

CHAIRMAN'S STATEMENT

Our consolidated profit attributable to shareholders for 2012 was HK\$17,484 million, HK\$14,726 million lower than in 2011. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK\$8,948 million to HK\$8,344 million. Adjusted to exclude the effect of non-recurring items (the most significant being the HK\$8,615 million profit on disposal of Festival Walk in 2011), underlying profit decreased by HK\$818 million or 9% to HK\$7,910 million.

This decrease in adjusted underlying profit reflects significantly lower profit from the Cathay Pacific group and lower profits from the Beverages and Trading & Industrial Divisions. There were higher profits from the Property and Marine Services Divisions and from the Hong Kong Aircraft Engineering Company Limited ("HAECO") group.

Dividends

The Directors have declared second interim dividends of HK\$2.50 (2011: HK\$2.35) per 'A' share and HK\$0.50 (2011: HK\$0.47) per 'B' share which, together with the first interim dividends of HK\$1.00 per 'A' share and HK\$0.20 per 'B' share paid in October 2012, amount to full year dividends of HK\$3.50 per 'A' share and HK\$0.70 per 'B' share, the same as those paid in respect of 2011 (disregarding the special interim dividends of HK\$3.00 per 'A' share and HK\$0.60 per 'B' share paid in 2011). The second interim dividends, which total HK\$3,761 million (2011: HK\$3,536 million), will be paid on 3rd May 2013 to shareholders registered at the close of business on the record date, being Friday, 12th April 2013. Shares of the Company will be traded ex-dividend from Wednesday, 10th April 2013.

The register of members will be closed on Friday, 12th April 2013, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11th April 2013.

Listing of Swire Properties

In January 2012, the shares in Swire Properties were listed on The Stock Exchange of Hong Kong Limited. The listing was achieved through a distribution in specie by Swire Pacific of 18% of the shares in Swire Properties. Following the listing, Swire Pacific's shareholding in Swire Properties was reduced to 82%.

The Economic Background in 2012

World economic conditions were subject to considerable uncertainties in 2012. The airline industry was significantly affected by this. Global economic uncertainties had less of an impact within Hong Kong. However, in the Hong Kong property market, measures introduced by the government towards the end of the year reduced demand for luxury residential properties.

There was a slowdown in the growth of the Mainland China economy, particularly in coastal provinces. This adversely affected consumer confidence and expenditure. The high price of oil adversely affected our airlines but also resulted in increased exploration and production by oil companies, which benefited our Marine Services Division.

Operating Performance

The attributable adjusted underlying profit from the Property Division increased by HK\$1,432 million to HK\$5,545 million. This was achieved despite the reduction in Swire Pacific's interest in Swire Properties from 100% to 82% as a result of the listing of Swire Properties. The increase principally reflects a significant trading profit of HK\$1,534 million on the sale of 98 units in the AZURA residential development in Hong Kong. Profit from property investment decreased, reflecting the reduction in Swire Pacific's interest in Swire Properties and the loss of rental income from Festival Walk following its sale in August 2011, partially offset by positive rental reversions from the Hong Kong portfolio, the first full year contribution from TaiKoo Hui in Guangzhou and a better performance at Sanlitun Village.

The Property Division's net investment property valuation gain in 2012, before deferred tax in Mainland China, was HK\$12,751 million, compared to a net gain in 2011 of HK\$20,899 million.

The Aviation Division recorded an attributable profit of HK\$1,050 million in 2012, compared to a profit of HK\$2,999 million in 2011. Cathay Pacific was affected by the difficult conditions in the airline industry. The Cathay Pacific group contributed a profit of HK\$412 million,

compared with a profit of HK\$2,405 million in 2011. There was pressure on passenger yields and demand for cargo services was weak. The high price of jet fuel had a major impact on operating results. In May 2012, Cathay Pacific announced measures designed to protect its business in an environment of high fuel prices and weak revenues. By the end of the year costs had been reduced significantly as a result of reduced capacity and early retirement of less fuel-efficient aircraft. However, the reductions were not enough to offset in full the effects of high fuel prices and weak revenues.

The HAECO group's profit attributable to shareholders in 2012 was HK\$659 million, an increase of 7% compared to the corresponding figure in 2011 of HK\$615 million. Demand for HAECO's airframe maintenance services in Hong Kong was strong, but HAECO was not able to meet this demand in the second half because of a shortage of skilled and semi-skilled labour. HAECO's line maintenance business in Hong Kong benefited from an increase in aircraft movements at Hong Kong International Airport. Results from TAECO were adversely affected by exchange rate and deferred tax movements. HAESL performed well. The operating results of HAECO's joint ventures in Mainland China improved, but losses continued to be incurred because of under-utilisation of facilities.

The Beverages Division recorded an attributable profit of HK\$542 million in 2012, a decrease of 18% compared to 2011. The decrease principally reflected a weak performance in Mainland China, higher taxes in the USA and higher operating costs in all territories. Overall sales volume fell by 0.5% to 990 million unit cases, compared with growth of 8% in 2011. Volume grew in the USA and Hong Kong but declined in Mainland China and Taiwan.

The Marine Services Division reported an attributable profit of HK\$975 million, an increase of 13% compared to 2011. At Swire Pacific Offshore ("SPO"), there was an increase in fleet utilisation and charter hire rates. However, this was partially offset by an increase in operating costs. The results of SPO benefited from the additional contribution from new vessels that commenced operations in 2012.

Attributable profit from the Trading & Industrial Division in 2012 decreased by 41% to HK\$247 million. Excluding the gain of HK\$148 million on disposal of the Group's interest in PUMA in January 2011, attributable profit decreased by HK\$23 million. The decrease reflected weaker results from Swire Resources and Taikoo Motors, increased losses from Campbell Swire and costs associated with new business development.

Economic Outlook

We are cautiously optimistic about economic prospects. Growth in the USA may be restricted by fiscal tightening and in Europe by the continuing problems of the Eurozone. The outlook for the Asian region is better. It appears that the Mainland China economy is returning to more robust growth. Hong Kong is likely to benefit from this.

Prospects

Demand from financial services companies for office space in the Central district of Hong Kong is likely to remain soft. However, occupancy at Pacific Place is high and there are no major leases expiring until the latter part of 2013. Rents are therefore expected to be fairly resilient in 2013. Our new development at 28 Hennessy Road is attracting interest from smaller businesses. At Island East, rents are expected to remain robust owing to high occupancy levels. In Mainland China, demand for office space and rental rates are expected to remain stable.

Demand for retail space in Hong Kong continues to be strong. Rents are expected to continue to increase. In Mainland China, retailers of internationally branded goods in high quality shopping malls remain popular. Retail rents are expected to be steady in 2013.

Profits from property trading are expected to be lower in 2013 than in 2012, but nevertheless significant, with the completion of the ARGENTA development and the expected sale of the remaining units at the AZURA development. The

effect of substantial increases and other changes in Hong Kong stamp duty on demand for luxury residential properties is uncertain.

The Cathay Pacific group operates in a volatile and challenging industry, one that will always be highly susceptible to external factors that remain largely beyond its control. The cost of fuel remains the biggest challenge, particularly for an airline where long-haul operations form a significant part of the business. The group's focus will remain on protecting the business and managing short-term difficulties while remaining committed to its long-term strategy. Its financial position remains strong and it will continue to invest in the future.

The HAECO group expects to do less airframe maintenance work in Hong Kong in 2013 than in 2012, with labour shortages restricting manhours expected to be sold in the first half to 1.2 million compared with 1.6 million in the first half of 2012. Although these labour shortages may ease in the second half of 2013, the first half shortfall is likely to have a material adverse effect on HAECO's overall turnover and profit for the full year.

Swire Beverages is cautiously optimistic about 2013. In Mainland China there are indications that the pace of economic growth will resume. Following completion of its reorganisation, the business in Taiwan is in a good position. The Hong Kong and USA businesses are doing well and should continue to benefit from their strong market positions.

The price of oil is expected to remain high in 2013, leading to a further increase in offshore exploration and production commitments by energy companies. In turn, demand for offshore support vessels is expected to improve, but the over-supply of tonnage in the industry will continue to restrict charter hire rates until it has been absorbed by the market.

The performance of the Trading & Industrial Division will depend on economic conditions in the markets in which it operates. But the results of the division in 2013 are likely in any event to continue to be affected by the cost of new business development.

Finance

In 2012, we raised HK\$21,577 million of new finance. This principally comprised issues of HK dollar and US dollar denominated medium-term notes under the Group's medium-term note programmes. The remaining finance raised mainly consists of HK dollar and US dollar loans.

Net debt at 31st December 2012 was HK\$44,418 million, an increase of HK\$8,739 million since 31st December 2011. The increase principally reflects investments in property projects in Mainland China and Hong Kong and in new vessels at SPO. Gearing increased by 2.4 percentage points to 17.8%. Cash and undrawn committed facilities totalled HK\$22,459 million at 31st December 2012, compared with HK\$20,339 million at 31st December 2011.

Sustainable Development

Sustainability is integral to Swire Pacific's long-term approach to business. We wish to protect the environment we work in. Our ultimate goal is for our operating companies to achieve zero net impact on the environment. We try to conduct our operations in a manner which safeguards the health and safety of our employees, those with whom we do business, our visitors and the communities in which we operate. We work hard to recruit and retain employees and to develop their potential. We support the communities in which we operate with charitable donations from the Swire Group Charitable Trust (which we fund) and by supporting the community initiatives of our staff. We share values and knowledge with those with whom we deal and encourage them to adopt similar ethical standards and sustainability practices.

In 2012, we held our first energy conference and established a carbon desk. We introduced quarterly reporting on health and safety performance and developed a staff transportation safety policy. We held our second sustainable development forum. The Swire Group Charitable Trust's donations in 2012 included one to Xiamen University to assist it to develop a marine research centre. We made progress in extending our purchases of sustainable seafood and other certified products.

The commitment and hard work of employees of 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, 14th March 2013