

Swire Pacific Limited
(Incorporated in Hong Kong with limited liability)
(Stock Codes : 19 and 87)

CONTINUING CONNECTED TRANSACTION

The Company and several members of the Group have each entered into an Agreement with JSSHK for the provision of the Services to the Group. As JSSHK is a connected person of the Company, the Agreements constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules and are subject to the reporting and announcement requirements under Rules 14A.45-47.

The Services Agreements all dated 1st December 2004 (each an "Agreement" and collectively the "Agreements")

Parties to each Agreement:

- (i) The Company or a subsidiary of the Company (each a "Recipient" and collectively "Recipients")
- (ii) JSSHK

Particulars

Pursuant to the Agreements, JSSHK will provide services (the "Services") to members of the Group. The Services will comprise advice and expertise of the directors and senior officers of the Swire Group including (but not limited to) assistance in negotiating with regulatory and other governmental or official bodies, full or part time services of members of the staff of the Swire Group, other administrative and similar services and such other services as may be agreed from time to time. In return for the Services, JSSHK will receive annual service fees. The Recipients will also reimburse the Swire Group for all the expenses incurred in the provision of the Services at cost.

Annual service fees are calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associated and jointly controlled companies of the Company and (B) in the case of other Recipients, as 2.5% of the relevant Recipient's consolidated profit before taxation and minority interests, adjusted by (a) adding back the annual service fee, (b) excluding any gain or loss on the realisation, change in fair value or other revaluation of fixed assets, (c)(i) disregarding any impairment provision in respect of goodwill and (ii) calculating the overall gain or loss on the subsequent realisation of any related investment by reference to its cost and (d) subtracting any profits and losses from jointly controlled and associated companies, but adding back the dividends receivable from these companies.

In all cases, any dividend or profit in respect of which service fee is payable under any other profit related services agreement with the Swire Group are excluded, to avoid duplication of payment.

Service fees for each year are payable in cash from the Recipient's internal resources in arrears in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment.

The Agreements will take effect from 1st January 2005 (on termination of the Existing Agreements (as defined below)) and will terminate on 31st December 2007. However, each of the Agreements shall be renewed for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

A party to an Agreement may terminate it with immediate effect by notice to the other party in the event of default by that other party. In the event of termination of an Agreement, all the rights and obligations of the parties shall forthwith cease, but any rights, liabilities or remedies arising prior to such termination shall not be affected.

Reasons for, and benefits of, the Agreements

There have since 1949 been agreements between members of the Group and members of the Swire Group for the provision of management support services. For almost 55 years, the Group has considerably benefited from the management expertise and other services provided by the Swire Group. The current agreements (the "Existing Agreements") contain substantially the same terms as those of the Agreements. The Existing Agreements will be terminated by mutual agreement on 31st December 2004 and will be replaced by the Agreements. Compliance by the Group with a new accounting standard, which will take effect on 1st January 2005, would have altered the basis on which service fees are computed under the Existing Agreements. The opportunity has therefore been taken to enter into the new Agreements, which will preserve the existing basis on which service fees are computed.

The Annual Cap

The Directors estimate that the maximum aggregate annual value (the "Annual Cap") of the Agreements will not exceed HK\$252 million. The Annual Cap represents the maximum aggregate annual amount of the service fee and the costs reimbursed to the Swire Group except those in respect of shared administrative services (since the Listing Rules relating to continuing connected transactions do not apply to them).

The Annual Cap has been determined by reference to the highest annual amount paid by the Group to the Swire Group during the past five years under the agreements

for services (excluding reimbursement of costs in respect of shared administrative services) to which a cushion of 30% has been added to provide flexibility to take account of possible changes in the level of profit by reference to which service fees are charged and possible changes in the level of reimbursed costs.

Connection between the parties

The Swire Group owns approximately 29.47% of the issued capital of the Company and approximately 52.87% of its voting rights and JSSHK, a member of the Swire Group, is therefore a connected person of the Company under the Listing Rules.

Compliance with Listing Rules

It is expected that the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Agreements will, on an annual basis, be more than 0.1% but less than 2.5%. The Agreements are therefore subject to the reporting and announcement requirements under Rules 14A.45-47 of the Listing Rules, but do not require the approval of the Company's independent shareholders.

The Company will comply with the continuing obligations under Rules 14A.37-41 of the Listing Rules and will re-comply with the relevant Listing Rules if the Annual Cap is exceeded, when the Agreements are renewed and when there is a material change to their terms.

Opinion of the Directors

In view of the benefits of the Services to the Group and noting that the terms of the Agreements are similar to those of the Existing Agreements, the directors of the Company (including the independent non-executive directors) consider that the Agreements are on normal commercial terms, that their terms are fair and reasonable and in the interests of the Company and its shareholders as a whole and that entry into the Agreements is in the ordinary and usual course of the Company's business.

The executive directors of the Company are interested in the Agreements as directors and employees of the Swire Group and the non-executive directors of the Company other than the independent non-executive directors of the Company are interested as shareholders, directors and employees of JSS. They therefore abstained from voting on the board resolutions to approve the Agreements.

Directors

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

Executive Directors:

J.W.J. Hughes-Hallett, M. Cubbon, D. Ho, K.G. Kerr and D.M. Turnbull;

Non-Executive Directors:

Baroness Dunn, 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

Definitions

"Company"	Swire Pacific Limited, an investment holding company incorporated in Hong Kong; its subsidiaries, associated companies and jointly controlled entities are engaged in property, aviation, beverages, marine services and trading and industrial businesses.
"JSS"	John Swire & Sons Limited, a private investment holding company incorporated in England.
"JSSHK"	John Swire & Sons (H.K.) Limited, a private investment holding company incorporated in Hong Kong and wholly owned by JSS.
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
"Swire Group"	JSS and its subsidiaries.
"Group"	The Company and its subsidiaries.

By Order of the Board

Swire Pacific Limited

Margaret Yu

Company Secretary

Hong Kong, 1st December 2004