

CHAIRMAN'S STATEMENT

Year In Review

2018 was a year of consolidation and recovery for Swire Pacific.

There were improved operating results, particularly in our Aviation and Beverages divisions, and we saw solid increases in the value of our property portfolio, helped by positive rental reversions in Hong Kong and Mainland China. Return on equity was 9.0%, as compared to 10.9% in 2017 and the average over the last five years of 7.1%.

At the half way point in its three year transformation programme, Cathay Pacific returned to profitability as planned. Swire Pacific Offshore, however, sustained losses beyond those expected in its plan and we took a further significant impairment charge.

We privatised HAECO by acquiring the 25% of its shares that we did not already own, having concluded that its listing no longer served a useful purpose. We believe this was a fair outcome for HAECO's public shareholders, while providing Swire Pacific with the opportunity to create further value over the long term.

During the year, we completed or agreed terms for the disposal of a number of non-core assets and businesses at attractive valuations. The total proceeds in 2018 and 2019 are expected to be around HK\$30 billion, contributing to a significant strengthening of our balance sheet.

Dividends

The Directors have declared dividends for the full year totalling HK\$3.0 per A share and HK\$0.6 per B share. This represents a 43% increase on the dividends for 2017, as compared to growth in underlying profit of 80%. The payout ratio is 53% as compared to 67% for 2017.

Our aim is to deliver sustainable growth in ordinary dividends. Poor results in our Aviation and Marine Services divisions have meant that we have not achieved this aim over the last five years. Our intention is to do so in the coming years.

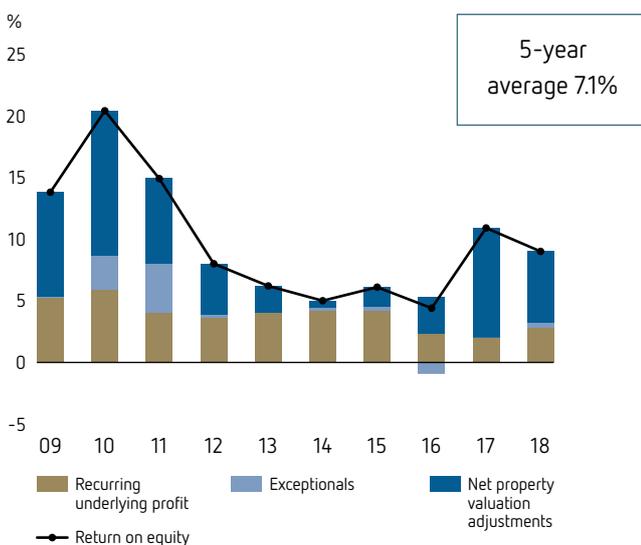
Our People

The talent and dedication of our 93,000 employees are central to our success. I would like to thank them for their hard work, determination and commitment to our values.

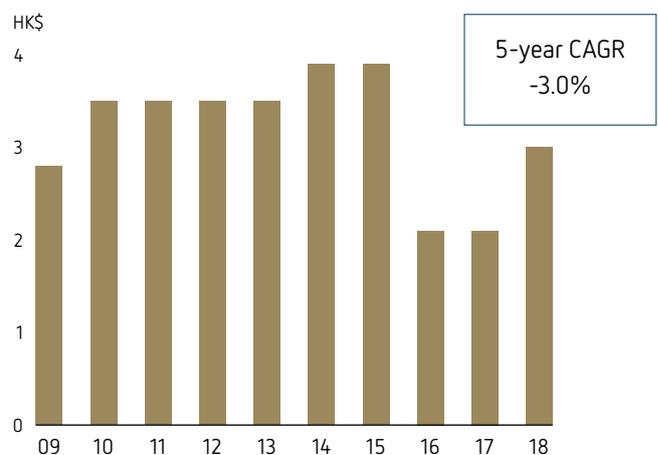
In 2018, we appointed a Head of Diversity and Inclusion Development, to co-ordinate and strengthen the important work in this area already being done around the Group. This underlines our commitment to creating an inclusive and supportive working environment where all our people feel able to realise their full potential.

We are particularly conscious of the need to ensure a healthy and safe working environment for all our people.

Return on Equity



Ordinary Dividends per 'A' Share



We make and will continue to make every effort to reduce workplace accidents.

Sustainability

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

During the year, John Slosar retired from the board after four years as chairman, 12 years as a director and 38 years as a Swire group employee. He has made an enormous contribution to the Swire group, particularly as chairman of Swire Pacific during a challenging period. I am delighted that he continues as chairman of Cathay Pacific.

Martin Cubbon, the former corporate development and finance director of Swire Pacific, has rejoined the board as a non-executive Director after a 12-month sabbatical. His experience and insights will be most valuable.

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

Outlook

We are well positioned financially to execute the strategic investment plans for our core businesses, and are cautiously

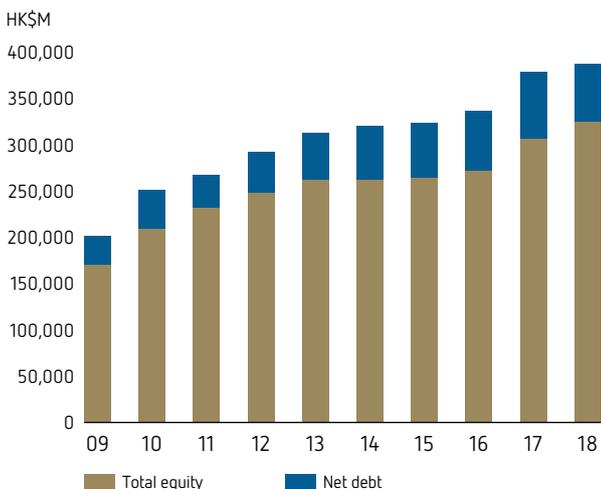
optimistic that the positive momentum in the performance of many of our businesses will continue in 2019. The current environment of heightened macro-economic and geopolitical uncertainty may create near term challenges to be navigated. We believe, however, that the success of Swire Pacific will be underpinned over the long term by growth in consumer spending in Mainland China, and by the continued strength of Hong Kong as a vibrant business and financial centre servicing Mainland China and the wider region.

Merlin Swire

Chairman

Hong Kong, 14th March 2019

Total Equity and Net Debt



Net Cash Generated from Operating Activities

