

## 2005 Final Results

### Chairman's Statement

The attributable profit for Swire Pacific in 2005 was HK\$18,757 million. This compares to profits of HK\$18,818 million prepared on a comparable basis for 2004. These results reflect the adoption of new Hong Kong Financial Reporting Standards effective from 1st January 2005. Underlying attributable profits, which adjust for the impact of adopting Hong Kong Accounting Standard 40 and Interpretation 21 on investment properties and income taxes respectively, amounted to HK\$8,742 million, 33.7% up on the corresponding figure of HK\$6,538 million in 2004. This strong growth included significant non-recurring capital profits on the sale of the group's Hong Kong port interests and residential apartments. Profits from the Aviation Division saw a modest decline with good traffic growth unable to offset the significant rise in fuel costs. Other divisions performed well with the Property Division benefiting from positive rental reversions.

#### Dividends

Directors have recommended a final dividend of HK\$146.0 per 'A' share and HK\$29.2 per 'B' share, which together with interim dividends paid in October 2005, represents total dividends of HK\$206.0 per 'A' share and HK\$41.2 per 'B' share.

#### Scope of Activities

During the year it was decided to commence construction of One Island East, an office building of approximately 1,520,000 square ft., and a 350-room hotel to be known as Hotel Cityplaza, also in Island East. Both projects are scheduled for completion in 2008. With the opening of the Taikoo Hui mixed-use property in Guangzhou in early 2009, Swire Properties will then have a high-grade investment property portfolio of over 19 million square feet.

Cathay Pacific has continued to take advantage of robust traffic demand with many additional frequencies to existing destinations. This increase to the depth of the existing network has strengthened the Hong Kong hub and Cathay Pacific's competitiveness in a rapidly expanding market.

Rising demand for airframe and engine maintenance led to strong earnings growth at HAECO.

In spite of further rises in raw material prices, the Beverages Division enjoyed improved profits with better pricing in the USA augmented by robust volume growth in China.

A gradual increase in charter rates over the course of the year and high vessel utilisation led to a record profit for Swire Pacific Offshore in 2005. Profits were further lifted by the sale of a production rig early in the year.

The group's 17.6% interest in Modern Terminals Limited was sold in August realising an attributable profit of HK\$2,270 million. Shekou Container Terminals saw modest throughput and earnings growth and has recently introduced additional capacity.

Record sales of motor vehicles in Taiwan and sports apparel in Hong Kong and China coupled with improved returns from industrial associates on the mainland boosted earnings growth by 34% from the Trading and Industrial Division in 2005.

#### Finance

Good cash flows from operations, asset realisations and dividends totalling HK\$11,347 million resulted in net debt and gearing falling to HK\$5,448 million and 5% respectively.

Long term credit ratings at the year end stood at A3 from Moody's and A- from both Fitch and Standard and Poor's.

#### Corporate Governance

A commitment to good corporate governance and the highest standards of business integrity is central to our management philosophy. The key principles and values to which we aim to adhere, and the various measures by which the interests of shareholders and other stakeholders are safeguarded are set out in the annual report.

#### Corporate Social Responsibility

For more than a century, the group has engaged closely with the communities where it operates. It has done this through community relations initiatives, philanthropy, health and safety programmes, sustained investment in staff development and human resources, and an increasingly sophisticated approach towards sustainability and environmental protection that meets or exceeds best practice. Highlights of the group's CSR developments in 2005 are set out in the annual report.

#### Prospects

Growing consumer confidence and trade across the region should underpin continued strong economic growth both in Hong Kong and on the mainland. A steady increase in investment in the group's property, aviation, marine and beverage operations over the last 18 months places the group in a good position to benefit from this positive economic outlook.

Good progress has been made on the design and construction of the Taikoo Hui development in Guangzhou. With offices now established in Shanghai and Beijing, Swire Properties is actively seeking additional investment opportunities on the mainland.

The recently placed order for 16 long haul and three regional aircraft together with purchase rights for a further 20 long haul aircraft will allow Cathay Pacific to expand its regional and long haul network. Passenger traffic and cargo volumes are expected to continue to grow strongly. The high price of fuel is expected to keep margins under pressure.

Volume growth facilitated by recent investments in distribution equipment will help offset the effect on margins of high material costs for Swire Beverages.

The delivery of twelve new vessels over the next 15 months will allow Swire Pacific Offshore to take advantage of growing exploration demand for oil and gas.

The Trading and Industrial Division anticipates more modest growth in 2006 after three consecutive years of significant earnings growth to 2005. Mainland China will remain the key focus with a significant broadening of distribution capacity in sports apparel and manufactured products.

We remain confident of the underlying strength of our core businesses and of the economies in which they operate. The group has committed to a marked increase in new investment over the next few years and expects this to grow with a number of new projects under consideration.

The results achieved in 2005 reflect extremely well on staff across the group and I take this opportunity to thank them for their hard work and commitment throughout the year.

**Christopher D Pratt**  
 Chairman  
 Hong Kong, 9th March 2006

	Note	2005 HK\$M	2004 HK\$M	Change %
Turnover		18,937	18,324	+3.3
Operating profit		19,842	20,981	-5.4
Profit attributable to the Company's shareholders		18,757	18,818	-0.3
Cash generated from operations		5,030	6,064	-17.1
Net cash inflow before financing		6,693	4,722	+41.7
Total equity (including minority interests)		100,772	84,568	+19.2
Consolidated net borrowings		5,448	8,262	-34.1
		HK\$	HK\$	
Earnings per share	1			
'A' shares		12.25	12.29	
'B' shares		2.45	2.46	-0.3
		HK\$	HK\$	
Dividends per share				
'A' shares		2.060	2.000	+3.0
'B' shares		0.412	0.400	
		HK\$	HK\$	
Equity attributable to the Company's shareholders per share				
'A' shares		61.95	51.35	+20.6
'B' shares		12.39	10.27	
<b>Notes:</b>				
1. Earnings per share have been calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of shares in issue during each year.				
2. These financial highlights have reflected the impact of the adoption of the new Hong Kong Financial Reporting Standards since 1st January 2005. Comparatives have been restated.				
		HK\$M	HK\$M	%
<b>Underlying Profits (Note 1)</b>				
Underlying operating profit		7,464	5,157	+44.7
Underlying profit attributable to the Company's shareholders		8,742	6,538	+33.7
		HK\$	HK\$	
Underlying earnings per share ('A' shares)		5.71	4.27	+33.7
		HK\$	HK\$	
Underlying equity attributable to the Company's shareholders per share ('A' shares)		68.77	56.84	+21.0
<b>Note:</b>				
1. Underlying profit represents profit per accounts excluding the effect of the adoption of Hong Kong Accounting Standard ("HKAS") 40 "Investment property" and HKAS-Interpretation 21 "Income taxes - recovery of revalued non-depreciable assets".				

<b>Consolidated Profit and Loss Account</b>			
<i>For the year ended 31st December 2005</i>			
	Note	2005 HK\$M	2004 HK\$M (restated)
Turnover	3	18,937	18,324
Cost of sales		(10,755)	(10,458)
Gross profit		8,182	7,866
Other income		3,264	654
Distribution costs		(2,250)	(2,035)
Administrative expenses		(1,019)	(981)
Other operating expenses		(222)	(253)
Change in fair value of investment properties		11,887	15,730
Operating profit	4	19,842	20,981
Finance charges		(645)	(999)
Finance income		63	33
Net finance charges	5	(582)	(966)
Share of profits less losses of jointly controlled companies		756	995
Share of profits less losses of associated companies		2,306	2,793
Profit before taxation		22,322	23,803
Taxation	6	2,688	3,481
Profit for the year		19,634	20,322
Attributable to:			
The Company's shareholders		18,757	18,818
Minority interests		877	1,504
		19,634	20,322
Dividends			
Interim - paid		919	888
Final - proposed		2,235	2,174
	7	3,154	3,062
		HK\$	HK\$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	8		
'A' shares		12.25	12.29
'B' shares		2.45	2.46





**6. Taxation**

	2005 HK\$M	2004 HK\$M (restated)
The taxation charge comprises:		
The Company and its subsidiary companies		
Hong Kong profits tax	199	190
Overseas taxation	402	491
Over-provision in respect of previous years	(18)	(3)
Deferred taxation	2,105	2,803
	<b>2,688</b>	<b>3,481</b>

Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in countries in which the group is assessable for tax.

**7. Dividends**

	2005 HK\$M	2004 HK\$M
Interim dividend paid on 4th October 2005 of HK\$60.0 per 'A' share and HK\$12.0 per 'B' share (2004: HK\$58.0 and HK\$11.6)	919	888
Final proposed dividend of HK\$146.0 per 'A' share and HK\$29.2 per 'B' share (2004: HK\$142.0 and HK\$28.4)	2,235	2,174
	<b>3,154</b>	<b>3,062</b>

The final proposed dividend is not accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2006.

**8. Earnings per share**

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK\$18,757 million (2004: HK\$18,818 million) by the weighted average number of 930,375,385 'A' shares and 3,003,486,271 'B' shares in issue during the year and 2004.

**9. Properties for sale**

At 31st December 2005, none of the properties for sale was pledged as security for the group's long-term loans (2004: HK\$670 million).

**10. Trade and other receivables**

	Group	
	2005 HK\$M	2004 HK\$M
Trade debtors	1,200	1,040
Amounts due from jointly controlled companies	11	11
Amounts due from associated companies	48	66
Other receivables	1,066	942
	<b>2,325</b>	<b>2,059</b>

The amounts due from jointly controlled and associated companies are unsecured and interest free. The balances are on normal trade credit terms.

The fair values of trade and other receivables are not materially different from their book values.

	Group	
	2005 HK\$M	2004 HK\$M
Under three months	1,158	972
Between three and six months	34	49
Over six months	8	19
	<b>1,200</b>	<b>1,040</b>

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Aged analyses of debtors are prepared and closely monitored in order to minimise any credit risk associated with receivables.

There is no concentration of credit risk with respect to trade receivables, as the group has a large number of customers, internationally dispersed.

**11. Trading and other payables**

	Group	
	2005 HK\$M	2004 HK\$M
Trade creditors	826	645
Amounts due to intermediate holding company	79	82
Amounts due to jointly controlled companies	5	20
Amounts due to associated companies	41	16
Interest-bearing advances from jointly controlled companies	253	337
Interest-bearing advances from associated companies	150	150
Advances from minority interests	116	116
Other payables	3,079	3,139
	<b>4,549</b>	<b>4,505</b>

The amounts due to intermediate holding, jointly controlled and associated companies and advances from minority interests are unsecured and have no fixed terms of repayment. Apart from certain amounts due to jointly controlled and associated companies which are interest-bearing as specified above, the balances are interest free.

**11. Trading and other payables (continued)**

At 31st December 2005, the aged analysis of trade creditors was as follows:

	Group	
	2005 HK\$M	2004 HK\$M
Under three months	808	638
Between three and six months	1	–
Over six months	17	7
	<b>826</b>	<b>645</b>

**12. Share capital**

	Company				
	'A' shares of HK\$0.60 each	'B' shares of HK\$0.12 each	'A' shares HK\$M	'B' shares HK\$M	Total HK\$M
<b>Authorised:</b>					
At 31st December 2005 and 2004	1,140,000,000	3,600,000,000	684	432	1,116
<b>Issued and fully paid:</b>					
At 31st December 2005 and 2004	930,375,385	3,003,486,271	558	361	919

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

During the year, the Company did not purchase, sell or redeem any of its shares.

**Sources of Finance**

At 31st December 2005, committed loan facilities and debt securities' net of other borrowing costs amounted to HK\$11,190 million, of which HK\$3,966 million (35%) remained undrawn. In addition, the group has undrawn uncommitted facilities totalling HK\$3,545 million. Sources of funds at the end of 2005 comprised:

	Available HK\$M	Drawn HK\$M	Undrawn HK\$M
<b>Committed facilities</b>			
Perpetual Capital Securities	4,633	4,633	–
Fixed/Floating Rate Notes	1,975	1,975	–
Bank and other loans	4,582	616	3,966
<b>Total committed facilities</b>	<b>11,190</b>	<b>7,224</b>	<b>3,966</b>
<b>Uncommitted facilities</b>	<b>3,769</b>	<b>224*</b>	<b>3,545</b>

\* Include set-off of security deposits against borrowings of HK\$43 million.

**Interest Cover and Gearing**

At 31st December 2005, 82% of the group's gross borrowings were on a fixed rate basis and 18% were on a floating rate basis.

Interest cover for the year ended 31st December 2005 was 34.09 times while cash interest cover, calculated by reference to total interest charges including capitalised interest was 30.86 times. The gearing ratio was 5% at the end of 2005.

**Contingencies**

At 31st December 2005, the group has given guarantees on behalf of jointly controlled and associated companies and third parties in respect of bank loans and other liabilities of up to HK\$1,378 million (2004: HK\$1,425 million).

**Staff**

The group employs some 63,500 staff.

**Post Balance Sheet Event**

On 3rd March 2006, Swire Properties completed the acquisition of CITIC Pacific's 50% interest in Festival Walk for a consideration of HK\$6,123 million.

**Corporate Governance**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("the CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") throughout the accounting period covered by the annual report.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") contained in Appendix 10 of the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

The annual results have been reviewed by the audit committee of the Company.

**Annual Report**

The 2005 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange's website and the Company's website www.swirepacific.com. Printed copies will be sent to shareholders on 12th April 2006.

**Book Close Dates**

The Registers of Members of the Company will be closed from 8th May 2006 to 11th May 2006, both dates inclusive.

**List of Directors**

As at the date of this announcement, the Directors of the Company are:  
Executive Directors: C D Pratt, P N L Chen, M Cubbon, D Ho, K G Kerr  
Non-Executive Directors: Baroness Dunn, J W J Hughes-Hallett, P A Johansen, Sir Adrian Swire  
Independent Non-Executive Directors: V H C Cheng, C K M Kwok, C Lee, M C C Sze, M M T Yang

Website: <http://www.swirepacific.com>