



SWIRE PACIFIC

Analyst Briefing



11 January 2007

HONG KONG



SWIRE PACIFIC | Analyst Briefing

- Key Issues and Events in 2006
- 2006 Operating Environment
- 2007 Outlook



SWIRE PACIFIC

Key Issues and Events in 2006

- Commitment of Significant New Capital to Investment Property
- Restructuring of Aviation Interests
- CX Group Fleet Expansion and Product Renewal
- Acquisition of Minority Interests in Beverages
- Capacity Growth in SPO



PROPERTIES

Commitment of Significant New Capital to Investment Property

- Capital expenditure in 2006 HK\$9.6 billion
- Commitments at year end
 - Hong Kong HK\$4.3 billion
 - China HK\$8.3 billion
- Other projects under active consideration would commit a further HK\$11.8 billion

PROPERTIES

2006 Operating Environment

- Strong demand for office space

	<u>1.1.06</u>	<u>31.12.06</u>
Office Occupancy	93%	97%

- Disposal of non-core properties

- CITIC Square
- HK residential (5 houses)

- Current office rents, in the region of

- One and Two Pacific Place HK\$70 p.s.f.
- Three Pacific Place HK\$60 p.s.f.
- Taikoo Place HK\$30 p.s.f.



PROPERTIES

2007 Outlook

- Continued strong demand
- Effect of new supply on rents
- Asset values remain high

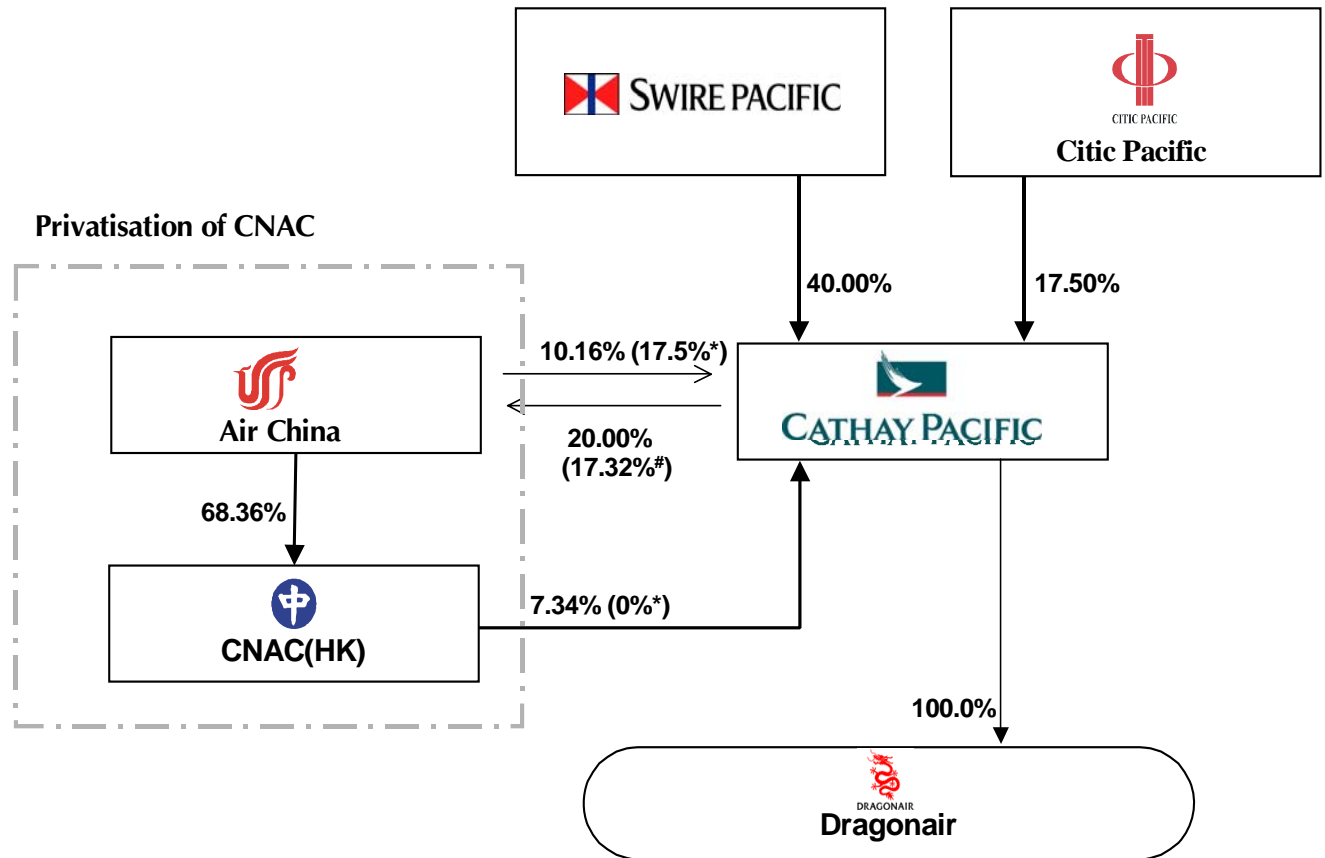
AVIATION

Restructuring of Aviation Interests

- CX acquires 100% of Dragonair, valuing KA at HK\$10.0 billion
- CX acquires a further 7.344% interest in Air China @HK\$3.45 per share
- Air China acquires a 17.5% interest in CX
- Swire Pacific and CITIC Pacific each sell down their interest in CX

AVIATION

Restructuring of Aviation Interests



* After the proposed privatisation of CNAC

Dilution to Cathay Pacific's shareholding from Air China's A Share issue

AVIATION

CX Group Fleet Expansion and Product Renewal

- Outstanding orders as at 31.12.2006

CX

- 18 B777 - 300 ER
- 6 B747 - 400 ERF
- 1 B747 - 400 BCF
- 2 B747 - 400 (Used)
- 5 A330 - 300
- 3 A340 - 600 to be returned

KA

- 3 B747 - 400 BCF
- 4 Aircraft returned from Air China

AVIATION

CX Group Fleet Expansion and Product Renewal

- Capital commitments

(Not less than HK\$M)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
– Aircraft payments	7,000	6,000	8,000
– Product and other aircraft related	<u>2,500</u>	<u>3,500</u>	<u>2,000</u>
Total	9,500	9,500	10,000

AVIATION

CX Group Fleet Expansion and Product Renewal

- Planned capacity growth for next 3 years (ATK)

2007	~ 10%
2008	~ 15%
2009	~ 10%



AVIATION

2006 Operating Environment

- High load factors
- Good front end revenue
- Good cargo growth
- High fuel price
- Record capacity utilization for HAECO/TAECO

AVIATION

2007 Outlook

- Continued strong passenger demand
- Modest capacity expansion
- Fuel price in the range of HK\$55-70
- Product innovation
- Continue to reduce cost per ATK
- Drive revenue synergies



BEVERAGES

2006 Operating Environment

- Strong sales growth in China but high material costs curtail profit growth
- Continued strong operating results in Hong Kong and USA franchises
- Agreement secured for acquisition of the 49% interest in Coca-Cola Beverages Xiamen not owned by the group

BEVERAGES

2007 Outlook

- Continued strong volume growth in China, with improving profits
- Investment in production capacity to fulfill growing sales and in marketing equipment to continue to drive sales in higher-margin packages
- Growing volumes in Hong and USA but profits restricted by high material costs

MARINE SERVICES

2006 Operating Environment

- Pick-up in demand and charter rates give rise to very strong profit growth in Swire Pacific Offshore
- Provisional agreement signed for disposal of group's interest in Shekou Container Terminals



MARINE SERVICES

2007 Outlook

- Demand to remain strong throughout the year, enabling early utilisation of new capacity
- Modest capital gains from ongoing disposal of old tonnage



TRADING & INDUSTRIAL

2006 Operating Environment

- Significant fall in profits for motors on credit tightening in Taiwan
- Other businesses performed well in favourable operating environments, particularly in China

TRADING & INDUSTRIAL

2007 Outlook

- Improving outlook for motors trading in Taiwan
- All other business expected to experience flat or modest growth in earnings