

2004 Final Results

| Consolidated Profit and Loss Account | | | |
|--|------|---------------|---------------|
| <i>for the year ended 31st December 2004</i> | | | |
| | Note | 2004 HK\$M | 2003 HK\$M |
| Turnover | 7 | 18,324 | 17,387 |
| Cost of sales | | (10,050) | (9,805) |
| Gross profit | | 8,274 | 7,582 |
| Other revenue | | 160 | 36 |
| Distribution costs | | (2,035) | (1,850) |
| Administrative expenses | | (1,012) | (996) |
| Other operating expenses | | (253) | (187) |
| Operating profit | 2 | 5,134 | 4,585 |
| Finance charges | | (970) | (512) |
| Finance income | | 33 | 48 |
| Net finance charges | | (937) | (464) |
| Share of profits less losses of jointly controlled companies | 3 | 1,055 | 530 |
| Share of profits less losses of associated companies | | 3,212 | 1,522 |
| Profit before taxation | | 8,464 | 6,173 |
| Taxation | 4 | 1,234 | 872 |
| Profit after taxation | | 7,230 | 5,301 |
| Minority interests | | 686 | 379 |
| Profit attributable to shareholders | | 6,544 | 4,922 |
| Dividends | 5 | | |
| Interim – paid | | 888 | 490 |
| Final – proposed | | 2,174 | 1,562 |
| | | 3,062 | 2,052 |
| Earnings per share | 6 | HK¢ | HK¢ |
| 'A' shares | | 427.4 | 321.4 |
| 'B' shares | | 85.5 | 64.3 |
| Dividends per share | | HK¢ | HK¢ |
| 'A' shares | | 200.0 | 134.0 |
| 'B' shares | | 40.0 | 26.8 |
| Shareholders' funds per share | | HK\$ | HK\$ |
| 'A' shares | | 56.82 | 44.47 |
| 'B' shares | | 11.36 | 8.89 |

| Consolidated Balance Sheet | | | |
|--|------|---------------|---------------|
| <i>at 31st December 2004</i> | | | |
| | Note | 2004 HK\$M | 2003 HK\$M |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Fixed assets | | 82,309 | 65,473 |
| Jointly controlled companies | | 3,662 | 4,311 |
| Associated companies | | 18,770 | 17,677 |
| Investment securities and long-term receivables | | 313 | 324 |
| Deferred expenditure | | 76 | 126 |
| Deferred tax assets | | 15 | 12 |
| Retirement benefit assets | | 163 | 154 |
| | | 105,308 | 88,077 |
| Current assets | | | |
| Properties for sale | 7 | 874 | 1,822 |
| Stocks and work in progress | | 1,236 | 861 |
| Trade and other receivables | 8 | 2,059 | 2,457 |
| Held-to-maturity securities – unlisted | | – | 32 |
| Short-term deposits and bank balances | | 1,500 | 374 |
| | | 5,669 | 5,546 |
| Current liabilities | | | |
| Trade and other payables | 9 | 6,180 | 8,205 |
| Taxation | | 223 | 281 |
| Bank overdrafts and short-term loans – unsecured | | 2,635 | 1,885 |
| Long-term loans and bonds due within one year | | 11 | 2,821 |
| | | 9,049 | 13,192 |
| Net current liabilities | | (3,380) | (7,646) |
| Total assets less current liabilities | | 101,928 | 80,431 |
| Non-current liabilities | | | |
| Perpetual capital securities | | 4,642 | 4,642 |
| Long-term loans and bonds | | 2,593 | 1,325 |
| Deferred tax liabilities | | 911 | 891 |
| Deferred liabilities | | 111 | 127 |
| Retirement benefit liabilities | | 132 | 139 |
| | | 8,389 | 7,124 |
| Minority interests | | 6,544 | 5,231 |
| NET ASSETS | | 86,995 | 68,076 |
| CAPITAL AND RESERVES | | | |
| Share capital | 10 | 919 | 919 |
| Reserves | | 86,076 | 67,157 |
| SHAREHOLDERS' FUNDS | | 86,995 | 68,076 |

Chairman's Statement

The attributable profit for 2004 of HK\$6,544 million was 33% higher than in 2003. This reflects a sharp and broad based recovery in economic activity which has benefitted the majority of the group's operations. Profit growth in the Aviation Division was particularly impressive reflecting strong traffic demand, currency gains and tight control of costs notwithstanding very high fuel prices. Attributable profits from the Property Division fell slightly due mainly to a one-off interest provision of HK\$500 million. Growth in profits from residential sales more than offset the decline in rental income.

The Beverages, Marine Services and Trading & Industrial Divisions all enjoyed good growth and together contributed attributable profits of HK\$1,501 million, 20.4% growth on the prior year.

Dividends

Directors have recommended a final dividend of HK¢142 per 'A' share and HK¢28.4 per 'B' share, which together with the interim dividends paid in October 2004, represents 49.3% growth on 2003.

Scope of Activities

Demand for office space has picked up in recent months and new leases are being secured at higher rents than those prevailing 12 months ago. We are now actively considering new investment opportunities in the Hong Kong market. During the year Swire Properties increased its interest in the Taikoo Hui commercial office and retail project to 97% from 55% and site formation work has now commenced.

An 18% increase in capacity, strong demand and the development of new services has enabled Cathay Pacific to counteract significantly higher fuel costs and increased competition. The acquisition of a 10% stake in Air China and the signing of agreements to purchase 15 additional aircraft will facilitate new growth opportunities and allow enhanced competitiveness.

Buoyed by strong demand HAECO has recently announced plans to expand operations with the construction of an additional hangar at Hong Kong International Airport.

Once again the group enjoyed significant attributable profit contributions from non-airline associates in the Aviation Division. These amounted to HK\$406 million in 2004, 30% growth on the prior year.

Volume growth was again very strong from Beverages operations on the Mainland and this together with improved distribution efficiency allowed good profit growth in spite of significantly higher raw material costs.

Exploration activity in the offshore oil industry has picked up and Swire Pacific Offshore is enjoying improved charter rates and fleet utilisation. Orders for 12 more vessels have been placed.

The Trading and Industrial Division enjoyed another year of record profits with particularly strong growth from sports apparel and motors trading.

Finance

Cash inflows during the year were strong with cash from operations, asset realisations and dividends totalling HK\$8,769 million. Net debt and gearing fell to HK\$8,288 million and 9% respectively. Undrawn committed and uncommitted facilities stood at HK\$3,855 million and HK\$2,540 million respectively.

Our A3 long-term debt rating from Moody's, A- rating from Fitch and BBB+ from Standard & Poor's were reaffirmed during the year.

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 2004 annual report. During the year we implemented new procedures to enable full compliance with the Code provisions set out in the "Code on Corporate Governance Practices" recently issued by the Stock Exchange of Hong Kong Limited.

Corporate Social Responsibility

The group recognises its business decisions and activities have a social and environmental impact, and is committed to following business practices that are sound, ethical and sustainable. Our Corporate Social Responsibility section in the 2004 annual report details our goals, initiatives and achievements in this field. For the fourth year running, Swire Pacific was included in the Dow Jones Sustainability Index that identifies more than 300 companies worldwide seen as leaders in corporate sustainability.

Prospects

A widely forecast decline in GDP growth rates for Hong Kong and Mainland China in 2005 is not expected to have a significant impact on Swire Pacific's existing operations nor on its plans to expand capacity in many of its core activities. The group has established considerable scale and expertise in Mainland China in its property, aviation, beverages and trading & industrial operations and is thus in a good position to deploy significant new capital.

The outlook for the Hong Kong office property market has improved markedly over the last 12 months and although the rental reversionary cycle will continue to be negative for some months we can at last look forward to a period of rental growth and new investment.

With regional competition in the airline industry expected to intensify, Cathay Pacific will continue to focus on controlling costs and improving services through expanding capacity thus enhancing the effectiveness of the Hong Kong hub. Further expansion of the group's aviation interests on the Mainland remains a strategic priority.

We are confident the Beverages Division will continue to grow strongly through additional investment in distribution technology and new products.

Following recent investments in new capacity Swire Pacific Offshore is in a good position to benefit from the increase in demand for offshore oil support services.

The Trading and Industrial Division expects more modest growth in 2005 following record earnings in 2004.

The group will continue to explore opportunities to expand its businesses and to improve its return on capital. A number of projects are under review both on the Mainland and elsewhere. As ever we rely on our staff and I take this opportunity to thank them for their hard work during the last year.

David Turnbull

Chairman
Hong Kong, 10th March 2005

As at the date of this announcement, the directors of the Company are:

Executive Directors: M. Cubbon, D. Ho, K.G. Kerr and D.M. Turnbull;
Non-Executive Directors: Baroness Dunn, J.W.J. Hughes-Hallett, P.A. Johansen and Sir Adrian Swire; and
Independent Non-Executive Directors: D.G. Eldon, C.K.M. Kwok, C. Lee, M.M.T. Yang and M.C.C. Sze.

The 2004 annual report containing all the information required by the Listing Rules of The Stock Exchange of Hong Kong Limited is expected to be published on the Exchange's website and the Company's website before the end of March 2005 and printed copies will be sent to shareholders on 12th April 2005.

Segment Information (continued)

(a) Primary reporting format – business segments by division (continued):

Analysis of total assets and total liabilities of the group

| | Property | | Aviation | | Beverages | | Marine Services | | Trading & Industrial | | Head Office | | Group | |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|----------------------|---------------|----------------|---------------|----------------|---------------|
| | 2004 HK\$M | 2003 HK\$M | 2004 HK\$M | 2003 HK\$M | 2004 HK\$M | 2003 HK\$M | 2004 HK\$M | 2003 HK\$M | 2004 HK\$M | 2003 HK\$M | 2004 HK\$M | 2003 HK\$M | 2004 HK\$M | 2003 HK\$M |
| Segment assets | 77,556 | 62,539 | - | - | 3,105 | 3,175 | 4,063 | 3,603 | 1,706 | 1,399 | 507 | 408 | 86,937 | 71,124 |
| Deferred tax assets | - | - | - | - | - | - | 1 | - | 14 | 12 | - | - | 15 | 12 |
| Jointly controlled companies | 1,770 | 2,668 | 39 | 37 | 1,070 | 999 | 479 | 393 | 304 | 214 | - | - | 3,662 | 4,311 |
| Associated companies | 959 | 922 | 17,219 | 16,177 | - | - | 592 | 578 | - | - | - | - | 18,770 | 17,677 |
| Bank deposits & securities | 1,165 | 170 | - | - | 49 | 28 | 130 | 29 | 132 | 169 | 117 | 103 | 1,593 | 499 |
| Total assets | 81,450 | 66,299 | 17,258 | 16,214 | 4,224 | 4,202 | 5,265 | 4,603 | 2,156 | 1,794 | 624 | 511 | 110,977 | 93,623 |
| Segment liabilities | 4,295 | 6,758 | - | - | 918 | 790 | 350 | 231 | 604 | 527 | 256 | 165 | 6,423 | 8,471 |
| Current and deferred tax liabilities | 824 | 929 | - | - | 205 | 148 | 13 | 8 | 59 | 46 | 33 | 41 | 1,134 | 1,172 |
| Borrowings | 9,041 | 8,948 | - | - | 669 | 1,056 | 1,485 | 1,396 | 182 | (45) | (1,496) | (682) | 9,881 | 10,673 |
| Total liabilities | 14,160 | 16,635 | - | - | 1,792 | 1,994 | 1,848 | 1,635 | 845 | 528 | (1,207) | (476) | 17,438 | 20,316 |
| Minority interests | 6,244 | 4,971 | 15 | 15 | 281 | 241 | - | - | 4 | 4 | - | - | 6,544 | 5,231 |
| Net assets | 61,046 | 44,693 | 17,243 | 16,199 | 2,151 | 1,967 | 3,417 | 2,968 | 1,307 | 1,262 | 1,831 | 987 | 86,995 | 68,076 |
| Borrowings comprise: | | | | | | | | | | | | | | |
| External borrowings | 375 | 610 | - | - | 328 | 596 | 10 | 4 | 178 | 19 | 8,990 | 9,444 | 9,881 | 10,673 |
| Inter-segment borrowings* | 8,666 | 8,338 | - | - | 341 | 460 | 1,475 | 1,392 | 4 | (64) | (10,486) | (10,126) | - | - |
| Total | 9,041 | 8,948 | - | - | 669 | 1,056 | 1,485 | 1,396 | 182 | (45) | (1,496) | (682) | 9,881 | 10,673 |

* Exclude equity loans from head office

An analysis of capital expenditure and depreciation/amortisation of the group is as follows:

| | Capital expenditure | | Depreciation and amortisation | |
|----------------------|---------------------|---------------|-------------------------------|---------------|
| | 2004 HK\$M | 2003 HK\$M | 2004 HK\$M | 2003 HK\$M |
| Property | 1,399 | 1,207 | 45 | 108 |
| Beverages | 173 | 183 | 294 | 289 |
| Marine Services | 480 | 664 | 178 | 169 |
| Trading & Industrial | 25 | 52 | 36 | 42 |
| Head Office | 1 | - | 43 | 37 |
| | 2,078 | 2,106 | 596 | 645 |

(b) Secondary reporting format – geographical segments:

The activities of the Swire Pacific group are mainly based in Hong Kong. Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

An analysis of turnover and operating profit of the group by principal markets is outlined below:

| | Turnover | | Operating profit | |
|----------------------------|----------------|---------------|---------------------|---------------|
| | 2004 HK\$M | 2003 HK\$M | 2004 HK\$M | 2003 HK\$M |
| Hong Kong | 7,518 | 9,480 | 3,579 | 3,745 |
| Asia (excluding Hong Kong) | 4,608 | 3,639 | 247 | 171 |
| North America | 4,901 | 3,052 | 1,000 | 359 |
| Ship owning and operating | 1,297 | 1,216 | 308 | 310 |
| | 18,324 | 17,387 | 5,134 | 4,585 |
| | Segment assets | | Capital expenditure | |
| | 2004 HK\$M | 2003 HK\$M | 2004 HK\$M | 2003 HK\$M |
| Hong Kong | 77,816 | 62,283 | 964 | 1,251 |
| Asia (excluding Hong Kong) | 2,744 | 1,897 | 534 | 91 |
| North America | 2,315 | 3,348 | 100 | 100 |
| Ship owning and operating | 4,062 | 3,596 | 480 | 664 |
| | 86,937 | 71,124 | 2,078 | 2,106 |

Sources of Finance

At 31st December 2004, committed loan facilities and debt securities amounted to HK\$12,615 million, of which HK\$3,855 million (31%) remained undrawn. In addition, the group has undrawn uncommitted facilities totalling HK\$2,540 million. Sources of funds at the end of 2004 comprised:

| | Available HK\$M | Drawn HK\$M | Undrawn HK\$M |
|-------------------------------|--------------------|----------------|------------------|
| Committed facilities | | | |
| Perpetual Capital Securities | 4,642 | 4,642 | - |
| Fixed/Floating Rate Notes | 2,000 | 2,000 | - |
| Bank and other loans | 5,973 | 2,118 | 3,855 |
| | 12,615 | 8,760 | 3,855 |
| Uncommitted facilities | 3,662 | 1,122 | 2,540 |

Interest Cover and Gearing

At 31st December 2004, 59% of the group's gross borrowings were on a fixed rate basis and 41% were on a floating rate basis.

Interest cover for the year ended 31st December 2004 was 5.48 times while cash interest cover, calculated by reference to total interest charges including capitalised interest was 4.82 times. The gearing ratio was 9% at the end of 2004.

Contingencies

At 31st December 2004, 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\$1,416 million (2003: HK\$1,383 million).

Corporate Governance

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

The annual results for the year have been reviewed by the Audit Committee of the Company. Details of Corporate Governance can be found in the 2004 annual report.

New Hong Kong Financial Reporting Standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

The group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004, and is in the process of assessing the impact of these HKFRSs on future accounting periods.

The most significant impact identified to date relates to changes in the fair value of investment properties. Hong Kong Accounting Standard ("HKAS") 40 now requires surpluses and deficits arising on the revaluation of investment properties to be reflected in the profit and loss account for the year, rather than in the group's property valuation reserve. The new HKFRSs also require deferred taxation to be calculated, using profits tax rates, on these surpluses and deficits. For the year ended 31st December 2004 this treatment would have resulted in an increase in the group's reported profit attributable to shareholders of HK\$12,381 million, representing the increase in the fair value of the group's investment property and reversal of transfers from property valuation reserve to profit and loss during the year, net of deferred taxation thereon. In addition, the calculation of deferred taxation on the cumulative amount of the group's property valuation reserve surpluses using profits tax rates would have resulted in a reduction in revenue reserve and net assets, as at 31st December 2004 and 2003, of HK\$6,069 million and HK\$3,443 million respectively.

The group is continuing to assess the impact of the new HKFRSs on the group's financial statements.

Staff

The group employs some 60,400 staff and takes steps to ensure it has a well-managed, skilled and motivated workforce.