Quality in Every Detail

Swire Properties believes that the quality of its planning and design creates long-term value.

Property Division

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, as well as hotel interests, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 14.9 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Beijing, Shanghai and Guangzhou, which will total 8.0 million square feet on completion, of which 1.6 million square feet has already been completed. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental Hotel in Miami, Florida. In the United Kingdom, Swire Properties owns four small hotels.

Swire Properties' trading portfolio comprises land and residential apartments under development in Hong Kong and Florida, as well as the remaining units for sale at the Island Lodge and Asia residential developments in Hong Kong and Miami respectively.

Particulars of the Group's key properties are set out on pages 179 to 189.

	2009 HK$M	2008 HK$M
Turnover		
Gross rental income derived from		
Offices	**4,115**	3,632
Retail	**3,060**	2,910
Residential	**268**	291
Other revenue *	**83**	74
Property investment	**7,526**	6,907
Property trading	**643**	889
Hotels	**172**	156
Total turnover	**8,341**	7,952
Operating profit derived from		
Property investment	**5,607**	5,012
Valuation gains on investment properties	**14,383**	184
Property trading	**70**	198
Hotels	**(474)**	(86)
Total operating profit	**19,586**	5,308
Share of post-tax profits from jointly controlled and associated companies	**163**	183
Attributable profit	**15,390**	4,293

* Other revenue is mainly estate management fees.

Additional information is provided below to reconcile reported and underlying profit attributable to the Company's shareholders. These reconciling items principally adjust for the effect of HKAS 40 and HKAS-Int 21 on investment properties and deferred taxation respectively.

	Note	2009 HK$M	2008 HK$M
Reported attributable profit		**15,390**	4,293
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(14,483)**	(241)
Deferred tax on revaluation movements	(b)	**2,794**	320
Deferred tax written back on change in tax rate		**–**	(947)
Realised profit on sale of investment properties	(c)	**27**	–
Depreciation of investment properties occupied by the Group	(d)	**13**	13
Minority interests' share of revaluation movements less deferred tax		**88**	237
Impairment of hotels held as part of mixed-used developments less deferred tax	(e)	**137**	–
Underlying attributable profit		**3,966**	3,675

Notes:
(a) This represents the Group's net revaluation movements plus the Group's share of net revaluation movements of jointly controlled and associated companies.
(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the income statement.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
(e) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those wholly-owned or jointly controlled hotel properties held for the long-term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the income statement.

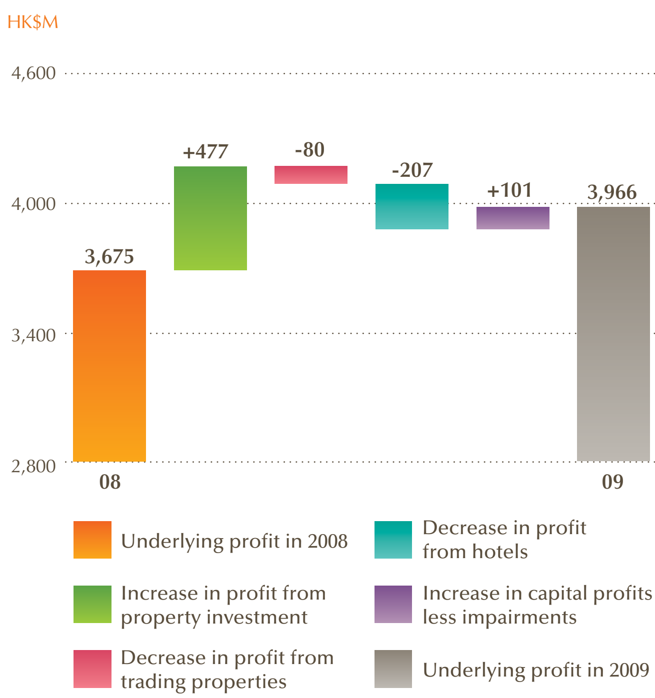
2009 Results Summary

Attributable profit from the Property Division for the year was HK$15,390 million compared to HK$4,293 million in 2008. These figures include net property valuation gains (before deferred tax) of HK$14,483 million and HK$241 million in 2009 and 2008 respectively. The attributable profit in 2008 included a deferred tax credit of HK$947 million resulting from the reduction in the Hong Kong profits tax rate from 17.5% to 16.5% in June 2008.

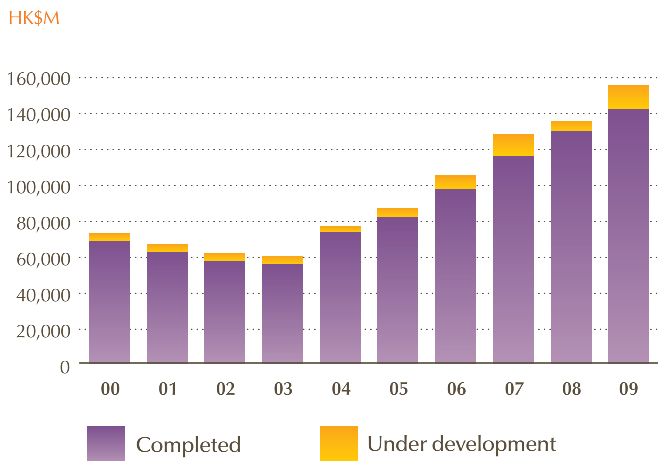
Gross rental income amounted to HK$7,443 million in 2009, compared with HK$6,833 million in 2008, principally reflecting full-year contributions from One Island East and The Village South at Sanlitun and positive rental reversions in the Hong Kong office portfolio.

A trading profit of HK$70 million was recognised in 2009. Closings of units at Island Lodge in Hong Kong more than offset losses on US property interests.

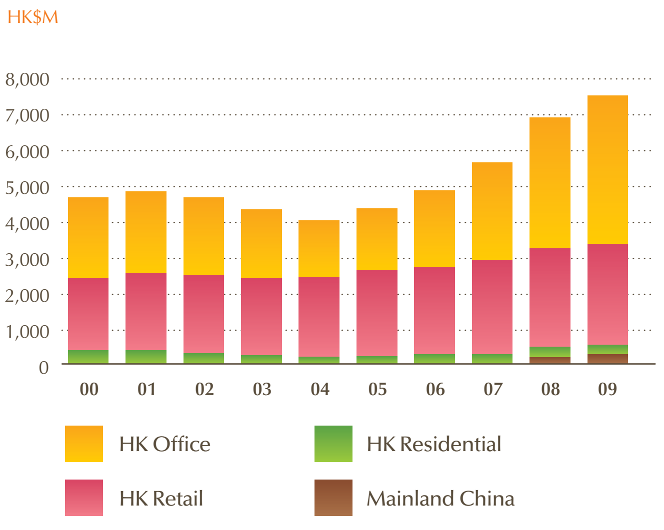
Movement in Underlying Profit



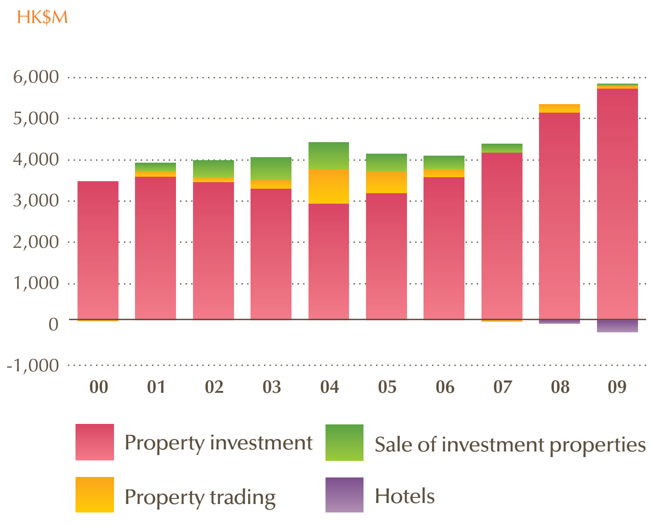
Valuation of Investment Properties



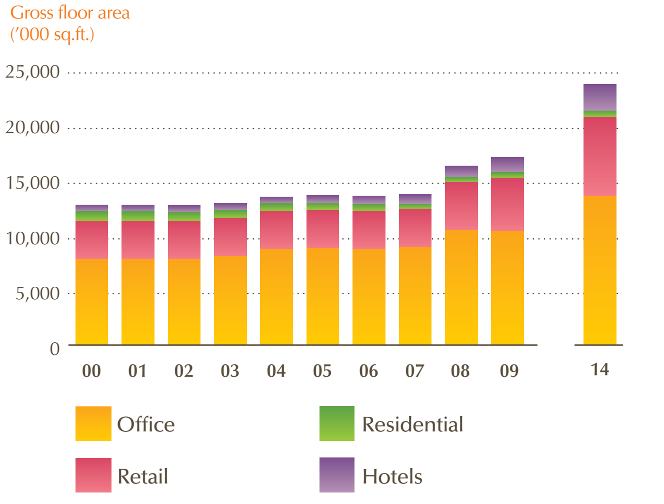
Gross Rental Income



Underlying Operating Profit



Completed Property Investment Portfolio



Pacific Place – one of Hong Kong's iconic addresses – is setting new standards of contemporary luxury with a natural, warm and soft design.

Property Investment Portfolio – Gross Floor Area ('000 Square Feet)

Location	At 31st December 2009 Offices	Retail	Hotels	Residential	Total	At 31st December 2008 Total
Completed						
Pacific Place	**2,186**	**711**	**493**	**443**	**3,833**	3,675
TaiKoo Place	**5,994***	–	–	–	**5,994**	5,992
Cityplaza	**1,633**	**1,105**	**199**	–	**2,937**	2,738
Festival Walk	**229**	**980**	–	–	**1,209**	1,209
Others	**252**	**606**	**47**	**35**	**940**	1,056
– Hong Kong	**10,294**	**3,402**	**739**	**478**	**14,913**	14,670
– Mainland China	–	**1,387**	**169**	–	**1,556**	1,027
– United States	–	–	**259**	–	**259**	259
– United Kingdom	–	–	**184**	–	**184**	184
Total completed	**10,294**	**4,789**	**1,351**	**478**	**16,912**	16,140
Under and pending development						
– Hong Kong	**146**	**1**	–	**68**	**215**	876
– Mainland China	**3,011**	**2,295**	**1,036**	**55**	**6,397**	6,920
Total	**13,451**	**7,085**	**2,387**	**601**	**23,524**	23,936

Gross floor area represents 100% of space owned by Group companies and the Group's attributable share of space held by jointly controlled and associated companies. A schedule of the principal properties of the Group and its jointly controlled and associated companies is given on pages 179 to 189.
* Includes 1.8 million square feet of techno-centres.

Investment Properties

Hong Kong

Offices

Swire Properties' completed office portfolio comprises 10.3 million square feet of space in Hong Kong, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza, 6.0 million square feet at TaiKoo Place in Island East and 0.2 million square feet at Festival Walk in central Kowloon.

There were no significant changes in the portfolio during the year.

2009 Results

Gross rental income from the Hong Kong office portfolio for the year increased by 13% over 2008, to HK$4,115 million.

Office rental reversions at Pacific Place remained positive despite a weaker market in the first half of the year. In Island East, office rental reversions were also generally positive. Market conditions became noticeably more favourable in the second half of the year.

Office vacancy levels were consistently low and stood at 3% at year-end.

2010 Outlook

Swire Properties' Hong Kong office portfolio is almost fully let with no new office space becoming available in Hong Kong in 2010.

Tenancies accounting for approximately 14% and 18% (by floor area) of the Group's office inventory are due to expire in 2010 and 2011 respectively.

Swire Properties has a range of office tenants operating in different sectors. The top ten office tenants (based on rental income) occupy approximately 20% of total space. Approximately one-third of office space is occupied by companies operating in the financial services sector.

Although the relocation of organisations from Central to lower cost office space in decentralised locations is expected to continue in 2010, demand for office space in Central is thought to be sufficiently strong to absorb the resulting vacancies, particularly given a shortage of new Grade A office supply in Central.

The Island East portfolio is particularly well positioned to attract tenants relocating to lower cost office space in secondary locations.

Retail

Swire Properties manages four retail malls in Hong Kong: The Mall at Pacific Place comprising 0.7 million square feet; Cityplaza in Island East comprising 1.1 million square feet; Festival Walk in central Kowloon comprising 1.0 million square feet; and the Citygate retail centre at Tung Chung. The malls are wholly-owned by Swire Properties, except for Citygate, in which Swire Properties has a 20% interest.

2009 Results

Gross rental income from the retail portfolio was HK$2,802 million in 2009, an increase of 3% over 2008.

Retail rents came under some pressure early in 2009. However, rental reversions remained largely positive.

Occupancy of the Group's wholly-owned retail malls was almost 100% throughout 2009.

Retail sales in the Group's retail malls were 1% lower in 2009 than in 2008. Sales were weak in the first half of 2009, but recovered progressively in the second-half.

2010 Outlook

Consumer demand recovered considerably in the fourth quarter of 2009 and this has continued into the first quarter of 2010. Competition for retail space remains strong. Active management of the tenant mix should help to increase retail sales in the Group's malls.

The Pacific Place design improvement project (which is being completed in phases) has been well received by both tenants and customers.

Tenancies accounting for approximately 15% and 27% (by floor area) of the Group's wholly-owned retail space are due to expire in 2010 and 2011 respectively.

The top ten retail tenants (based on rental income) occupy approximately 35% of total space in aggregate.

Residential

The completed residential portfolio comprises the Pacific Place Apartments and a small number of luxury houses and apartments.

Gross rental income for 2009 was HK$268 million, a decrease of 8% compared to 2008.

Demand for the serviced apartments recovered strongly in the second half of 2009. Occupancy of the residential portfolio is currently approximately 90%.

Investment Properties Under Construction

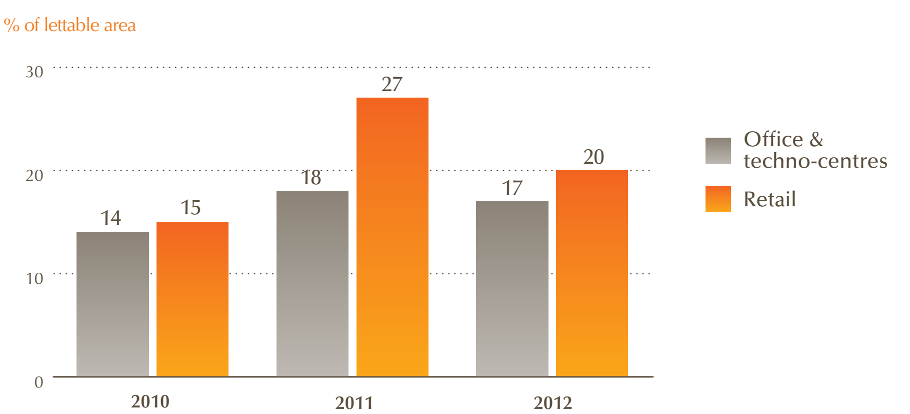
The Pacific Place design improvement project is proceeding largely on schedule, with completion expected in 2011.

Demolition work at the Tai Sang Commercial Building at 24-34 Hennessy Road, Wanchai is currently proceeding and practical completion of the redeveloped building is expected in 2012. The building is expected to comprise 145,513 square feet of office space.

Swire Properties owns 68,750 square feet in the Sincere Insurance office building in Wanchai. An extensive refurbishment programme is expected to commence shortly, with completion scheduled in 2011.

The free-flowing lines of the new Pacific Place identity.

Hong Kong Lease Expiry Profile – at 31st December 2009



Site formation and foundation works have been completed for a 12-storey residential building of approximately 68,000 square feet at 53 Stubbs Road. Completion is expected in 2012 and the building is intended to be held for investment purposes.

Mainland China

Retail

Swire Properties currently owns and manages one major retail centre in Mainland China.

Sanlitun Village comprises two neighbouring sites in the Chaoyang district of Beijing, The Village South and The Village North. The Village South, which opened in 2008, consists of 776,909 square feet of gross retail space and 451 car parking spaces. Major retail tenants include Adidas and Apple. The Village North, which consists of 519,399 square feet of gross retail space and 410 car parking spaces, began opening in phases from October 2009 with tenants including major international and national brands.

Gateway China Fund I, a fund managed by Gaw Capital Partners, owns 20% of the Sanlitun Village development. The fund has an option to put its 20% interest to Swire Properties.

2009 Results

Gross rental income was HK$258 million compared to HK$181 million in 2008.

The trading performance at Sanlitun Village in 2009 was encouraging despite the difficult market conditions. Occupancy at The Village South was 92% at the end of 2009.

During the year, the put option in respect of the minority interest in Sanlitun Village was recognised in the accounts. The recognition of the put option, together with the movement in its fair value during the year, resulted in a reduction in net finance charges of HK$107 million.

2010 Outlook

Current occupancy at The Village South is approximately 94%. The Village North is 67% leased.

Sanlitun Village has already become a destination of choice for young, affluent Beijing residents. Its appeal will be reinforced in 2010 by the progressive opening of a range of international retail outlets at The Village North.

Sanlitun Village is reshaping the Sanlitun area of Beijing by introducing a modern, cosmopolitan element to a popular area of the city.

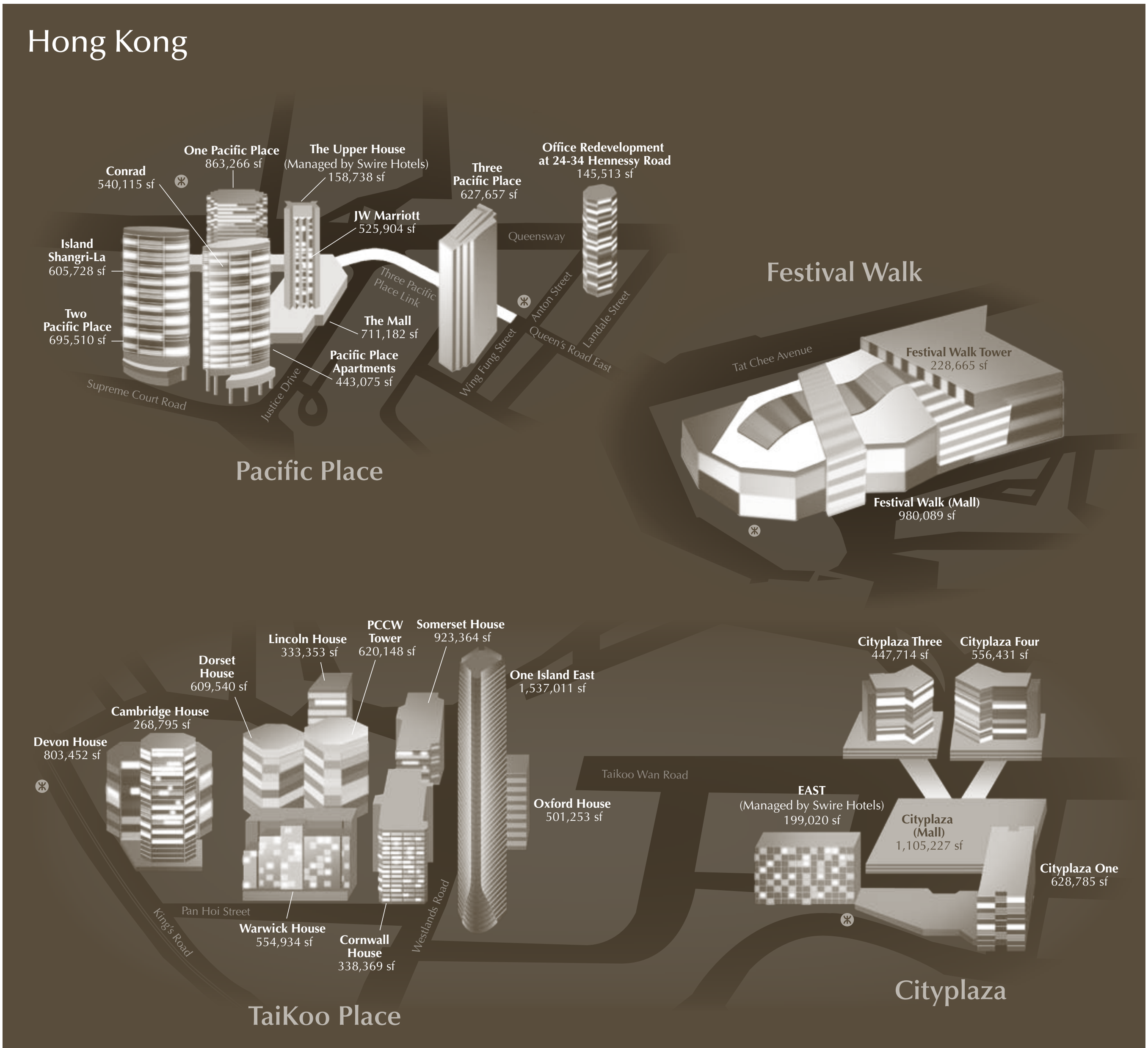
Swire Properties is making investments at Sanlitun Village designed to improve footfall and circulation.

Retail conditions are expected to benefit in 2010 from the continued strength of the Mainland China economy, with growth of both footfall and sales. Results from Sanlitun Village are expected to improve accordingly.

Investment Properties Under Construction

A phased opening of the TaiKoo Hui mixed-use development in central Guangzhou is expected from late 2010. The development will comprise a prime retail mall, office towers, a hotel, serviced apartments and a cultural centre, with total commercial space of approximately 3.7 million square feet.

Pre-letting of the retail space at TaiKoo Hui is very encouraging with 78% of the mall already committed. A significant number of leading international and national brands have confirmed that they will open shops at the mall.



Note: These diagrams are not to scale and are for illustration purposes only.

Site clearance and resettlement works continue at the Dazhongli Project in the Jing An district of Shanghai. The expected opening of this 3.5 million square foot mixed-use development has been deferred to 2014 due to the need to complete site clearance and to accommodate the construction of a metro station adjacent to the site and due to the likely suspension of works because of the 2010 Expo in Shanghai.

A phased opening of the 1.9 million square foot mixed-use development at Jiang Tai in the Chaoyang district of Beijing is expected in the second half of 2011.

Valuation of Investment Properties

As a result of the adoption of the revised HKAS 40 from 1st January 2009, the portfolio of properties accounted for as investment properties has been expanded to include investment properties being developed, principally TaiKoo Hui, Dazhongli and Jiang Tai. (The valuations of properties under construction at Dazhongli and Jiang Tai are reflected in the Group's investment in jointly controlled companies.) Previously, only completed investment properties and existing investment properties undergoing redevelopment were accounted for as investment properties. In total, HK$4,336

Note: Except for Sanlitun Village, the properties in Mainland China are under construction. These diagrams are not to scale and are for illustration purposes only.

million of investment properties being developed (including The Village North at Sanlitun, which was completed during the first half of 2009) were transferred to the investment properties category at 1st January 2009 from property, plant and equipment, leasehold land and land use rights.

The portfolio of investment properties was valued at 31st December 2009 (98% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation (before associated deferred tax) was HK$154,408 million compared to HK$134,539 million at 31st December 2008 and HK$138,777 million at 30th June 2009.

The valuation at 31st December 2009 largely reflects a reduction in capitalisation rates applicable to the Hong Kong portfolio and the inclusion of TaiKoo Hui and The Village North in Mainland China as investment properties.

Under HKAS 40, hotel properties are not accounted for as investment properties but are included within property, plant and equipment at cost less accumulated depreciation and any provision for impairment losses.

Audited Financial Information

Investment Properties

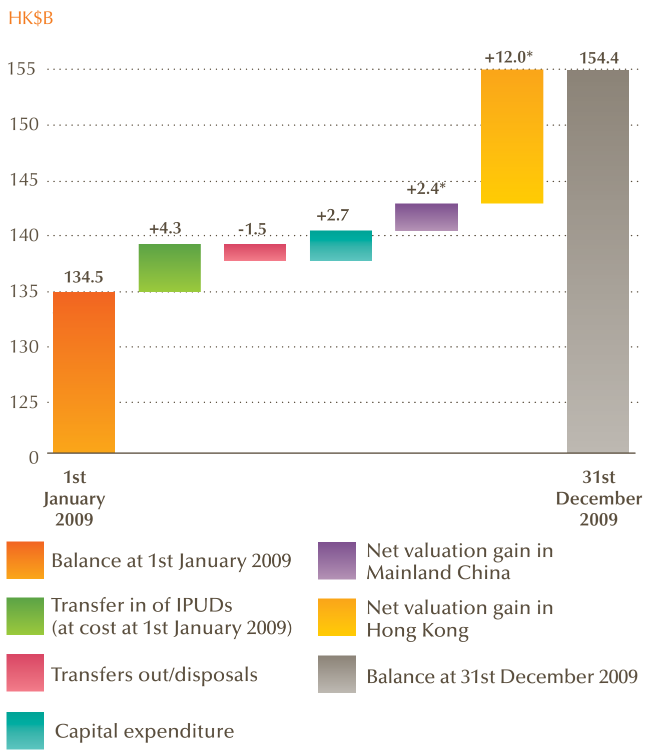
	Group			Company
	Completed HK$M	Under Construction HK$M	Total HK$M	Total HK$M
At 1st January 2009	**128,640**	**5,899**	**134,539**	**1,195**
Translation differences	**1**	**8**	**9**	**–**
Transferred from property, plant and equipment and leasehold land on adoption of revised HKAS 40	**–**	**4,336**	**4,336**	**–**
Additions	**525**	**2,136**	**2,661**	**88**
Disposals	**–**	**(59)**	**(59)**	**(169)**
Transfer upon completion	**3,115**	**(3,115)**	**–**	**–**
Transfers between category	**(1,417)**	**1,417**	**–**	**–**
Other net transfers to property, plant and equipment	**(31)**	**3**	**(28)**	**–**
Other net transfers to leasehold land	**(121)**	**–**	**(121)**	**–**
Other net transfers to property under development for sale	**–**	**(1,335)**	**(1,335)**	**–**
Fair value gains	**10,417**	**3,989**	**14,406**	**81**
	141,129	**13,279**	**154,408**	**1,195**
Add: Initial leasing costs	**85**	**–**	**85**	**–**
At 31st December 2009	**141,214**	**13,279**	**154,493**	**1,195**
At 1st January 2008	115,284	12,825	128,109	1,274
Additions	624	2,280	2,904	80
Transfers between category	9,687	(9,687)	–	–
Net transfers from property, plant and equipment	3,584	–	3,584	–
Net transfers to leasehold land	(235)	–	(235)	–
Fair value (losses)/gains	(304)	481	177	(159)
	128,640	5,899	134,539	1,195
Add: Initial leasing costs	86	–	86	–
At 31st December 2008	128,726	5,899	134,625	1,195

Geographical Analysis of Investment Properties

	Group		Company	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
Held in Hong Kong:				
On medium-term leases (10 to 50 years)	**34,534**	31,324	**–**	162
On long-term leases (over 50 years)	**106,061**	97,894	**1,195**	1,033
	140,595	129,218	**1,195**	1,195
Held in Mainland China				
On medium-term leases (10 to 50 years)	**13,813**	5,321		
	154,408	134,539		

Note:
The Group figures in the table above comprise investment properties owned within the Property Division as well as a small number of properties owned by Swire Pacific Limited which are managed within the Property Division. The Company figures represent those investment properties owned directly by Swire Pacific Limited.

Movement in Investment Properties



* Gain of HK$14.4 billion as show in consolidated income statement.

As a visual arts patron, Swire Properties commissions and collects art pieces leading to the creation of one of Hong Kong's most significant collections on permanent display. One such piece can be seen on the walls of The Upper House atrium – a stainless steel sculpture called 'Rise', by Osaka-born artist Hirotoshi Sawada.

Hotels

Hong Kong

Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung.

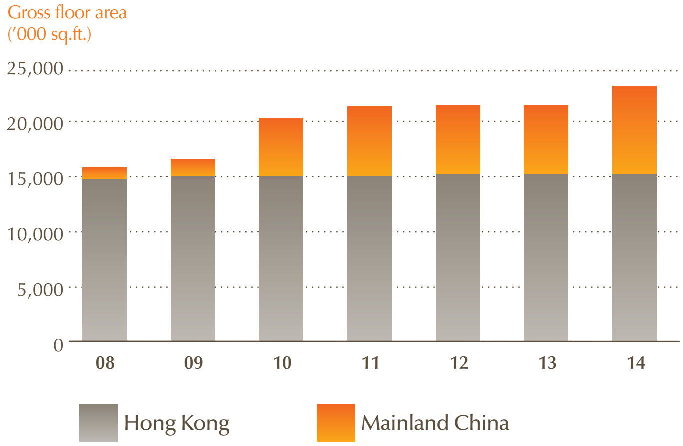
As a consequence of the global financial crisis, hotel occupancy levels and room rates experienced downward pressure, particularly in the first half of 2009.

Demand recovered somewhat in the second half of the year, and is expected to improve further in 2010 as the Hong Kong economy continues to recover.

The Upper House, a luxury 117-room hotel at Pacific Place, opened in October 2009. The Upper House is wholly-owned by the Swire Properties group and is managed by Swire Hotels, a wholly-owned subsidiary of Swire Properties. Initial results have been positive, with an excellent customer response.

The 345-room EAST hotel at Cityplaza, which is wholly-owned by the Swire Properties group and is managed by Swire Hotels, opened in January 2010.

Hong Kong and Mainland China Completed Property Investment Portfolio



Mainland China

The Opposite House, a 99-room luxury hotel at Sanlitun Village, Beijing opened in 2008. The Opposite House is wholly-owned by the Swire Properties group and is managed by Swire Hotels.

Luxury hotels in Beijing experienced pressure on occupancy levels and room rates throughout 2009. Demand is expected to improve in 2010.

United Kingdom

The Group owns four small hotels in Bristol, Exeter, Cheltenham and Brighton.

Occupancy levels at the hotels in Bristol and Brighton held up amid weak economic conditions. The hotels in Cheltenham and Exeter are closed for refurbishment, with work on the former underway. The hotels are expected to re-open in late 2010 and 2011 respectively.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami.

Results for 2009 were worse than in 2008 as the poor economic climate continued to depress demand. The market is expected to remain difficult during 2010.

The 22m stainless steel swimming pool at The Opposite House.

Capital Commitments for Investment Properties and Hotels

Profile of Capital Commitments for Investment Properties and Hotels

(HK$M)	Expenditure	Forecast year of expenditure				Commitments
	2009	2010	2011	2012	2013 & beyond	**at 31st Dec 2009**
Hong Kong projects	**1,964**	878	1,010	354	24	**2,266**
Mainland China projects	**3,724**	4,019	2,541	1,699	572	**8,831**
UK hotels	**32**	216	12	–	–	**228**
USA hotels	**21**	45	–	–	–	**45**
Total	5,741	5,158	3,563	2,053	596	11,370*

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies. The Group is committed to funding HK$268 million of the capital commitments of jointly controlled companies.

Capital expenditure in 2009 on Hong Kong investment properties and hotels, including completed projects, amounted to HK$1,964 million (2008: HK$3,379 million). Outstanding capital commitments at 31st December 2009 were HK$2,266 million (31st December 2008: HK$2,808 million).

Capital expenditure on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of jointly controlled companies, in 2009 amounted to HK$3,724 million (2008: HK$3,037 million). Outstanding capital commitments at 31st December 2009 were HK$8,831 million, including the Group's share of the capital commitments of jointly controlled companies of HK$5,316 million. Outstanding capital commitments at 31st December 2008 were HK$10,389 million, including the Group's share of the capital commitments of jointly controlled companies of HK$5,352 million. The Group is committed to funding HK$227 million (31st December 2008: HK$1,195 million) of the capital commitments of jointly controlled companies in Mainland China.

Property Trading

Swire Properties' trading portfolio comprises completed apartments for sale at the Asia development in Miami, Florida, and Island Lodge in Hong Kong, as well as properties and land under development in Hong Kong and Florida.

Audited Financial Information

Property Trading Portfolio at Cost	Group	
	2009 HK$M	2008 HK$M
Properties held for development		
Freehold land	**441**	471
Properties for sale		
Completed properties		
– development costs	**407**	421
Completed properties		
– freehold land	**10**	13
Properties under development		
– development costs	**293**	155
Leasehold land under development for sale	**2,562**	1,253
	3,272	1,842

Hong Kong

172 of the 184 units at Island Lodge in North Point have been sold, with recent sale prices reflecting favourable market conditions. Swire Properties is entitled to reimbursement of redevelopment costs and a share of the net proceeds of sales under an agreed arrangement with China Motor Bus, which owns the property.

Construction work at the 206,306 square foot residential development at 2A-2E Seymour Road, in which Swire Properties has a controlling interest, is progressing on schedule, with completion expected in 2012.

Construction work at the 75,805 square foot residential development at 51-53 Seymour Road is on schedule, with completion expected in 2012.

At the 151,944 square foot residential development at Sai Wan Terrace, in which Swire Properties has a controlling interest, construction work has commenced, with completion expected in 2013.

The 17,663 square foot residential development at 5 Star Street, Wanchai is due to be completed in 2010. Since year-end, 17 of the 25 residential units have been pre-sold.

Site foundation work at 25A-29A Seymour Road is underway. The expected 166,000 square foot residential development, including additional sites acquired since year-end, is planned to be completed in 2014.

Ground investigation work at 92-96 Caine Road is underway. The expected 196,000 square foot residential development, including additional sites acquired since year-end, is planned to be completed in 2015.

USA

Sales of 80 of the 123 units have been closed at the Asia residential development in Miami since completion in March 2008, and a further 12 units have been leased.

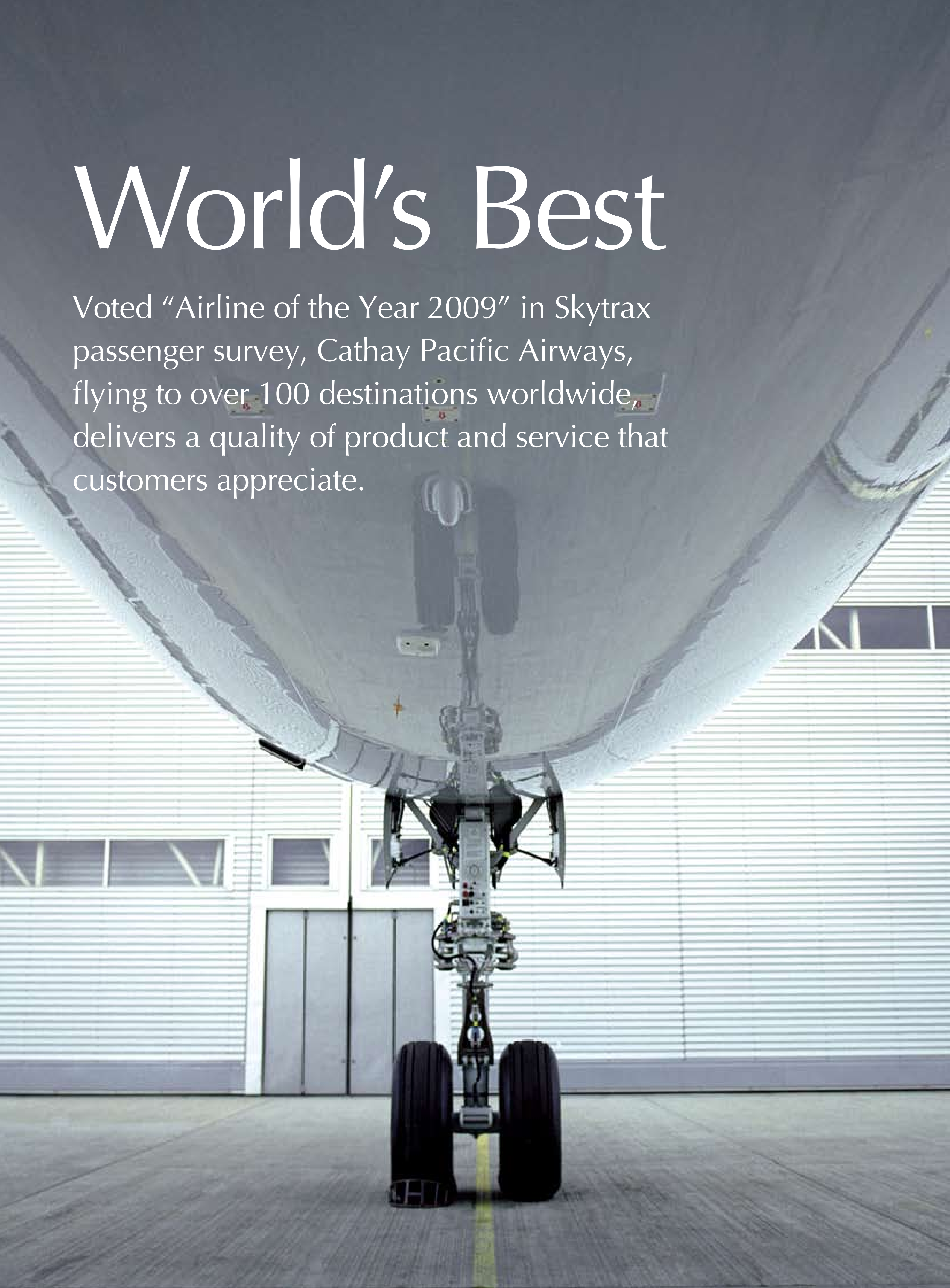
The real estate market in South Florida continues to suffer from difficult economic conditions and tight credit availability. Swire Properties has provided vendor financing in a small number of transactions.

Martin Cubbon


CATHAY PACIFIC
Asia's world city

World's Best

Voted "Airline of the Year 2009" in Skytrax passenger survey, Cathay Pacific Airways, flying to over 100 destinations worldwide, delivers a quality of product and service that customers appreciate.



Aviation Division

The Aviation Division principally comprises significant investments in the Cathay Pacific group, the Hong Kong Aircraft Engineering ("HAECO") group and Hong Kong Air Cargo Terminals ("Hactl"). The Cathay Pacific group includes Cathay Pacific Airways ("Cathay Pacific"), its wholly-owned subsidiary Hong Kong Dragon Airlines ("Dragonair"), its 60% owned subsidiary AHK Air Hong Kong, and an associate interest in Air China. In addition, Cathay Pacific has interests in a number of companies providing aviation-related services including flight catering, ramp and cargo handling and laundry services. Cathay Pacific and HAECO are listed on the Hong Kong Stock Exchange.

	2009 HK$M	2008 HK$M
Share of post-tax profits/(losses) from associated companies		
Cathay Pacific group*	**1,349**	(3,607)
Hong Kong Aircraft Engineering group	**314**	505
Hong Kong Air Cargo Terminals	**234**	274
	1,897	(2,828)
Attributable profit/(loss)	**1,821**	(2,922)

Turnover of these associated companies at entity level is:

	2009 HK$M	2008 HK$M
Cathay Pacific group*	**66,978**	86,563
Hong Kong Aircraft Engineering group	**4,045**	4,901
Hong Kong Air Cargo Terminals	**2,676**	2,886

Swire Pacific's Aviation Division includes the following associated companies:

	Shareholding at 31st December 2009			
	Direct or by Swire Aviation**	**By Cathay Pacific group**	**Total**	**Swire Pacific effective interest**
Cathay Pacific group	42.0%	–	42.0%	42.0%
Hong Kong Aircraft Engineering Company	46.0%	15.0%	61.0%	52.3%
Hong Kong Air Cargo Terminals***	30.0%	10.0%	40.0%	20.0%

* Figures for the comparative period have been restated following the adoption of HK(IFRIC)-Int 13 (Customer Loyalty Programmes). Refer to note 1(a) to the accounts for further details.
The share of profit attributable to Cathay Pacific's holding in HAECO has been included in the attributable figures for that company.

** Swire Aviation, which holds a 30% interest in Hactl, is a 66.7% held subsidiary company of Swire Pacific.

*** Cathay Pacific accounts for its shareholding in Hactl as an investment interest and consequently the Swire Pacific Group does not include this holding in the interest shown above.

Cathay Pacific and Dragonair

Key Operating Highlights

		2009	2008 (Restated)	Change
Available tonne kilometres ("ATK")*	Million	**22,249**	24,410	**-8.9%**
Available seat kilometres ("ASK")*	Million	**111,167**	115,478	**-3.7%**
Revenue passenger kilometres ("RPK")*	Million	**89,440**	90,975	**-1.7%**
Revenue passengers carried	'000	**24,558**	24,959	**-1.6%**
Passenger load factor*	%	**80.5**	78.8	**+1.7%pt**
Passenger yield*	HK¢	**51.1**	63.5	**-19.5%**
Cargo and mail carried	Tonnes '000	**1,528**	1,645	**-7.1%**
Cargo and mail load factor*	%	**70.8**	65.9	**+4.9%pt**
Cargo and mail yield*	HK$	**1.86**	2.54	**-26.8%**
Cost per ATK*	HK$	**2.76**	3.80	**-27.4%**
Cost per ATK without fuel	HK$	**2.00**	1.89	**+5.8%**
Aircraft utilisation	Hours per day	**11.2**	11.5	**-2.6%**
On-time performance*	%	**86.8**	81.4	**+5.4%pt**

* Refer to Glossary on page 192 for definition.

2009 Overview

The Aviation Division reported an attributable profit of HK$1,821 million in 2009, compared to a loss of HK$2,922 million in 2008. This reflects improved results in the Cathay Pacific group, which more than offset reduced profits in the HAECO group and Hactl.

As part of a realignment of the principal shareholdings in Cathay Pacific, Swire Pacific acquired an additional 2% shareholding in Cathay Pacific from CITIC Pacific in September 2009 for a consideration of HK$1,013 million. As a result, Swire Pacific's stake in Cathay Pacific increased from 39.97% to 41.97%.

In October 2009, Swire Pacific acquired an additional 12.45% shareholding in HAECO from Cathay Pacific for a consideration of HK$1,901 million. As a result, Swire Pacific's direct interest in HAECO increased from 33.52% to 45.96% and Cathay Pacific's direct interest in HAECO decreased from 27.45% to 15.00%.

Cathay Pacific Group

2009 Results

The Cathay Pacific group's attributable profit was HK$4,694 million in 2009, compared to a loss of HK$8,696 million in 2008. Turnover for the year fell by 22.6% to HK$66,978 million.

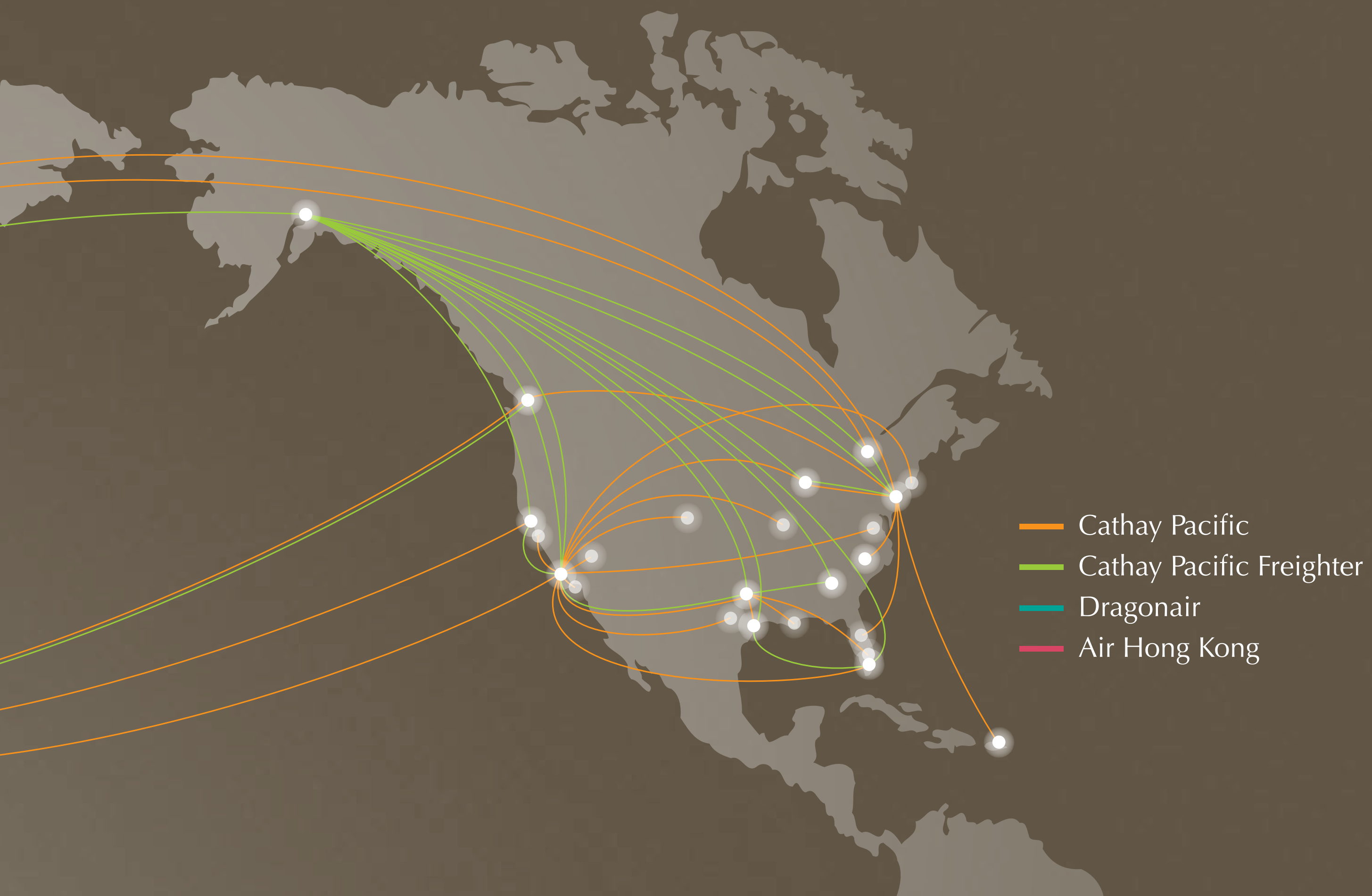
The improved results principally reflect mark-to-market gains in respect of fuel hedging contracts and the profit on disposal of a 12.45% stake in HAECO to Swire Pacific. The profit on disposal of the stake in HAECO has been eliminated on consolidation in the Swire Pacific Group accounts. These gains (and some recovery in operating profit in the latter part of the year) more than offset the adverse effect on results of the severe economic downturn during much of 2009.

Fuel prices in the first half of 2009 were significantly lower than in 2008. However, they started to rise again in the middle of 2009. This rise was reflected in mark-to-market gains of HK$2,018 million in 2009 in respect of fuel hedging contracts for the period 2010 to 2011. These gains reversed a large part of the substantial losses recorded in 2008 in respect of fuel hedging contracts.

Airline profit after tax for the year was HK$4,127 million, compared to a loss of HK$8,402 million in 2008. Passenger demand, in particular for premium class travel, was substantially reduced in the first three quarters of the year. Cargo demand was exceptionally weak in the first-half, reflecting global economic conditions. There was a recovery in cargo demand from October onwards, albeit from a low base.

The Cathay Pacific group took a number of measures designed to address the significant reduction in business. Capacity, operating costs and capital expenditure were reduced, an unpaid leave scheme for staff was introduced, a number of aircraft were parked and deferral of aircraft deliveries and

Network Coverage



other concessions were requested from suppliers. Despite these measures, the network was kept substantially intact and the airlines went to great efforts to ensure that the quality of their product and service was not diminished and that the passenger experience was not compromised.

Passenger Services

Cathay Pacific and Dragonair

Cathay Pacific and Dragonair carried a total of 24.6 million passengers in 2009, a decrease of 1.6% from 2008. Capacity fell by 3.7% compared to 2008 as a result of reduced frequencies and the temporary suspension of operations to six Dragonair destinations. The load factor for the year was 80.5%, up 1.7 percentage points compared to 2008. Passenger turnover fell by 20.8% to HK$45,920 million. Yield for the year decreased by 19.5% to HK¢51.1, principally reflecting weak demand from premium class travellers and competitive pressure on economy class yield.

Cathay Pacific launched a new four-times-weekly service to Jeddah in October and began a new codeshare service to Fiji with Air Pacific in December. In May, Dragonair temporarily suspended services to Dalian, Fukuoka, Guilin, Shenyang, Taichung and Xian. Dragonair launched a twice daily service to Guangzhou in September.

The substantial increase in direct cross-Strait services between Mainland China and Taiwan which started to take effect in August had a significant impact on demand for travel from Taiwan via Hong Kong. However, inbound business was more robust as a result of growing interest in Taiwan as a leisure destination for Hong Kong travellers.

Cargo

Cathay Pacific and Dragonair

Demand for air cargo was substantially reduced as a result of the global economic downturn. All major markets were affected, particularly in the first half of the year, when the

Dragonair provides connectivity to 17 cities in Mainland China.

resultant drop in volumes put pressure on prices and therefore on yields and revenue. Demand improved from October onwards, albeit from a low base and this, combined with capacity reductions as the industry parked equipment, helped to increase load factors, yields and revenue. Cargo and mail tonnage carried by Cathay Pacific and Dragonair fell by 7.1% to 1,527,948 tonnes compared to a capacity reduction of 13.1%. The load factor rose by 4.9 percentage points while yield fell by 26.8%.

The freighter network was strengthened by the introduction of a new service to Jakarta and Ho Chi Minh City in January 2009 and a three-times-weekly service to Miami and Houston in March 2009. Three additional frequencies were added to the Milan service in February 2009.

AHK Air Hong Kong ("AHK")

AHK, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express (the remaining 40% shareholder) to 11 Asian cities with a fleet of eight Airbus A300-600F freighters and three wet-leased aircraft. One of the wet-leased aircraft is a Boeing 747-400BCF converted freighter, wet leased from Cathay Pacific.

AHK recorded a lower profit in 2009 compared with 2008, reflecting a substantial reduction in yield. Capacity increased by 16%, load factor improved marginally but yield decreased by 24%.

Fleet Size

Cathay Pacific and Dragonair

The total fleet size increased by one to 155.

Cathay Pacific took delivery of ten new aircraft, comprising five Boeing 777-300ER extended range passenger aircraft, four Boeing 747-400ERF extended range freighters and one Boeing 747-400BCF converted freighter.

Five Boeing 747-200F "Classic" freighters were retired in 2009, bringing to an end the fleet's 27 year history at Cathay Pacific. The last Dragonair Classic left in January 2009 and the last Cathay Pacific Classic left in July. In response to the downturn in demand, a total of ten aircraft, comprising five Boeing 747-400BCF converted freighters, one Boeing 747-400 passenger aircraft and four Airbus A340-300 passenger aircraft were withdrawn from service. One Boeing 747-400BCF converted freighter was wet-leased to AHK. Two leased Airbus A330-300 and one leased Airbus A320-200 passenger aircraft were returned to the lessors when their leases expired.

At 31st December 2009, the Cathay Pacific group had a total of 36 aircraft on firm order, seven of which will arrive in 2010. The delivery of ten Boeing 747-8F advanced freighters was originally due to commence in late 2009 but will now begin in 2011 as a result of a delay in the manufacturing programme.

2010 Outlook

Cathay Pacific and Dragonair

While business improved in the latter part of 2009, the Cathay Pacific group remains cautious about the prospects for 2010. Revenues and yields remain below levels experienced prior to the recent downturn and there has not yet been a sustained improvement in premium passenger demand, which accounts for a significant proportion of total revenue. There are concerns that the adverse changes seen in the pattern of passenger and freight demand could be structural rather than cyclical. In addition, the cost of fuel, which rose steadily from the middle of 2009, remains stubbornly high and threatens to undermine profitability.

A number of projects and initiatives were launched at the beginning of 2009, designed to improve further Cathay Pacific's and Dragonair's service. These will help put the airlines in a stronger position if the current recovery in the world economy is sustained.

Air China

Air China, in which Cathay Pacific holds an 18.1% interest, is Mainland China's national flag carrier and a leading provider of passenger, cargo and other airline related services, serving 88 domestic and 56 international (regional) destinations.

The Cathay Pacific group's share of Air China's profit is based on accounts drawn up three months in arrears and consequently the 2009 annual results include Air China's results for the 12 months ended 30th September 2009. The Cathay Pacific group's share of Air China's profit for 2009 excludes the share of Air China's fuel hedging losses of HK$1 billion incurred in the fourth quarter of 2008, since these were accounted for in the Cathay Pacific group's 2008 annual results.

In February 2010, Cathay Pacific announced that it had entered into a framework and other agreements with Air China Limited and others under which Cathay Pacific and Air China Limited have agreed to establish a jointly owned cargo airline. The agreements are conditional upon the obtaining of all necessary approvals of regulatory bodies and the approvals of independent shareholders of Cathay Pacific and Air China Limited. The joint venture company is Air China Cargo Limited, in which Cathay Pacific will, upon completion of the agreements, have a 25% equity interest and an additional 24% economic interest. Cathay Pacific's investment in the joint venture will be funded by the sale to the joint venture company of four 747-400BCF converted freighters and two spare engines. The formation of the cargo joint venture represents an important development in the cooperation between Cathay Pacific and Air China.

Hong Kong Aircraft Engineering Company ("HAECO")

The HAECO group provides a range of aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong, by HAECO, and in Xiamen by its subsidiary company Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO").

Rolls-Royce engine overhaul work is performed by HAECO's jointly controlled company Hong Kong Aero Engine Services Limited ("HAESL") and by HAESL's jointly controlled company Singapore Aero Engine Services Limited ("SAESL").

2009 Results

The HAECO group's profit attributable to shareholders fell by 40% to HK$688 million in 2009, primarily reflecting reduced demand for airframe heavy maintenance and line maintenance services following the deterioration in aviation market conditions. The attributable profit of the HAECO group comprised:

	2009 HK$M	2008 HK$M	Change
HAECO	**227**	420	-46%
TAECO	**106**	275	-61%
Share of profit of:			
HAESL and SAESL	**363**	397	-9%
Other interests	**(8)**	46	-117%
Total	**688**	1,138	-40%
Swire Pacific share	**314**	505	-38%

The airframe heavy maintenance business in both Hong Kong and Xiamen was significantly weakened by the downturn and had substantial unsold capacity for the first time in several years. Demand for line maintenance operations fell, in line with the level of aircraft movements at Hong Kong International Airport. Both HAECO and TAECO reported significant reductions in profits despite the fact that various cost saving initiatives were carried out. HAESL recorded a 9% decline in profit, principally due to fewer engines being serviced.

HAECO's engineering expertise is well respected in the aviation industry.

In Hong Kong, HAECO opened its third hangar in September 2009. Taikoo (Shandong) Aircraft Engineering Company opened its fifth hanger in Jinan in May 2009. Taikoo Spirit AeroSystems (Jinjiang) Composite Company opened its specialist composite repair facility in Fujian Province in November 2009. Dunlop Taikoo (Jinjiang) Aircraft Tyres Company opened its tyre retreading facility in November 2009.

The HAECO group's headcount decreased marginally during the year to 12,615 at the end of 2009, reflecting the decline in business. The HAECO group will continue to train staff and improve productivity to remain competitive.

Significant Developments

Notwithstanding the difficult operating environment faced by the HAECO group, it has continued to invest in projects designed to expand its facilities and the range of aviation maintenance and repair services it can offer to customers.

TAECO's sixth hangar in Xiamen is expected to open in the first half of 2011. Under an agreement with Airbus, TAECO is creating a cabin completion centre in Mainland China for Airbus corporate and business aircraft. It is expected to be operational by the end of 2010.

HAESL's component repair extension is expected to commence operations in the first quarter of 2011.

There was good progress in upgrading the facilities of Taikoo Engine Services (Xiamen) Company, and the company is scheduled to commence operations in the second quarter of 2010.

Taikoo Sichuan Aircraft Engineering Services Company is constructing its first hangar in Chengdu, with operations scheduled to commence in the second half of 2010.

2010 Outlook

In recent months there has been some recovery from the difficult market conditions which the HAECO group encountered for much of 2009. This recovery is expected to continue although the speed at which it does so remains uncertain. The group expects increased aircraft movements at Hong Kong International Airport and better utilisation of its hangars in 2010. Start-up losses at the new joint ventures in Mainland China will affect the group's results in 2010. Overall, 2010 will be another challenging year. The group will endeavour to contain costs while continuing to deliver quality service to customers.

Other Operations

Cathay Pacific Catering Services group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, operates six flight kitchens in Asia and North America. It produced 20.9 million meals in 2009 and this accounted for 63.4% of the airline catering market in Hong Kong. The decline in business volume and cost saving by airlines reduced the profit margin from that achieved in 2008 despite effective efforts to reduce operating costs.

Hong Kong Airport Services ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at Hong Kong International Airport. The number of customers using its passenger handling service increased from 13 to 17 during 2009. Service delivery has improved since 2008, when HAS expanded its business to include passenger handling.

The results for the year were unsatisfactory despite a number of cost saving measures intended to mitigate the adverse impact of the economic downturn.

Hong Kong Air Cargo Terminals ("Hactl")

Hactl suffered from the global economic downturn and recorded an 8% reduction in cargo throughput. Attributable profit to the Swire Pacific Group decreased by 15% from the 2008 level.

Tony Tyler
John R Slosar

HAESL provides specialist aero engine and component repair services.

One of the world's largest flight kitchens at Cathay Pacific Catering Services in Hong Kong.


Coca-Cola
BOTTLE AND TRADE MARK REGD.

Focused on Delivering

Swire Beverages is one of the largest Coca-Cola bottlers in the world and the number one bottler in Mainland China with a powerful production and distribution platform.

Beverages Division

The Beverages Division has the right to manufacture, market and distribute the products of The Coca-Cola Company in Hong Kong, Taiwan, seven provinces in Mainland China and an extensive area of the western USA.

	2009 HK$M	2008 HK$M
Turnover	**8,399**	8,001
Operating profit	**619**	510
Share of post-tax profits from jointly controlled and associated companies	**381**	269
Attributable profit	**753**	585

Segment information

	Turnover		Attributable profit	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
Hong Kong	**1,904**	1,799	**179**	157
Taiwan	**1,489**	1,358	**46**	21
USA	**3,560**	3,512	**247**	256
Mainland China*	**1,446**	1,332	**274**	169
Central costs	**–**	–	**7**	(18)
Total	**8,399**	8,001	**753**	585

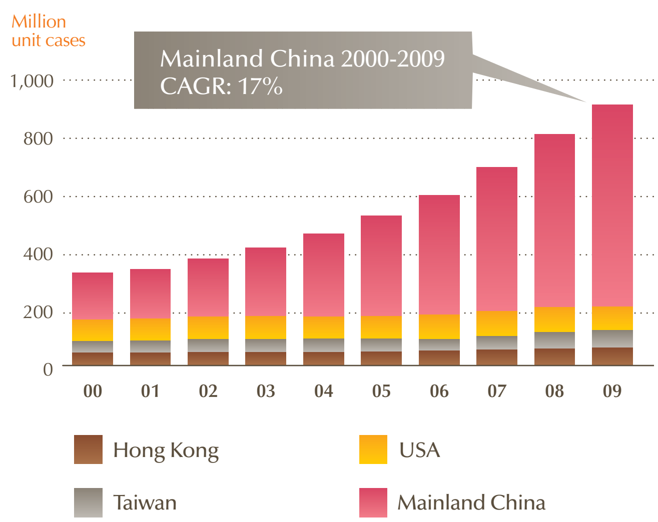
* Mainland China turnover is attributable mainly to the Fujian Coca-Cola franchise. Other interests in Mainland China are jointly controlled or associated companies, the total turnover of which in Mainland China (excluding sales among the jointly controlled and associated companies) was HK$14,340 million (2008: HK$12,190 million).

2009 Results Summary

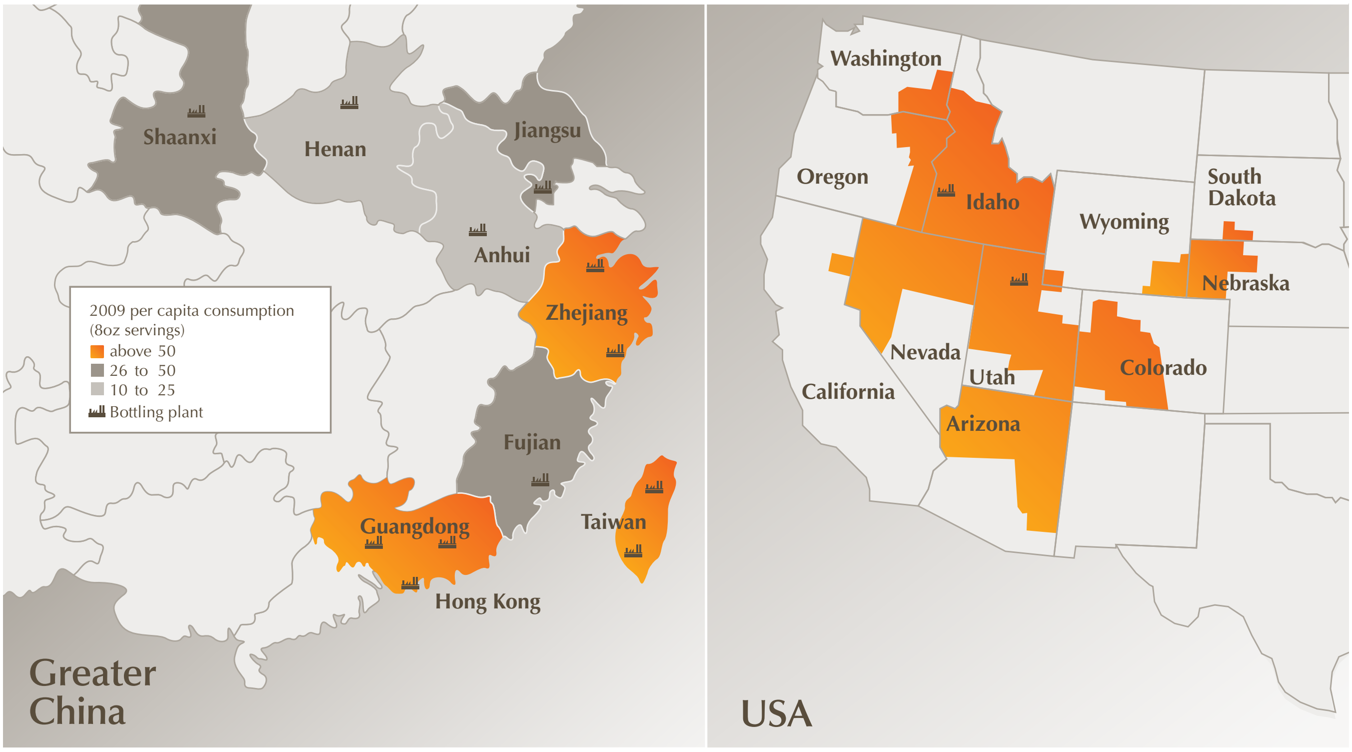
The Beverages Division made an attributable profit of HK$753 million, a 29% increase over 2008. This was mainly due to a good performance in Mainland China.

Overall sales volume grew by 13% to 904 million unit cases. This principally reflected strong growth in Mainland China as the product portfolio continued to expand and the distribution network was further extended into rural areas. Raw material costs were lower in all markets for much of the year but sugar costs increased significantly towards the end of the year.

Sales Volume in Million Unit Cases

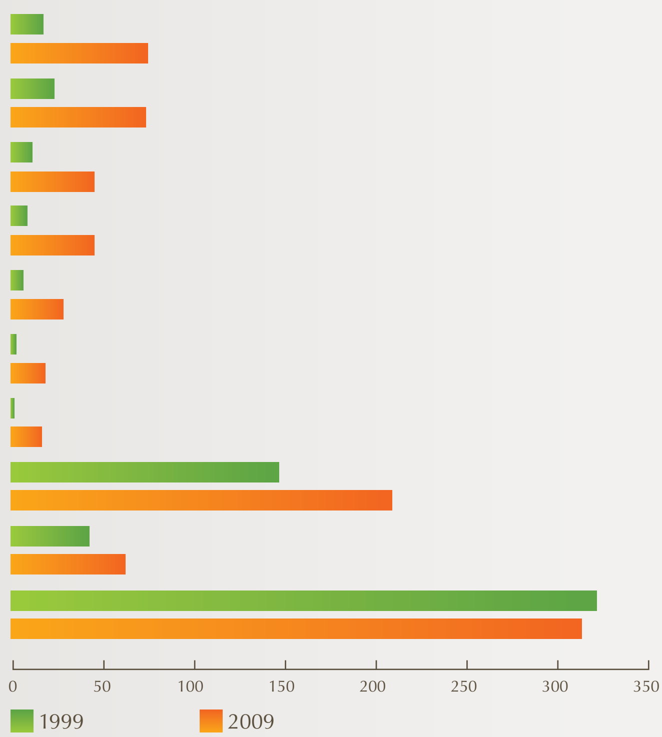


Coca-Cola Franchise Territories



Per Capita Consumption in Franchise Territories

	Population (million)	GDP per capita (US$)	Sales volume (million unit cases) 2009	Sales volume (million unit cases) 1999	Per capita consumption* (8oz servings)
Mainland China					
Zhejiang	47.2	6,802	**148**	32	
Guangdong	66.0	7,250	**203**	45	
Fujian	36.7	4,951	**70**	17	
Jiangsu	55.6	4,878	**106**	21	
Shaanxi	38.4	3,079	**47**	11	
Henan	99.8	3,157	**79**	12	
Anhui	67.8	2,168	**47**	5	
Hong Kong	7.0	29,800	**61**	42	
Taiwan	23.1	16,891	**61**	40	
USA	6.2	40,726	**82**	68	



* Per capita consumption of Coca-Cola beverages.

Swire Beverages works closely with The Coca-Cola Company on brand development and marketing. Glacéau vitaminwater was introduced to the Hong Kong market in October 2009.

Hong Kong

2009 Results

Attributable profit increased by 14% over 2008 to HK$179 million, a new record.

Sales volume grew by 7% (compared with total market growth of 2%) to 61 million unit cases, in part due to increased marketing efforts in the restaurant trade. Sparkling sales grew by 1%, with Coca-Cola continuing to be the market leader in the sparkling category.

Still sales increased by 12% with the successful re-launch of Minute Maid in late 2008 being sustained in 2009 by flavour extensions. Minute Maid became the market leader in the juice drink category.

Bonaqua sales volume grew by 7%, supported by an extensive marketing campaign. Bonaqua is the leading water brand in Hong Kong.

A "superchill" vending machine was successfully developed and introduced to the market. This machine serves ice cold sparkling beverages and proved very popular with consumers in the peak summer season.

Margins improved, principally due to a reduction in raw material costs. However, rising sugar prices started to affect margins adversely towards the end of the year.

The trading environment improved in the course of the year. Sales for immediate consumption outside the home, which were assisted by a recovery in the number of tourist arrivals to Hong Kong, grew more strongly than those for consumption in the home.

Taiwan

2009 Results

Attributable profit, at HK$46 million, was more than double that of 2008. After excluding the restructuring costs of HK$10 million that were recorded in 2008, the increase in profit was 48%. Sales volume grew by 5% to 61 million unit cases, compared to a market growth rate of 3%.

Sparkling beverage sales volume declined by 1% despite packaging and product innovations. A low priced 350ml mini PET (plastic) bottle was introduced in order to broaden the price range available to consumers. 2009 also saw the launch of Schweppes mixers and flavoured sparkling beverages and Fanta Furu Furu, a sparkling jelly drink.

Still beverage sales volume grew by 16%, with sales of Minute Maid growing strongly as a result of flavour extensions.

Pricing was mostly flat except for heavy discounting during festival promotion periods. Raw material costs fell, but variable production costs were higher. This reflected increased reliance on co-packers for Minute Maid production as a result of strong sales volume exceeding internal production capacity.

Taiwan's export-oriented economy was particularly badly affected by the global economic crisis. Retail spending began to recover in the second half of the year but consumer confidence remains fragile.

USA

2009 Results

Attributable profit from the US operations was HK$247 million, representing a 4% decline from 2008. Sales volume fell by 5% to 82 million unit cases. This reflected the weak US economy.

Sparkling beverage sales volume declined by 4% compared to a market decline of 2%. Strong growth in sales of Coke Zero was not sufficient to prevent an overall decline. Private label brands recorded higher sales volumes as consumers became more price conscious. Margins were adversely affected by weak convenience store sales of 20oz PET packages for immediate consumption. Sales of these packages have represented an important source of profit in previous years.

The weak economy had an adverse effect on sales of premium priced still beverages. Growth in sales of higher margin energy and enhanced water products was reduced. Sales of Dasani bottled water fell by 19% as consumers switched to tap water or private label brands for environmental or economic reasons. However, in the sports drink category, sales of a re-formulated Powerade grew strongly.

Pricing benefited from the fact that price increases made in 2008 were in effect for the full year. However, this was partly offset by heavy promotional discounting during the peak holiday periods.

Raw material costs for sweetener and fuel were high but aluminium prices were lower than in 2008.

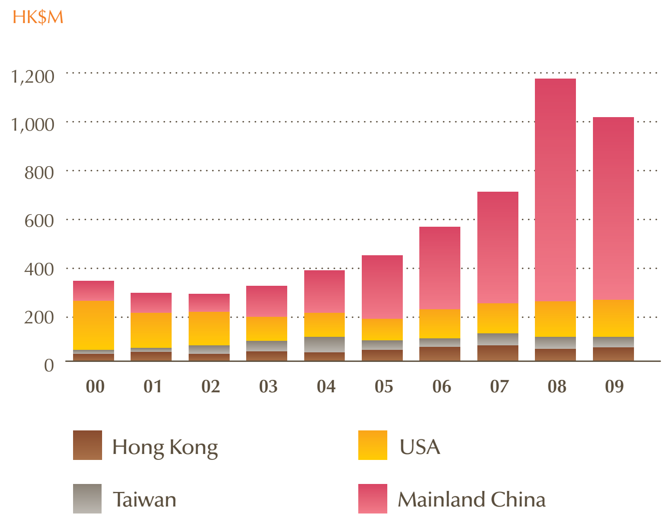
Mainland China

2009 Results

Mainland China operations contributed an attributable profit of HK$274 million, a 62% increase over 2008. Sales volume grew by 17% to 700 million unit cases, largely as a result of continued strong growth of still beverages sales.

Sparkling sales volume grew by 10%. Sales of single serve PET bottles grew by 19% as continued investment in cold drink equipment increased the availability of chilled beverages for immediate consumption.

Capital Expenditure by Operation



Delivering to a franchise population of over 440 million in Mainland China, Taiwan, Hong Kong and the USA.

Swire Beverages manages a growing portfolio of products.

Still sales volume grew by 19%. Sales of Minute Maid grew by 36%, assisted by the introduction of Tropical, Lemon and White Grape flavours. Water sales were strong, but competition intensified in the tea category. Yuan Ye, a mainstream tea, did not maintain the momentum of its successful launch in 2008.

Towards the end of the year, a dairy version of the Minute Maid Pulpy brand was introduced. The product is fruit flavoured and contains coconut pulp. It does not require chilled storage or distribution and is formulated for drinking at ambient temperature. Early sales have been encouraging.

Raw material costs were generally lower than in 2008. However, the resulting savings were offset by the effect of pricing and marketing promotions undertaken in response to competitors' activities.

Market conditions were more difficult in the coastal provinces, which are dependent on export industries, than in the inland provinces, where economic growth has benefited from government stimulus spending. For example, sales in Zhejiang grew by 10%, while sales in the inland provinces of Henan and Anhui grew by 27% and 26% respectively.

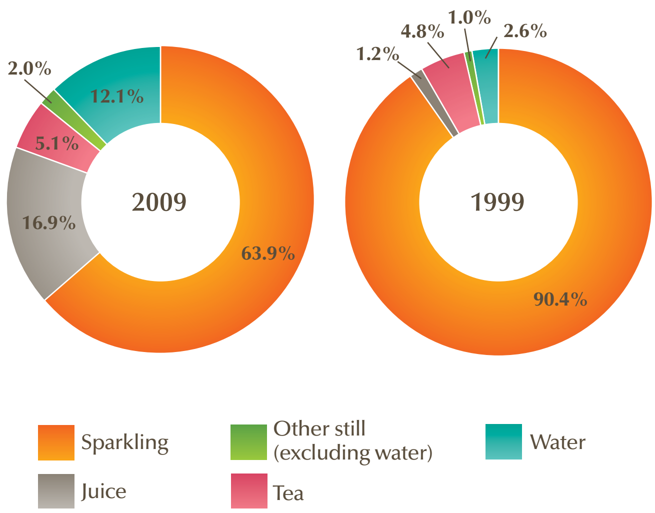
2010 Outlook

Market conditions are expected to continue to recover in Hong Kong and Taiwan. However, those in the USA are expected to continue to be affected by economic uncertainty. Consolidation of the bottling operations of the division's major competitor in the USA is expected to increase competition.

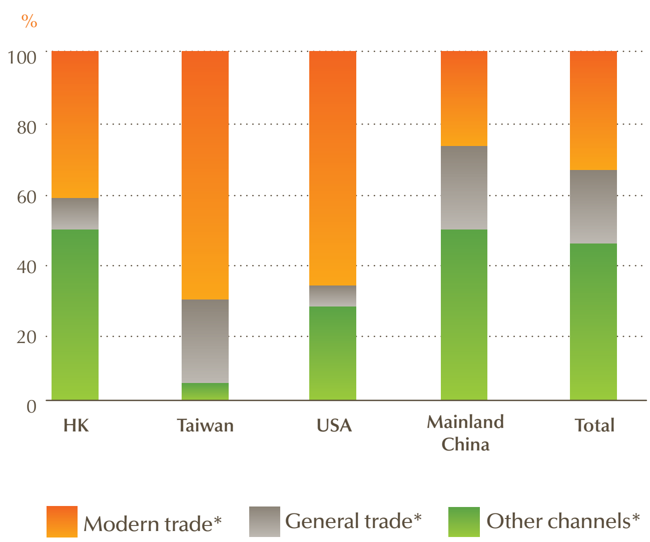
In Mainland China, continued expansion of the product portfolio, in particular the Minute Maid Pulpy brand, can be expected to assist sales growth and to provide a competitive advantage. Extending distribution further into rural areas should improve growth prospects. Sales in the coastal provinces are expected to continue to grow at a slower rate than those in the inland provinces.

Raw material cost increases started to affect results towards the end of 2009 and are expected to continue to do so in 2010. It is hoped that the effect of these will be partially offset by improvements in production efficiency, greater use of light-weight packaging and revenue management measures, including improvements in the sales mix.

Breakdown of Total Volume by Category



Breakdown of 2009 Volume by Channel



* Refer to Glossary on page 192 for definition.

Glacéau vitaminwater (which has been a successful entrant to the enhanced water market in a number of other territories) was launched in Hong Kong in the final quarter of 2009. The brand has exciting potential in Hong Kong.

Geoff L Cundle

RFD
RFD
PACIFIC ROVER

Supporting Commitment

Playing a major role in supporting the offshore oil and gas industry worldwide, Swire Pacific Offshore has one of the most modern, high specification fleets in the industry, with a strong commitment to quality management, health and safety and sustainable development.

Marine Services Division

The Marine Services Division, through the Swire Pacific Offshore group ("SPO"), operates a fleet of specialist vessels supporting the offshore oil industry in every major offshore production and exploration region outside North America. The division also has jointly controlled interests, through the Hongkong United Dockyards ("HUD") group, in ship repair and harbour towage services in Hong Kong.

	2009 HK$M	2008 HK$M
Swire Pacific Offshore group		
Turnover	**3,892**	4,007
Operating profit	**1,594**	1,750
Attributable profit*	**1,559**	1,691
* Including post-tax profits from the jointly controlled companies shown below.		
Share of post-tax profits from jointly controlled companies		
Swire Pacific Offshore group	**3**	–
HUD group	**78**	76
	81	76
Attributable profit	**1,637**	1,767

	2009	2008
Fleet size (number of vessels)		
Swire Pacific Offshore group	**70**	69
HUD group – Hongkong Salvage & Towage	**17**	19
Total	**87**	88

2009 Results Summary

Attributable profit from the Marine Services Division totalled HK$1,637 million, a decrease of 7% from 2008.

Swire Pacific Offshore group ("SPO")

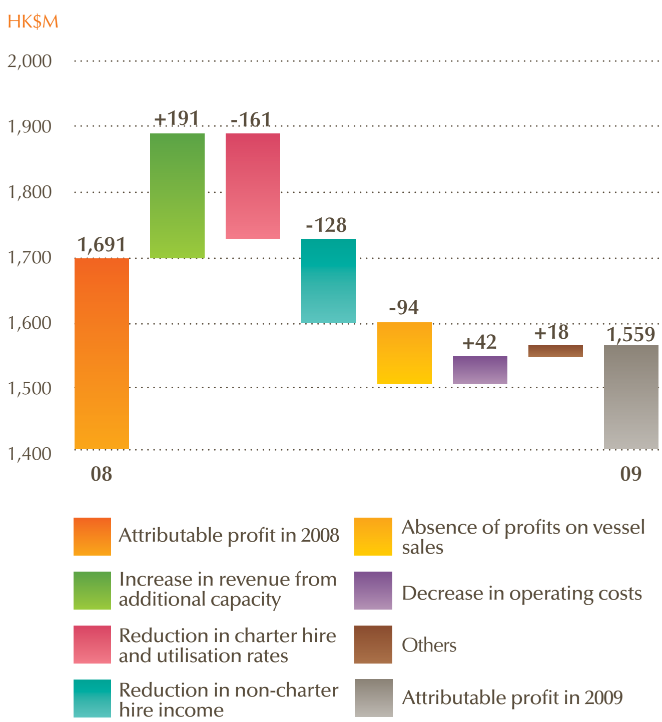
2009 Results

SPO reported an attributable profit of HK$1,559 million, a decrease of 8% from 2008. After excluding the HK$94 million profit on sale of vessels in 2008, the decrease was 2%.

No vessels were sold during the year. Two new V-class 8,810 brake horse power anchor handling tug supply vessels were delivered and one B-class vessel was returned to the owner on completion of a long-term bareboat charter, increasing the fleet size to 70 vessels.

Despite SPO entering the year with 58% of the 2009 fleet capacity pre-booked, SPO faced considerable challenges as 2009 progressed. A combination of deferred project spending

SPO - Movement in Attributable Profit



SPO Fleet Size Growth

Vessel class	Brake horse power		Vessels in operation			Vessels on order expected to be received in:		
			Acquired	Disposed	Year-end			
		2008	2009			2010	2011	2012
Anchor Handling Tug Supply Vessels								
J-class	2,600-4,200	11	–	–	11	–	–	–
T-class	3,600	4	–	–	4	–	–	–
P-class	4,800	8	–	–	8	4	4	–
S-class	5,440	4	–	–	4	–	–	–
6000 series	6,000-6,500	2	–	–	2	–	–	–
UT704	7,040-9,000	2	–	–	2	–	–	–
R-class	7,200	8	–	–	8	–	–	–
V-class	8,810	5	2	–	7	3	–	–
W-class	10,800	8	–	–	8	–	–	–
B-class	12,240	7	–	1	6	–	–	–
D-class	18,250	–	–	–	–	–	2	2
Platform Supply Vessels								
A-class	6,310	5	–	–	5	–	–	–
Ice Breaking Supply Vessels								
E-class	23,170	2	–	–	2	–	–	–
Seismic and Hydrographic Survey Vessels								
Survey	2,600-6,400	3	–	–	3	–	1	–
Accommodation Barges								
I-class		–	–	–	–	2	–	–
		69	2	1	70	9	7	2

by oil majors, low oil prices for much of the year and a significant increase in the number of newly built vessels entering the market put pressure on day rates and utilisation for all vessel classes in the SPO fleet in the second half of the year. Towards the end of the year, rising oil prices encouraged SPO's customers to start planning new oil and gas exploration projects. However, the time lag between project evaluation and commencement of marine activities means that many of the projects approved in the latter part of the year will not start before late 2010.

Despite the difficult market conditions, fleet utilisation during the year remained high, averaging 89%, slightly below the 91% achieved in 2008. Average charter hire rates were 2% less than in 2008.

The new V-class vessels delivered during 2009, together with the full-year effect of the new vessels delivered in 2008, generated HK$191 million of additional revenue.

There was a reduction in non-charter hire income of HK$128 million, principally reflecting the absence of liquidated damages payable in 2008 in respect of late deliveries of vessels and less revenue earned on the mobilisation of vessels.

Despite an increase in the number of vessels dry-docked during 2009, vessel operating costs were kept under control. This was reflected in a 1% reduction in operating costs.

Total capital expenditure on new vessels and equipment amounted to HK$811 million, compared to HK$1,396 million in 2008.

During the year, SPO acquired an additional 30.1% in Lamor Swire Environmental Solutions ("LSES"), bringing SPO's total shareholding to 80.1%. Having a majority interest in LSES means that SPO can exercise full management control. It also facilitates the marketing of LSES's oil spill response services through the existing SPO marketing network.

2010 Outlook

The 2009 result benefited from a continuation, for much of the year, of the favourable market conditions of 2008. 2010 by contrast will continue to suffer from the poor market conditions of the latter part of 2009. With a large number of newly built vessels entering the offshore market, increased competition is expected to result in average day rates in 2010 being materially lower than those of 2009.

41% of SPO's 2010 fleet capacity was pre-booked at 31st December 2009. This represents 49% of the expected revenue for 2010. SPO expects utilisation rates to be in line with those of 2009.

Assuming a continuation of the global economic recovery, exploration activity should gradually increase. With nine newly built vessels to be delivered in 2010, SPO is well placed to take advantage of the recovery.

At 31st December 2009, SPO had 18 vessels on order, representing a total capital expenditure commitment of HK$2,711 million (31st December 2008: HK$3,244 million). No new building contracts were signed in 2009. Of the 18 new builds currently on order, nine will be delivered in 2010, seven in 2011 and the remaining two in 2012.

With a modern and high quality fleet, experienced personnel and an established track record, SPO is a "best in class" offshore vessel operator. In its commitment to quality management, health and safety and sustainable development, SPO is ahead of many of its competitors.

In February 2010, SPO completed the acquisition of Blue Ocean Ships A/S, a Danish company which specialises in providing services to the offshore wind turbine industry. The company, which has been renamed Swire Blue Ocean A/S, aims to be a leading service provider in this industry.

SPO continues to consolidate its market position in areas where it is well established, namely South East Asia, far eastern Russia, Australia, New Zealand, the Middle East and Africa. SPO is also expanding into areas with greater potential for growth in Europe and South America.

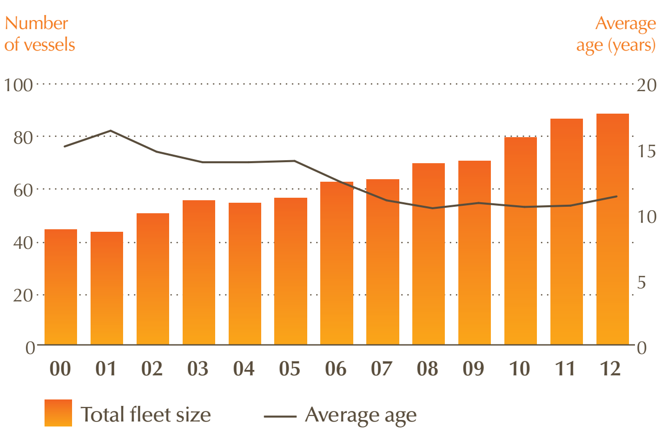
Hongkong United Dockyards ("HUD") group

The HUD group, jointly owned by Swire Pacific and Hutchison Whampoa, provides harbour and sea-going ship repair and general engineering services from its facilities on Tsing Yi Island, Hong Kong. In addition, the HUD group's salvage and towage division, operating as Hongkong Salvage & Towage ("HKST"), is the largest towage operator in Hong Kong, deploying 11 tugs. HKST also manages six container vessels on long-term contracts to transport refuse for the Hong Kong Government.

SPO – Profile of Capital Commitments

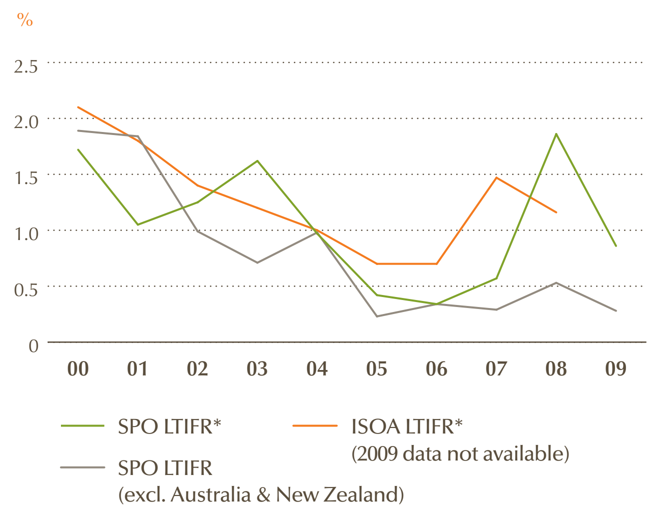
(HK$M)	Expenditure	Forecast year of expenditure			Commitments
	2009	2010	2011	2012	**at 31st Dec 2009**
Vessels	**800**	1,773	671	207	**2,651**
Other equipment	**11**	60	–	–	**60**
Total	**811**	1,833	671	207	**2,711**

SPO – Fleet Size and Average Age of Vessels



Projected fleet size and average age based on current fleet and vessels on order at 31st December 2009.

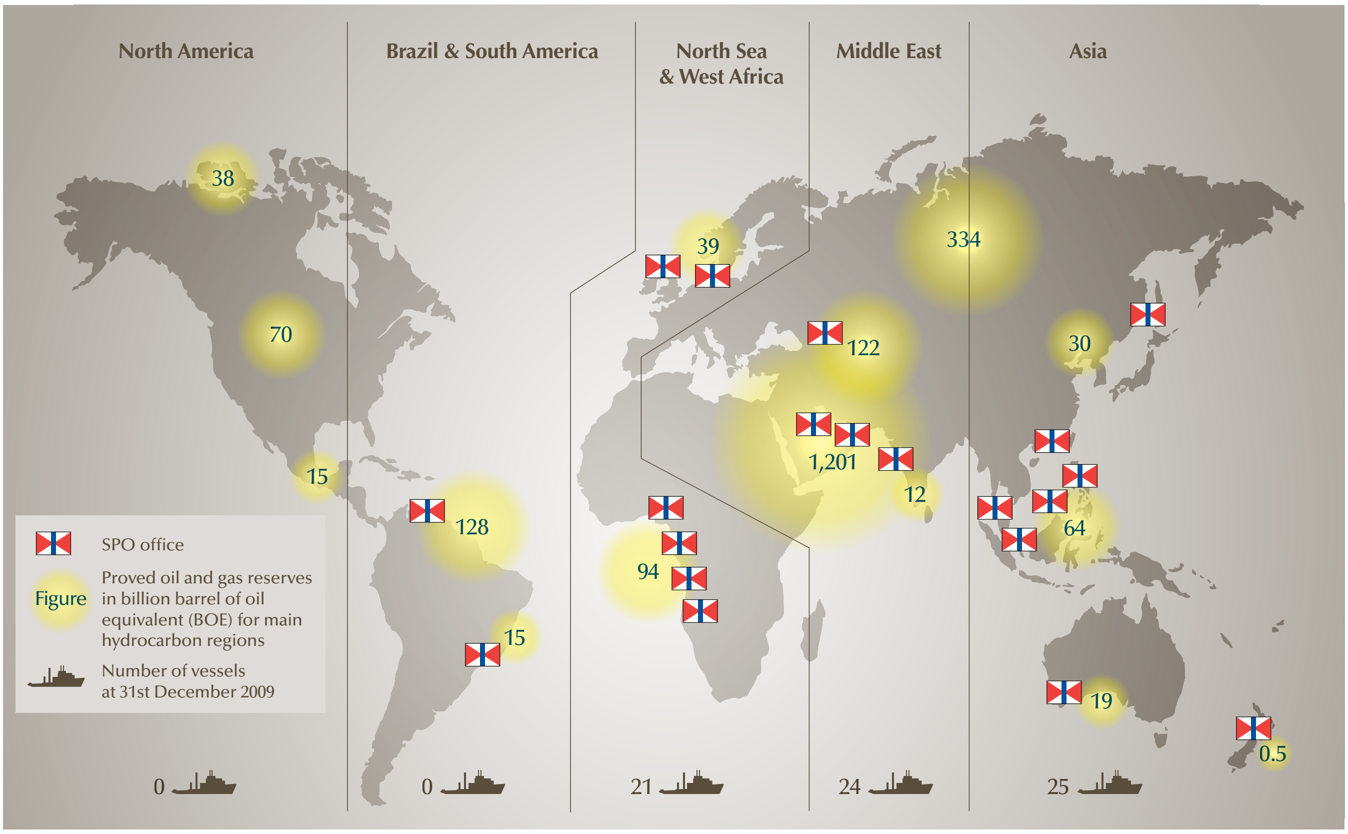
SPO – Lost Time Injury Rates



* Refer to Glossary on page 192 for definition.

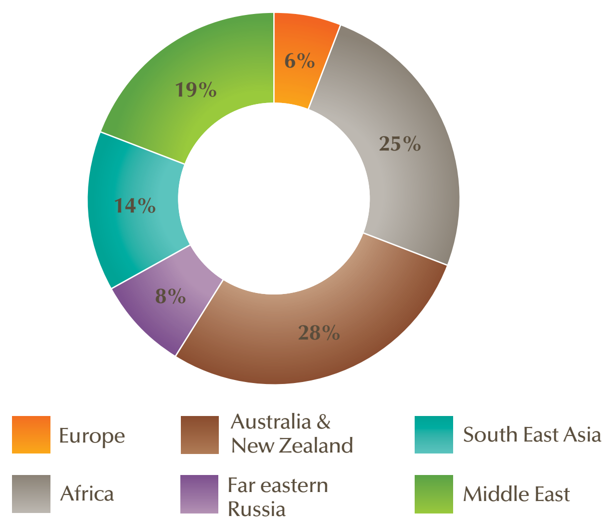
Pacific Responder, an R-class anchor handling tug supply vessel.

SPO – Global Footprint



Pacific Endurance, an E-class ice breaking supply vessel.

SPO – 2009 Turnover by Region



Hongkong Salvage & Towage operates Hong Kong's largest tug fleet.

2009 Results

Attributable profit from the HUD group for 2009 was HK$78 million, compared to HK$76 million in 2008. The results for 2009 include capital profits of HK$22 million on the sale of two tugs.

There is typically a considerable time lag between changes in the shipping industry (which themselves reflect changes in the wider economy) and changes in the ship repair business. This meant that the downturn in the shipping industry did not adversely affect demand for ship repair services until the second half of 2009. However, increased availability of repair dock space in Asia then started to cause significant pressure on tariffs.

The salvage and towage division was adversely affected by the downturn in the general economy. Tug movements in 2009 fell by 13% from those of 2008. In response, two tugs were redeployed to more profitable sea-going charters and two old tugs were sold.

2010 Outlook

Although there are signs of recovery in the general economy, the effects on the shipping industry are not expected to be immediate. Ship owners and operators are likely to continue to consider cost as a very significant factor when awarding ship repair contracts. Accordingly, ship repair tariffs are unlikely to recover significantly and 2010 is expected to be a difficult year for the ship repair division, with continued intense pressure on pricing.

The salvage and towage division will continue to focus on maintaining its leadership position in Hong Kong waters. At the same time, it will look for opportunities to obtain sea-going work with a view to maximising fleet utilisation.

Two new 5000-bhp tugs are being designed. Orders are expected to be placed in 2010.

J B Rae-Smith
Davy Ho


MARATHON SPORTS

Understanding Consumers

The market leader in Hong Kong in multi-brand sports retailing, Swire Resources offers customers a comprehensive selection of international branded products that caters to a variety of individual lifestyles and sporting tastes.

Trading & Industrial Division

The Trading & Industrial Division has interests in a number of wholly-owned and jointly controlled companies, comprising:

- Swire Resources group – distribution and retailing of sports and casual footwear and apparel in Hong Kong and Mainland China
- Taikoo Motors group – distribution and retailing of motor vehicles in Taiwan
- Taikoo Sugar – packaging and selling sugar products in Hong Kong and Mainland China
- Akzo Nobel Swire Paints – manufacture and distribution of paint in Hong Kong and Mainland China
- CROWN Beverage Cans group – aluminium can manufacture in Mainland China and Vietnam

	2009 HK$M	2008 HK$M
Turnover		
Swire Resources group	**1,835**	1,776
Taikoo Motors group	**2,158**	2,534
Taikoo Sugar	**401**	445
Other subsidiary companies	**5**	58
	4,399	4,813
Operating profits/(losses)		
Swire Resources group	**74**	49
Taikoo Motors group	**53**	10
Taikoo Sugar	**10**	13
Other subsidiary companies and central costs	**(11)**	(34)
Valuation gain on investment property	**–**	14
	126	52
Attributable profits/(losses)		
Swire Resources group*	**100**	87
Taikoo Motors group	**33**	4
Taikoo Sugar	**9**	11
Other subsidiary companies and central costs	**(5)**	(31)
Net valuation gain on investment property	**–**	23
	137	94

* Including post-tax profits from the jointly controlled and associated companies within the Swire Resources group shown below.

	2009 HK$M	2008 HK$M
Share of post-tax profits from jointly controlled and associated companies		
Swire Resources group	**41**	50
Akzo Nobel Swire Paints	**141**	132
CROWN Beverage Cans group	**72**	81
	254	263
Attributable profit before the following items:	**350**	307
Share of post-tax profit from Swire SITA group	**–**	72
Profit on sale of interest in Swire SITA group	**–**	1,721
Attributable profit	**350**	2,100

	2009	2008
Shoes sold (millions of pairs)	**3.1**	3.2
Items of apparel sold (millions)	**5.3**	5.6
Retail outlets in Hong Kong	**113**	124
Retail outlets in Mainland China	**74**	109
Vehicles sold:		
– to third party distributors	**3,637**	3,705
– to retail customers	**2,661**	2,670
Sugar sold (millions of pounds):		
– to bulk users	**149.1**	217.9
– to retail and catering users:		
– Hong Kong	**15.5**	16.1
– Mainland China	**13.6**	10.6

2009 Results Summary

Attributable profit from the Trading & Industrial Division was HK$350 million. Swire Resources, Taikoo Motors and Akzo Nobel Swire Paints recorded increases in profits. The other interests recorded decreases in profits.

Swire Resources group

The Swire Resources group distributes and retails sports and casual footwear and apparel brands in Hong Kong and Mainland China. Currently it is a distributor for 13 brands in Hong Kong and five brands in Mainland China.

2009 Results

Attributable profit for 2009 was HK$100 million, representing a 15% improvement over 2008, as better results from wholly-owned businesses more than offset a lower contribution from the group's PUMA associate.

Turnover in Hong Kong was slightly above that of 2008, as a fall in wholesale volume was offset by increased retail business, reflecting more sales promotions at the group's multibrand store chains. Overall retail turnover in Hong Kong grew by 2% compared to 2008. The group managed 113 retail outlets in Hong Kong at the end of 2009.

The trading environment in Hong Kong during 2009 was difficult, with gross margins falling slightly as a result of price discounting and sales promotions.

Turnover in Mainland China grew by 9%, a slower rate of growth than in 2008, which had benefited from the Olympics. Growth in sales of Columbia and Rockport products was partly offset by the effect of the closure of loss-making retail outlets selling other brands.

Overall, margins in Mainland China improved slightly as a result of increased local purchasing.

The contribution from the group's PUMA associate fell by 15% as the brand's momentum slowed and sales fell by 12% compared to 2008.

Swire Resources managed 74 retail outlets in Mainland China at the end of 2009.

2010 Outlook

The highly competitive and mature Hong Kong market continues to be challenging. However, our multibrand retail chains have a strong competitive advantage and should perform well despite an expected increase in occupancy costs.

In Mainland China continued growth in sales of Columbia and Rockport products and reduced losses reflecting the closure of loss-making retail outlets in 2009 should improve overall profitability.

The group is pursuing additional distributorships.

Taikoo Motors group

The Taikoo Motors group imports and distributes vehicles under exclusive franchise agreements in Taiwan.

2009 Results

Attributable profit for 2009 was HK$33 million, compared with HK$4 million in 2008.

Taikoo Motors sold 6,298 vehicles in 2009, representing a marginal fall from 2008.

The overall Taiwan passenger car market and its import segment grew by 35% and 56% respectively in 2009 compared with 2008. The growth principally reflected the government's temporary stimulus plan, which lowered the cost of small and hybrid vehicles by NT$30,000 each.

Taikoo Motors is a respected distributor and retailer of motor vehicles in Taiwan.

Akzo Nobel Swire Paints manufactures and distributes Dulux decorative paint.

Volkswagen passenger car sales grew by 19% over 2008. This was attributable to new model launches in the second-half, including the Mark VI Golf.

863 Volkswagen light commercial vehicles were sold in 2009, slightly above the 2008 level. The overall market for imported light commercial vehicles fell by 2%.

Sales of Volvo commercial vehicles fell by 62% compared to 2008 and to a 41% fall in the commercial vehicle segment overall. Eight Volvo buses were sold in the year.

Harley-Davidson performed well. 250 motorcycles were sold in the first full year of operation, compared with 150 in 2008.

The group operated ten showrooms at the end of 2009.

The group's distributorship agreements with Audi and KIA cars expired in February and May 2009 respectively. As a result, 854 fewer Audi and KIA cars were sold in 2009 than in 2008.

2010 Outlook

The Taiwan economy is expected to improve in 2010 although the positive impact of this on vehicle sales in the first half of the year may be muted by the adverse effect of the end of the government stimulus plan in December 2009.

Volkswagen cars will remain Taikoo Motors' principal brand. With a strong product portfolio the brand's prospects are good.

In late 2009 the group was appointed as the official importer in Taiwan of Skoda cars. Sales commenced in the first quarter of 2010.

Taikoo Sugar

Taikoo Sugar packages and sells premium sugar products to the retail and catering trades in Hong Kong and Mainland China. It also sells sugar in bulk to industrial users.

2009 Results

Taikoo Sugar reported a profit of HK$9 million in 2009, compared to a profit of HK$11 million in 2008.

Hong Kong turnover fell by 17%, reflecting a significant reduction in bulk sales.

The average gross margin in Hong Kong remained at the 2008 level as the impact of higher sugar costs was offset by increased selling prices and a favourable product mix.

In Mainland China 13.6 million pounds of sugar were sold to retail and catering users, an increase of 28% over 2008. However, higher sugar costs and increased logistics costs and advertising and promotion spending resulted in a lower profit.

In March, the company moved to larger packaging facilities in Guangzhou, more than doubling its production capacity to 2,300 metric tonnes per annum.

2010 Outlook

Prospects for growth in sales in 2010 are good. However, profits are expected to fall, compared to 2009, due to higher sugar costs and investment in expanding the distribution network in Mainland China.

Akzo Nobel Swire Paints

Akzo Nobel Swire Paints consists of joint ventures with Akzo Nobel which manufacture and distribute decorative paints, primarily under the Dulux brand, in Mainland China and Hong Kong.

2009 Results

Attributable profit increased by 7% from 2008, to HK$141 million.

Sales volume in Mainland China grew by 13% from 2008, reflecting greater stability in the property market during the second half of the year.

Margins in Mainland China increased as lower raw material costs more than offset the effect of a less favourable product mix.

The contribution from the mature Hong Kong business was flat as a marginal increase in sales volume was offset by the effect of an unfavourable product mix.

Taikoo Sugar is a premium brand in Hong Kong and Mainland China.

2010 Outlook

The Mainland China market is expected to grow strongly. However, promotional activities intended to strengthen brand awareness and expand the distribution network are expected to result in a fall in profits in 2010.

CROWN Beverage Cans group

CROWN Beverage Cans group consists of joint ventures with Crown Holdings Inc., which manufacture aluminium beverage cans in Mainland China and Vietnam.

2009 Results

CROWN Beverage Cans group contributed an attributable profit of HK$72 million compared to HK$81 million in 2008.

Overall profitability in Mainland China and Hong Kong declined. This principally reflected a 7% fall in sales volume, in line with the fall in the market overall, and higher operating costs.

Sales volume in Vietnam was similar to 2008, although profit increased as a result of an improved customer mix.

2010 Outlook

Conditions in Mainland China are positive although competitive pressure will continue to be challenging.

The Vietnam business is expected to perform in line with 2009.

Swire SITA group

The division sold its interest in Swire SITA in 2008. Cash proceeds of HK$1,888 million were received during the second half of 2009.

J B Rae-Smith