

CHAIRMAN'S STATEMENT

Year In Review

After an encouraging first half, in which Swire Pacific delivered a continued recovery in earnings and a solid set of results, 2019 proved ultimately to be a challenging year. Social unrest in Hong Kong and global trade tensions (particularly in the second half) had direct and indirect effects on demand in a number of our businesses. However, the diversity of our portfolio helped us to weather the challenges and we faced them from a position of financial strength. Our recurring profit decreased by 4% in 2019, mainly because of a deterioration in the results of Cathay Pacific. There was also a much smaller increase in the value of our property portfolio than in recent years. This was the main reason for our return on equity falling to 3.3% in 2019 from 9.0% in 2018 and an average over the last five years of 6.7%.

The results of the Property Division were stable overall in 2019, with encouraging growth in rental income from our retail investment properties in Mainland China. Cathay Pacific did well in the first half, but was adversely affected by global trade tensions and, in the second half, by social unrest in Hong Kong. Most HAECO businesses performed solidly. The profits of Swire Coca-Cola grew strongly, in particular in Mainland China. Swire Pacific Offshore continued to incur losses and was subject to a further significant impairment charge.

During the year, we completed the disposal of a number of non-core assets at attractive valuations. The total proceeds of

such disposals in 2018 and 2019 were around HK\$34 billion, contributing to a significant strengthening of our balance sheet. At the end of 2019, our gearing, excluding lease liabilities, was 14.2% (compared with 19.3% at the end of 2018) and we had cash and undrawn committed facilities of HK\$40 billion.

Dividends

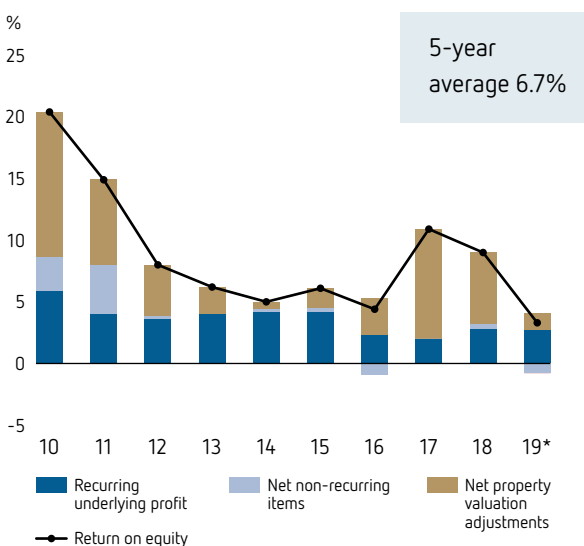
We have maintained our dividends for 2019 at the same level as those for 2018. Our dividend policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profits in ordinary dividends over time. But we believe it prudent to maintain, rather than increase, our 2019 dividend given the very challenging and uncertain outlook following the outbreak of COVID-19. During the five years ending with 2019, our dividends represented 48% of underlying profits.

Our People

We are committed to creating an inclusive and supportive working environment for all our people. To support this, we have introduced a diversity and inclusion policy. We aim to ensure a healthy and safe working environment. We do our best to minimise workplace accidents.

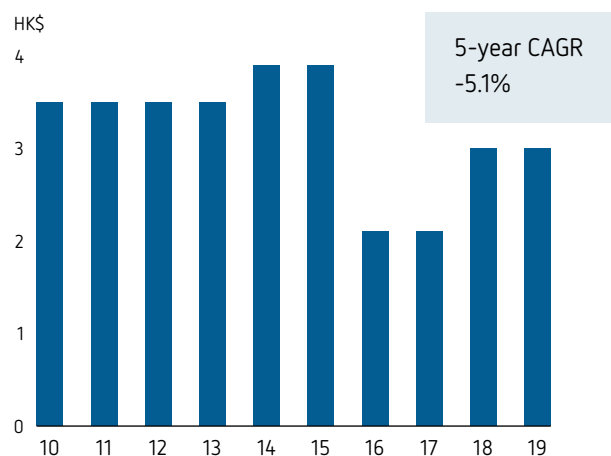
The talent and dedication of our 94,000 employees are central to our operations. I would like to thank them for their hard work, determination and commitment to our values. In particular, I should like to commend our staff for the tremendous

Return on Equity



* The attributable realised profit (HK\$12.7 billion or 4.7% of the return) in 2019 arising from the sales of interests in Cityplaza Three and Four and 625 King's Road has been reclassified from net non-recurring items to net property valuation adjustments.

Ordinary Dividends per 'A' Share



professionalism and resilience of their responses to the operational challenges arising from social unrest in Hong Kong and COVID-19.

Sustainability

Swire Pacific is included in a number of sustainability indices, including the Dow Jones Asia Pacific Sustainability Index and the FTSE4Good Index. SwireTHRIVE focuses on six priorities for our businesses: to minimise our carbon footprint, to reduce waste, to use water more responsibly, to increase the use of sustainable materials, to protect biodiversity and to build climate resilience. We will report progress in these areas later in the year in our annual sustainability report.

Board

In April this year, Ivan Chu will retire from the Board after six years service as a director and 35 years with the Swire group. I would like to thank Ivan for his tremendous dedication and contribution to the group. During his tenure, great strides have been taken in building our presence in Mainland China and in developing our business there.

Also in April this year, Zhang Zhuo Ping will join the Board as an executive director. Zhuo Ping worked with the group, principally in Mainland China, from 2002 to 2011. His experience and insights, particularly in Mainland China, will be most valuable.

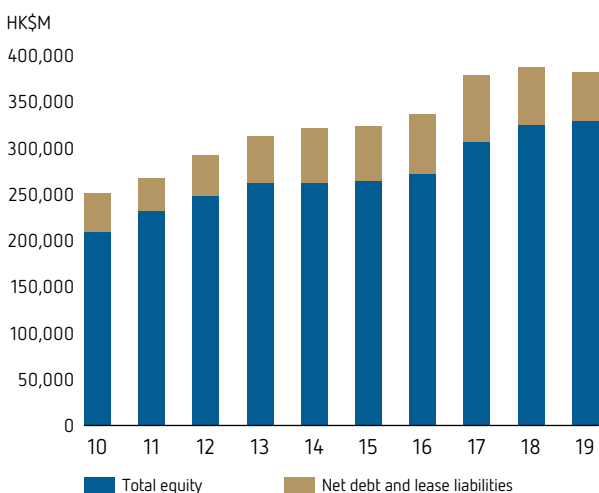
I would like to thank all of my fellow Directors for their wise counsel.

Outlook

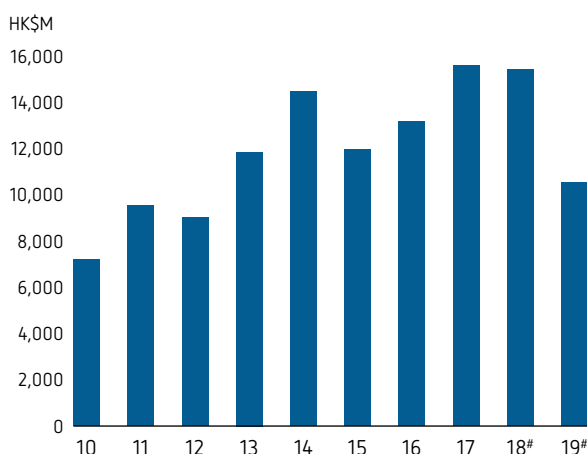
We face significant local and global challenges in 2020. Our businesses in Hong Kong and Mainland China are being adversely affected by COVID-19. The effect on Cathay Pacific is particularly severe. We expect to incur a recurring loss in the first half of 2020. But we believe that the long-term success of Swire Pacific will reflect continued growth in Mainland China and, despite its current problems, the continued strength of Hong Kong as a major international financial and business centre.

Merlin Swire
Chairman
Hong Kong, 12th March 2020

Total Equity and Net Debt (including lease liabilities)



Net Cash Generated from Operating Activities



The net cash generated from operating activities takes into account (i) HK\$3.3 billion deposits received in 2018 in respect of sales of interests in investment properties and (ii) the derecognition of those deposits in 2019 on completion of those sales.