from those of 2004. Improvements in operating profits, primarily from Taikoo Motors and the jointly controlled operations, led to the return on equity attributable to the Company's shareholders increasing from 30.3% to 33.7% in 2005.