

Chairman's Statement

The profit attributable to shareholders for 2009 was HK\$19,917 million, compared to HK\$5,853 million in 2008. Underlying profit attributable to shareholders, which primarily adjusts for changes in property valuations and the associated deferred tax, increased by HK\$3,237 million to HK\$8,475 million. Excluding the effect of non-recurring items (principally the profit of HK\$1,721 million recognised in 2008 on disposal of the Group's interest in Swire SITA), underlying profit increased by HK\$4,909 million.

The effects of the severe economic downturn continued into 2009. The increase in underlying profit principally reflects improved results in the Cathay Pacific group where, despite sharply reduced revenues for much of the year, profits benefited from mark-to-market gains in respect of fuel hedging contracts. Despite the economic conditions, the Group's non-aviation businesses generally performed well in 2009.

Underlying profit in the Property Division increased by 8%. Positive rental reversions in the Hong Kong office portfolio, a modest level of capital profits and a reduction in net finance charges more than offset a reduction in profits from the trading portfolio and weakness in the hotel business. The Beverages Division reported strong profit growth in all markets outside the USA. Swire Pacific Offshore group ("SPO") reported a reduction in profits. However, excluding the profits on vessel sales in 2008, SPO's results were only marginally below those of 2008. The contribution from the HAECO group was significantly lower as demand for aircraft maintenance fell.

In spite of uncertain economic conditions, the Group continued to make measured investment in its core businesses in 2009. Net cash used in investing activities totalled HK\$5,637 million. Committed investments at the year-end were HK\$14,472 million.

Key Developments

In September the Group acquired an additional 2% interest in Cathay Pacific Airways ("Cathay Pacific") for a consideration of HK\$1,013 million, taking its shareholding from 39.97% to 41.97%. In October the Group acquired an additional 12.45% interest in HAECO from Cathay Pacific for a consideration of HK\$1,901 million, taking its direct shareholding in HAECO from 33.52% to 45.96%. The Group regards its shareholdings in Cathay Pacific and HAECO as key long-term strategic investments.

In the Property Division, The Upper House hotel at Pacific Place opened in October. This 117-room luxury hotel is the sister hotel of The Opposite House in Beijing. The opening

was followed by that of the 345-room EAST hotel at Cityplaza in January 2010. These hotels are wholly-owned and are managed by Swire Hotels. In Beijing, the north site of Sanlitun Village began a phased opening in October. The north site is 67% leased.

Applications have been made to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the spin-off and separate listing of the shares in Swire Properties Limited ("Swire Properties"), the company which holds the Group's principal property interests in Hong Kong, Mainland China, the USA and the UK. The separate listing of Swire Properties would be intended to benefit investors in both Swire Pacific and Swire Properties. The capital raised would be available to fund the investments of both companies. The listing would also provide direct access for Swire Properties to equity capital markets. However, no decision has yet been made by the Directors as to whether and when the proposed spin-off and separate listing of Swire Properties will be effected. The Stock Exchange has confirmed that the Company may proceed with the proposed spin-off, but there is no assurance that the approval of the separate listing of Swire Properties will be granted by the Listing Committee of the Stock Exchange. If the spin-off and separate listing proceed, Swire Properties will continue to be a subsidiary of the Company.

Operating Performance

Underlying profit in the Property Division was HK\$3,966 million, an 8% increase over the 2008 profit of HK\$3,675 million. Demand in the Hong Kong office market weakened in the first half of the year, but recovered in the second-half as the economy improved. Rental reversions generally remained positive. However, the hotel interests suffered from the difficult market conditions and lower profits were recorded from the trading portfolio. A small number of properties within the property investment portfolio were sold, generating modest capital profits. Net finance charges were lower than in 2008 (principally as a result of the recognition, and the movement in fair value, of a put option in relation to the minority interest

in Sanlitun Village). On an attributable basis, the Property Division's net investment property valuation gain (before deferred tax) in 2009 was HK\$14,483 million, compared to a net gain in 2008 of HK\$241 million. Values fell in the early part of 2009, but then increased as the outlook for property markets in Hong Kong and Mainland China improved.

The Cathay Pacific group contributed a profit for 2009 of HK\$1,349 million, compared to a loss of HK\$3,607 million in 2008. The improved result principally reflects the rise in fuel prices from the middle of 2009, which resulted in mark-to-market gains in respect of fuel hedging contracts for the period 2010-2011. These gains reversed a large part of the substantial mark-to-market losses recorded in 2008. Results from the airlines' passenger and cargo operations, however, were adversely affected by continuing constrained demand in their key markets for much of the year. Passenger revenue fell by 21%, reflecting substantial reductions in premium traffic and in economy class yields, though economy class passenger numbers held up well. The cargo business was exceptionally weak in the first half of the year, but was stronger in the latter part of the year. A number of measures were taken in response to the steep downturn in business, including reducing capacity, operating costs and capital expenditure, introducing an unpaid leave scheme for staff and parking a number of aircraft.

2009 was a challenging year for the HAECO group as airlines continued to reduce maintenance expenditure and ground aircraft. 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 also fell, in line with the level of aircraft movements at Hong Kong International Airport. Despite the increase in shareholding, profit attributable to Swire Pacific fell by 38% to HK\$314 million.

The Beverages Division recorded a 29% increase in attributable profit over 2008. Overall sales volume grew by 13%. This principally reflected strong growth in Mainland China, resulting from expansion of the product portfolio and the distribution network. Raw material costs were lower in all markets for much of the year but sugar costs increased significantly towards the end of the year.

Attributable profit for SPO fell by 2%, excluding the effect of profits on vessel sales in 2008. The result for the first half of the year benefited from the fact that many of SPO's contracts had been fixed in 2008 when market conditions were favourable. In the second half of the year a reduction in offshore exploration activity and the entry into the market of a significant number of newly built vessels owned by competitors resulted in some reductions in charter hire and utilisation rates.

Attributable profit from the Trading & Industrial Division fell by 8% in 2009, disregarding the gain on disposal of the Group's interest in Swire SITA in 2008 (the proceeds of which were received in the second half of 2009). Sales growth and improved margins in Mainland China helped Swire Resources to record an increase in profit. The car business in Taiwan and the paints business also recorded increases in profit. The beverage cans and sugar businesses recorded modest decreases in profits.

Finance

Despite strong operating cash flows, net debt increased by HK\$1,235 million during the year to HK\$31,681 million. The overall increase in net debt primarily reflected the acquisition of additional interests in Cathay Pacific and HAECO, but also investments in property projects and new vessels. HK\$8,940 million of financing was arranged. Gearing fell during the year by 1.7 percentage points from 22.4% to 20.7%. Cash and undrawn committed facilities totalled HK\$14,916 million at 31st December 2009, compared with HK\$10,595 million at 31st December 2008.

Corporate Governance

Swire Pacific's governance principles and the processes in place to safeguard the interests of shareholders are set out on pages 73 to 84.

Sustainable Development

Swire Pacific recognises the importance of acting responsibly towards its stakeholders (including employees and the communities in which it is involved) and towards the natural environment in which it operates. During the year, Swire Pacific and Cathay Pacific joined over 950 global companies in signing the Copenhagen Communiqué on Climate Change, supporting an ambitious, robust and equitable global deal on climate change that responds credibly to the scale and urgency of the crises facing the world. We were disappointed at the limited progress made at the Copenhagen climate change conference.

Prospects

The Group's completed office portfolio is almost fully let, with approximately 14% of tenancies by floor area due to expire during 2010.

The Group's completed retail portfolio in Hong Kong is also almost fully let, with approximately 15% of tenancies by floor area due to expire during 2010. The trading environment for the Group's retail interests in both Hong Kong and Mainland China has improved as economic conditions have become more positive.

The phased opening of the north site of Sanlitun Village will continue during the course of 2010.

A phased opening of the TaiKoo Hui mixed-use development in central Guangzhou is expected from late 2010. Pre-letting of the retail space is very encouraging with 78% of the mall already committed.

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.

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.

On completion of current developments, Swire Properties will have a portfolio of 15.1 million square feet in Hong Kong and 8.0 million square feet in Mainland China, as well as property interests in the USA and the UK.

While welcoming the improvement in business 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 high 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.

In February 2010, Cathay Pacific announced that it had entered into conditional framework and other agreements with Air China Limited and others under which the parties have agreed to establish a jointly owned cargo airline. The formation of the cargo joint venture represents an important development in the cooperation between Cathay Pacific and Air China.

Like the Cathay Pacific group, the HAECO group is cautious about the recent improvement in the aviation industry. The HAECO group expects increased aircraft movements at Hong Kong International Airport and better utilisation of its hangars in 2010. However, start-up losses at the new joint ventures in Mainland China will affect the results in 2010. Overall, 2010 will be another challenging year. The HAECO group will continue to contain costs and improve productivity while

striving to deliver quality service to customers. It is well placed to take advantage of future long-term growth in the aviation industry.

The Beverages Division will continue to expand its product portfolio and distribution network in Mainland China. 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.

SPO expects the offshore support industry in 2010 to continue to suffer from the poor market conditions of the latter part of 2009. With a large number of newly built vessels continuing to enter the offshore market, increased competition is expected to result in further pressure on charter rates. However, 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 in a strong position.

The Trading & Industrial Division expects continued growth for Swire Resources and improved trading conditions in the Taiwan car market. The paints business expects strong growth in Mainland China to be offset by the cost of expanding its distribution network. The beverage cans business is expecting conditions to remain challenging.

Dividends

The Directors have recommended final dividends of HK\$220.0 per 'A' share and HK\$44.0 per 'B' share, which, together with the interim dividends paid in October 2009, amount to full year dividends of HK\$280.0 per 'A' share and HK\$56.0 per 'B' share, compared to full year dividends of HK\$238.0 per 'A' share and HK\$47.6 per 'B' share in respect of 2008. The increase in dividends reflects the increase in underlying profit attributable to shareholders in 2009 and the more positive prospects for 2010.

The Group's strength lies in its diverse range of businesses centered on the fastest growing economy in the world. The generally robust performance of the Group overall during the uncertain conditions of the last 18 months demonstrates the value of the Group's diversity and gives cause for optimism about the future.

The commitment and hard work of employees across the Group and its jointly controlled and associated companies are central to our continuing success. I take this opportunity to thank them.

Christopher Pratt

Chairman

Hong Kong, 11th March 2010