SWIRE PACIFIC

2011 Annual Report

Stock Codes:
'A' Shares 00019
'B' Shares 00087

Contents

Note:
Definitions of the terms and ratios used in this report can be found in the Glossary on pages 246 and 247.

Value in Diversity

Swire Pacific has a diverse range of businesses: Property, Aviation, Beverages, Marine Services and Trading & Industrial. In all our businesses, we are committed to international best practices and operational excellence.

Swire Pacific Group Overview

Property Division

Swire Properties designs, develops and manages mixed-use developments that successfully transform urban areas.

Aviation Division

A major player in the global aviation industry, the Group's Aviation Division includes world-class airlines and a leading aircraft engineering and maintenance business.

Beverages Division

With a franchise population of over 460 million in Hong Kong, Taiwan, seven provinces in Mainland China and an extensive area of the western USA, Swire Beverages is one of the largest Coca-Cola bottlers in the world.

Marine Services Division

The division is a leading provider of international offshore energy support and dockyard and towage services in Hong Kong.

Trading & Industrial Division

The division retails and distributes apparel and motor vehicles and has important sugar and paint businesses.

Corporate Statement

Swire Pacific is one of the leading companies in Hong Kong, with five operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial. The Group's operations are predominantly in Greater China, where the name Swire or 太古 has been established for over 140 years.

The Group has a long history in the region. We take a long-term perspective in formulating our strategy and this is reflected in the nature of our investments. We pride ourselves on being forward-looking and innovative. These qualities have helped us to grow and have enabled us to set benchmarks in the industries in which we operate.

Sustainability is key to our long term approach. We have long recognised that sustainable development does not mean less profit. Rather it is an opportunity to increase efficiency. Given our commitment to sustainability, we have decided to produce an integrated annual report on our business. This report therefore combines the information which previously appeared in our separate annual and sustainable development reports. In starting to report on this basis, we hope to be able to demonstrate better how we create and intend to create shareholder value.

Swire Pacific's Strategy:

The strategic objective of Swire Pacific is sustainable growth in shareholder value over the long term. The strategies employed in order to achieve this objective are these:

- The long-term development of a diversified range of businesses in which shareholder value can be created by earning a return on capital appropriate to each business.
- Investment in businesses where Swire Pacific has management control or significant management influence, so that the businesses can benefit from active and prudent management by Swire Pacific.
- Employment of staff whom Swire Pacific believes will further its strategic objective and will be committed to Swire Pacific for the long term, and the provision to them of a career path and training consistent with Swire Pacific's strategic objective.
- Operational excellence in the way Swire Pacific conducts its businesses.
- Doing business in a sustainable manner.
- Commitment to high standards of corporate governance, with a view to ensuring that Swire Pacific's businesses are conducted in accordance with proper ethical standards and appropriate transparency, that the business risks to which Swire Pacific is exposed are properly understood and managed and that the interests of all Swire Pacific's stakeholders are properly considered.
- Active stewardship of the Swire brand.

2011 Performance Highlights

Attributable Profit
16% decrease from 2010

HK$32.2 bn

Underlying Profit
7% increase from 2010

HK$17.3 bn

Dividends Per Share
86% increase from 2010

HK$6.50 per 'A' share
HK$1.30 per 'B' share

Net Assets Employed
7% increase from 2010

HK$268.2 bn

Return on Equity
5.6 percentage points decrease from 2010

14.9%

GHG Emissions
(Million tonnes of CO_2e)

2011	16.9
2010	16.1

Energy Consumed
GJ (Millions)

2011	231.4
2010	221.6

Water Consumed
cbm (Millions)

2011	8.0
2010	7.6

LTIR
(No. of injuries per 100 full-time equivalent employees)

2011	3.05
2010	3.39

Investment in Community Programmes
HK$ (Millions)

2011	64
2010	41

Employee Compensation**
HK$ (Millions)

2011	23,076
2010	21,021

** Employee compensation represents total employment cost, prepared on the same basis as total employee numbers shown on page 221.

2011 2010

Return on Equity
By Division

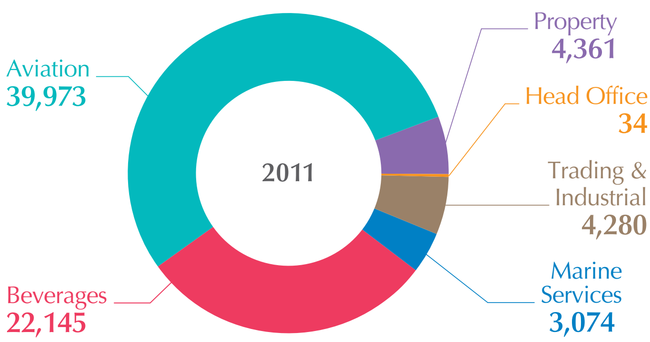
Property	15.0%
Aviation	9.2%
Beverages	14.8%
Marine Services	9.1%
Trading & Industrial*	18.8%

* Excluding the profit on sale of the PUMA associate in the Trading & Industrial Division.

Total Employee Numbers

2011: 73,867
2010: 70,265

Employee Numbers by Division



2011 Financial Performance

	Note	2011 HK$M	2010 HK$M	Change %
Turnover		**36,286**	29,201	+24.3%
Operating profit		**31,424**	33,971	-7.5%
Profit attributable to the Company's shareholders		**32,210**	38,252	-15.8%
Cash generated from operations		**9,204**	7,627	+20.7%
Net cash inflow/(outflow) before financing		**15,968**	(3,001)	N/A
Total equity (including non-controlling interests)		**232,476**	209,051	+11.2%
Net debt		**35,679**	41,181	-13.4%

	Note	HK$	HK$	
Earnings per share	(a)			
'A' share		**21.41**	25.42	-15.8%
'B' share		**4.28**	5.08	
Dividends per share				
'A' share		**6.500**	3.500	+85.7%
'B' share		**1.300**	0.700	
Equity attributable to the Company's shareholders per share				
'A' share		**151.24**	135.88	+11.3%
'B' share		**30.25**	27.18	

Underlying Profit and Equity

	Note	HK$M	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(b)	**17,292**	16,143	+7.1%

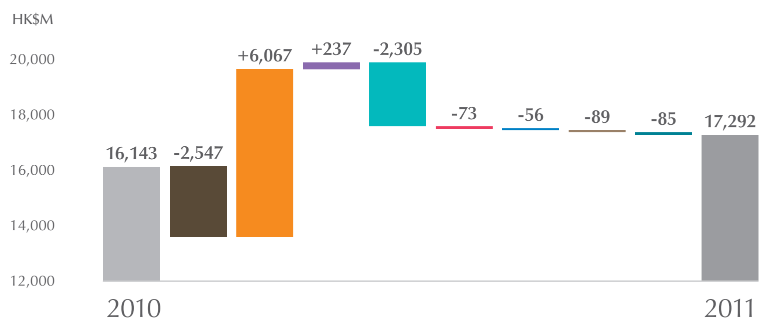
	Note	HK$	HK$	
Underlying earnings per share	(a)			
'A' share		**11.49**	10.73	+7.1%
'B' share		**2.30**	2.15	
Underlying equity attributable to the Company's shareholders per share	(b)			
'A' share		**154.73**	138.67	+11.6%
'B' share		**30.95**	27.73	

2011 Sustainable Development Performance[c]

	2011	2010	Change %
GHG emissions (Million tonnes of CO_2e)	**16.9**	16.1	+5.0%
Energy consumed (GJ Millions)	**231.4**	221.6	+4.4%
Water consumed (cbm Millions)	**8.0**	7.6	+5.8%
LTIR (No. of injuries per 100 full-time equivalent employees)	**3.05**	3.39	-10.0%
Average hours of training per employee	**37**	34	+8.8%
Investment in community programmes (HK$ Millions)	**64**	41	+56.1%

Notes:
(a) Refer to note 14 in the accounts for the weighted average number of shares.
(b) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 90.
(c) Refer to the Sustainable Development Statistics section on pages 213 to 224 for more details.

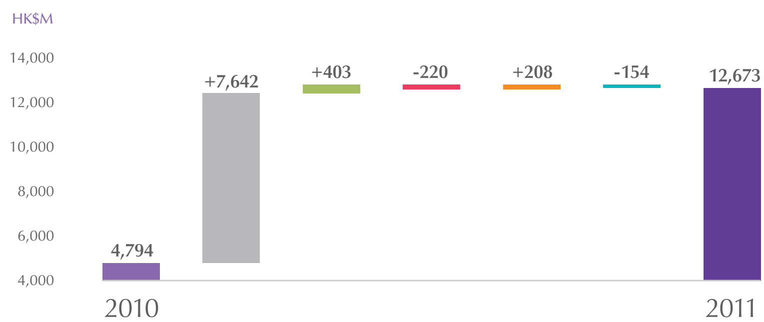
Group – Movement in Underlying Profit



See page 90 for reference

- HK$8.6 billion underlying profit on sale of Festival Walk in 2011
- Absence of gain from remeasurement of HAECO
- Weaker performance from the Cathay Pacific group

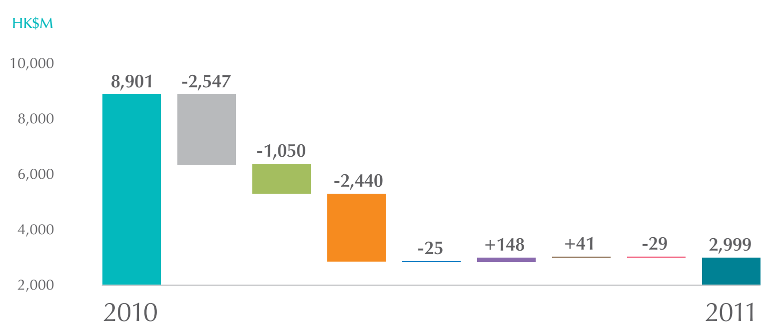
Property Division – Movement in Underlying Profit



See page 14 for reference

- HK$8.6 billion underlying profit on sale of Festival Walk in 2011
- Positive rental reversions and stronger turnover rents in Hong Kong
- Improved results from the hotel portfolio offset by worse results from property trading

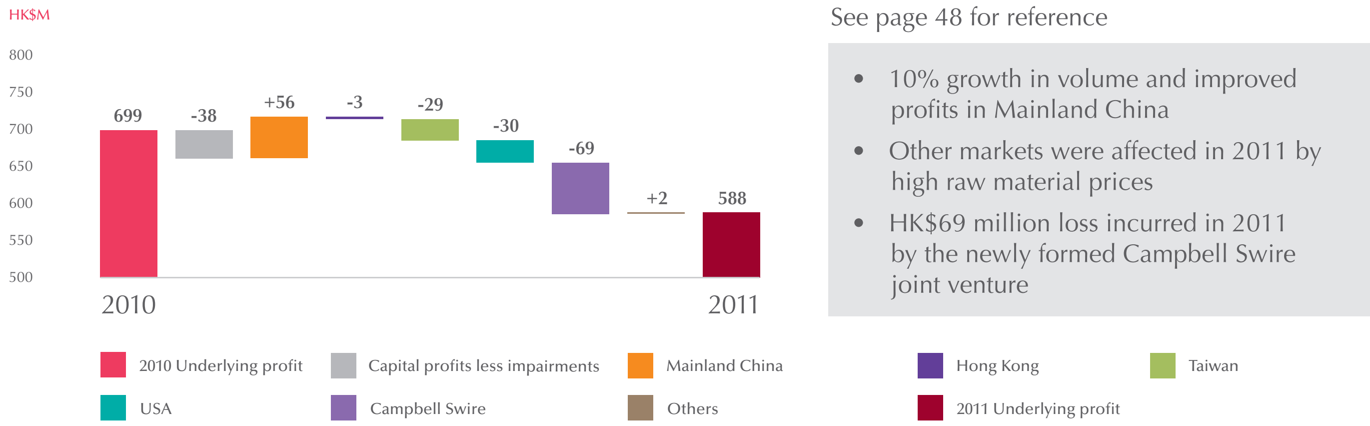
Aviation Division – Movement in Underlying Profit



See page 32 for reference

- Absence of gains from remeasurement of HAECO and profit on disposal of Hactl
- Weaker performance from Cathay Pacific, particularly in the cargo business
- Improved performance from the HAECO group

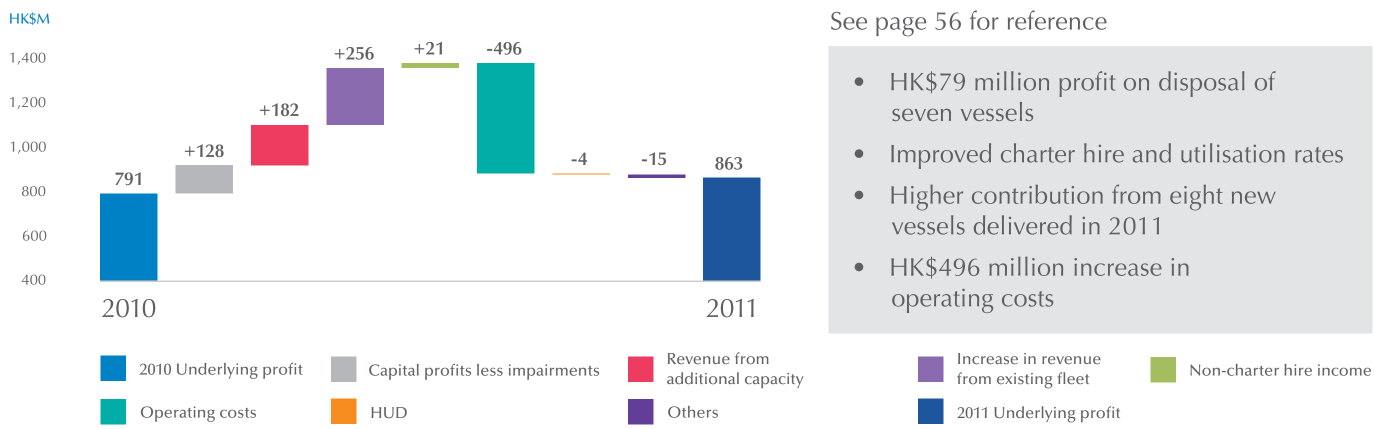
Beverages Division – Movement in Underlying Profit



See page 48 for reference

- 10% growth in volume and improved profits in Mainland China
- Other markets were affected in 2011 by high raw material prices
- HK$69 million loss incurred in 2011 by the newly formed Campbell Swire joint venture

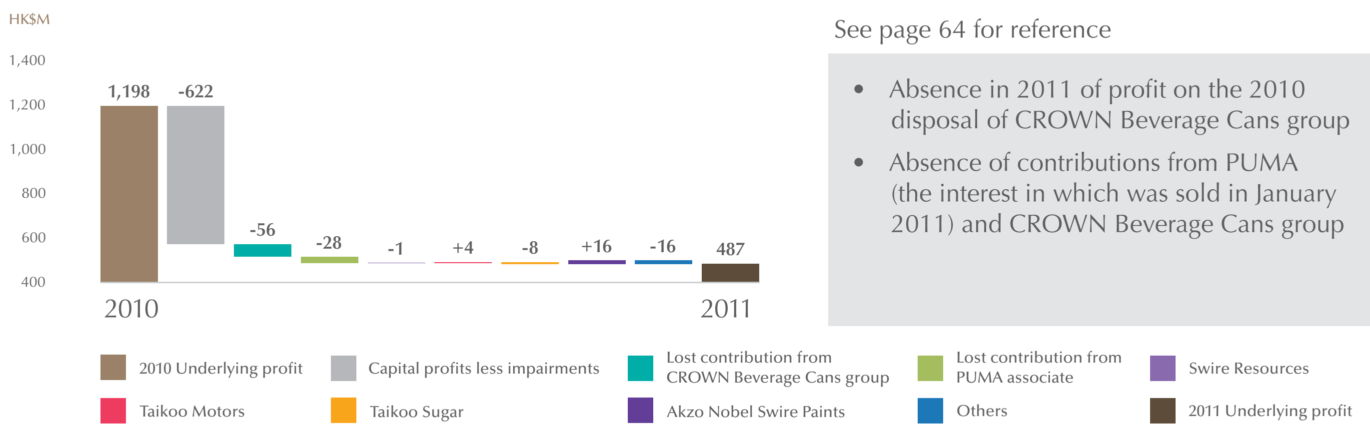
Marine Services Division – Movement in Underlying Profit



See page 56 for reference

- HK$79 million profit on disposal of seven vessels
- Improved charter hire and utilisation rates
- Higher contribution from eight new vessels delivered in 2011
- HK$496 million increase in operating costs

Trading & Industrial Division – Movement in Underlying Profit



See page 64 for reference

- Absence in 2011 of profit on the 2010 disposal of CROWN Beverage Cans group
- Absence of contributions from PUMA (the interest in which was sold in January 2011) and CROWN Beverage Cans group

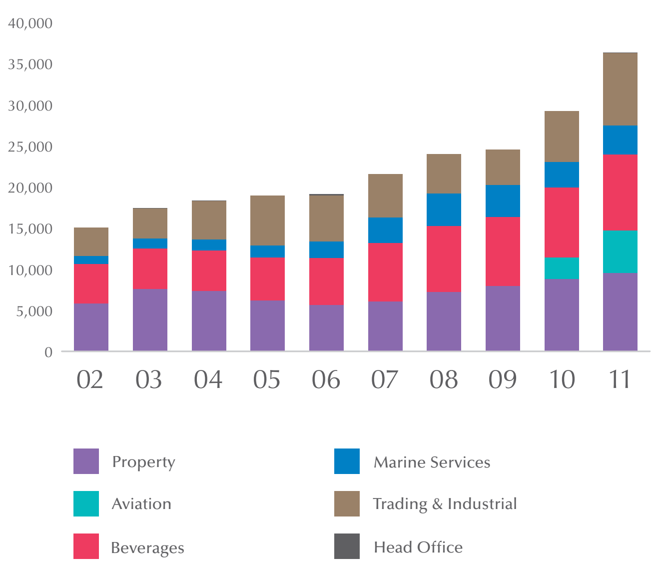
Summary of Past Performance – Financial

	2002 HK$M	2003 HK$M	2004 HK$M	2005 HK$M	2006 HK$M	2007 HK$M	2008 HK$M	2009 HK$M	2010 HK$M	**2011 HK$M**
Income Statement										
Turnover										
Property	5,798	7,539	7,306	6,197	5,595	6,060	7,903	8,288	8,809	**9,518**
Aviation	–	–	–	–	–	–	–	–	2,574	**5,171**
Beverages	4,787	4,955	4,978	5,187	5,750	7,066	8,001	8,399	8,553	**9,222**
Marine Services	991	1,216	1,297	1,492	1,997	3,104	4,007	3,892	3,046	**3,505**
Trading & Industrial	3,442	3,637	4,704	6,036	5,554	5,306	4,746	4,320	6,212	**8,862**
Head Office	28	40	39	25	215	17	13	10	7	**8**
	15,046	17,387	18,324	18,937	19,111	21,553	24,670	24,909	29,201	**36,286**
Profit attributable to the Company's shareholders										
Property*	(2,992)	(53)	17,696	14,708	20,122	22,681	3,208	17,361	25,940	**24,999**
Aviation	2,128	843	2,393	1,928	3,605	3,330	(2,922)	1,821	8,901	**2,999**
Beverages	276	363	385	474	480	507	585	753	699	**588**
Marine Services	658	646	741	3,035	834	2,550	1,767	1,637	791	**863**
Trading & Industrial	4	225	390	520	449	403	2,091	350	1,198	**487**
Head Office*	(300)	(103)	(169)	116	225	260	35	(29)	723	**2,274**
	(226)	1,921	21,436	20,781	25,715	29,731	4,764	21,893	38,252	**32,210**
Interim and final dividends for the year	1,996	2,052	3,062	3,154	4,321	4,898	3,591	4,213	5,266	**9,780**
Share repurchases	540	60	–	–	–	1,296	649	–	–	**–**
Retained profit less share repurchases	(2,762)	(191)	18,374	17,627	21,394	23,537	524	17,680	32,986	**22,430**
Statement of Financial Position										
Net assets employed										
Property – cost and working capital	38,044	36,657	37,183	38,775	45,374	57,295	66,299	68,595	75,580	**72,074**
– valuation surplus	23,011	20,217	36,004	48,483	62,864	82,343	82,712	96,807	119,072	**131,609**
Aviation	16,565	16,260	17,304	18,431	19,874	21,592	17,016	21,654	38,003	**40,384**
Beverages	3,479	3,111	2,936	2,930	3,201	3,403	4,040	4,570	4,978	**5,510**
Marine Services	3,814	4,335	4,772	5,061	6,026	6,496	7,430	7,882	8,901	**11,269**
Trading & Industrial	1,379	1,039	1,362	1,540	1,720	1,783	3,638	1,527	1,034	**1,643**
Head Office	27	312	456	212	(86)	1,157	(102)	371	2,664	**5,666**
	86,319	81,931	100,017	115,432	138,973	174,069	181,033	201,406	250,232	**268,155**
Financed by										
Equity attributable to the Company's shareholders	67,430	66,804	85,638	103,556	126,429	150,412	149,138	168,876	204,452	**227,559**
Non-controlling interests	4,754	5,011	6,117	6,428	614	1,165	1,449	849	4,599	**4,917**
Net debt	14,135	10,116	8,262	5,448	11,930	22,492	30,446	31,681	41,181	**35,679**
	86,319	81,931	100,017	115,432	138,973	174,069	181,033	201,406	250,232	**268,155**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	**HK$**
'A' shares										
Earnings/(loss) per share	(0.15)	1.25	14.00	13.57	16.80	19.55	3.15	14.55	25.42	**21.41**
Dividends per share	1.30	1.34	2.00	2.06	2.83	3.23	2.38	2.80	3.50	**6.50**
Equity attributable to shareholders per share	43.99	43.64	55.93	67.64	82.58	99.20	99.12	112.24	135.88	**151.24**
'B' shares										
Earnings/(loss) per share	(0.03)	0.25	2.80	2.71	3.36	3.91	0.63	2.91	5.08	**4.28**
Dividends per share	0.26	0.27	0.40	0.41	0.57	0.65	0.48	0.56	0.70	**1.30**
Equity attributable to shareholders per share	8.80	8.73	11.19	13.53	16.52	19.84	19.82	22.45	27.18	**30.25**
Ratios										
Return on average equity attributable to the Company's shareholders	-0.33%	2.86%	28.12%	21.97%	22.36%	21.48%	3.18%	13.77%	20.49%	**14.91%**
Return on average equity attributable to the Company's shareholders (historic cost)	11.76%	10.30%	12.80%	15.46%	14.24%	15.49%	7.67%	11.96%	20.04%	**18.92%**
Gearing ratio	19.58%	14.09%	9.00%	4.95%	9.39%	14.84%	20.22%	18.67%	19.70%	**15.35%**
Interest cover – times	(1.96)	4.45	21.72	34.09	46.65	53.91	10.04	23.12	26.98	**19.52**
Dividend cover – times	(0.11)	0.94	7.00	6.59	5.95	6.07	1.33	5.20	7.26	**3.29**
Underlying										
Profit (HK$M)	5,389	4,942	6,538	8,742	8,716	10,283	5,238	8,475	16,143	**17,292**
Equity attributable to the Company's shareholders (HK$M)	68,957	68,107	87,020	105,300	128,496	152,750	151,657	172,820	208,649	**232,815**
Return on average equity attributable to the Company's shareholders	7.62%	7.21%	8.43%	9.09%	7.46%	7.31%	3.44%	5.22%	8.46%	**7.83%**
Earnings per 'A' share (HK$)	3.49	3.23	4.27	5.71	5.69	6.76	3.46	5.63	10.73	**11.49**
Earnings per 'B' share (HK$)	0.70	0.65	0.85	1.14	1.14	1.35	0.69	1.13	2.15	**2.30**
Equity attributable to 'A' shareholders per share (HK$)	44.98	44.50	56.84	68.77	83.93	100.74	100.79	114.86	138.67	**154.73**
Equity attributable to 'B' shareholders per share (HK$)	9.00	8.90	11.37	13.75	16.79	20.15	20.16	22.97	27.73	**30.95**
Gearing ratio	19.18%	13.82%	8.84%	4.87%	9.24%	14.61%	19.87%	18.24%	19.31%	**15.01%**
Interest cover – times	7.63	9.47	5.34	12.82	13.44	14.73	9.86	8.04	10.22	**10.35**
Dividend cover – times	2.70	2.41	2.14	2.77	2.02	2.10	1.46	2.01	3.07	**1.77**

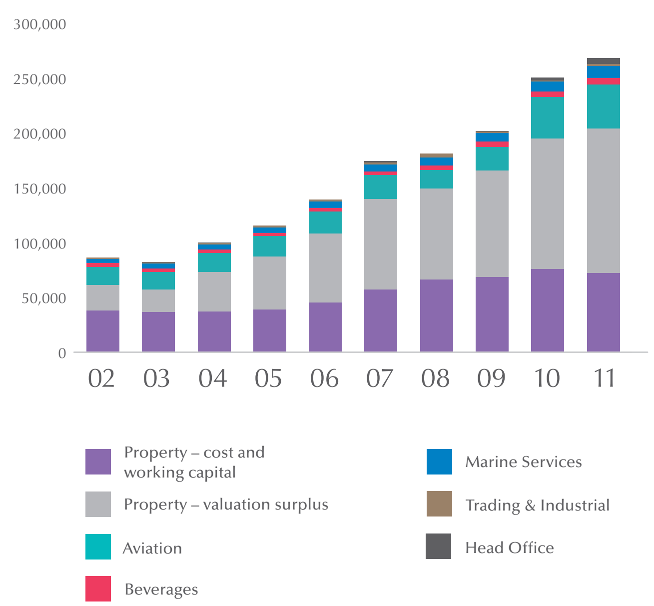
Notes:
1. The information for all years is shown in accordance with the Group's current accounting policies and disclosure practices. Consequently figures for years prior to 2010 may be different from those originally presented.
2. The equity attributable to the Company's shareholders and the returns by division for 2011 and 2010 are shown in the Financial Review - Investment Appraisal and Performance Review on page 99.
3. Underlying profit and equity are discussed on page 90.

* The 2010 comparative figures have been restated from those in the Group's 2010 statutory accounts to reflect certain adjustments made in preparing the listing document for Swire Properties Limited which was issued on 21st December 2011.

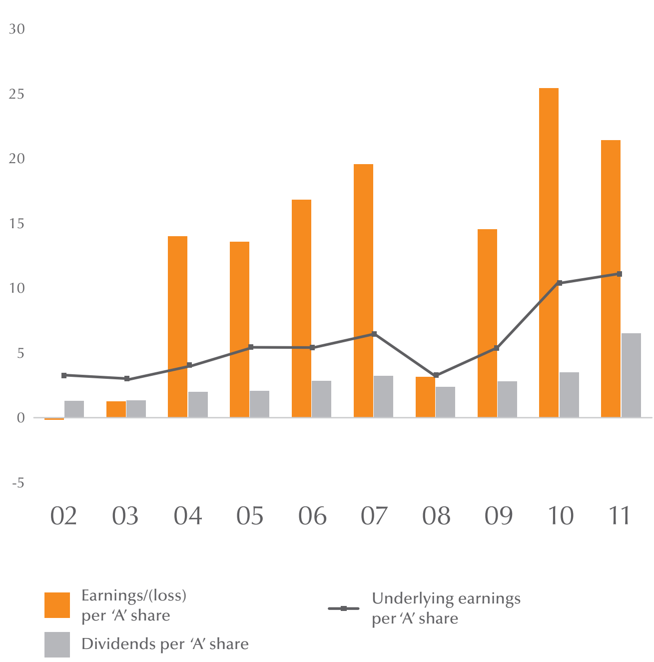
Turnover



Net Assets Employed

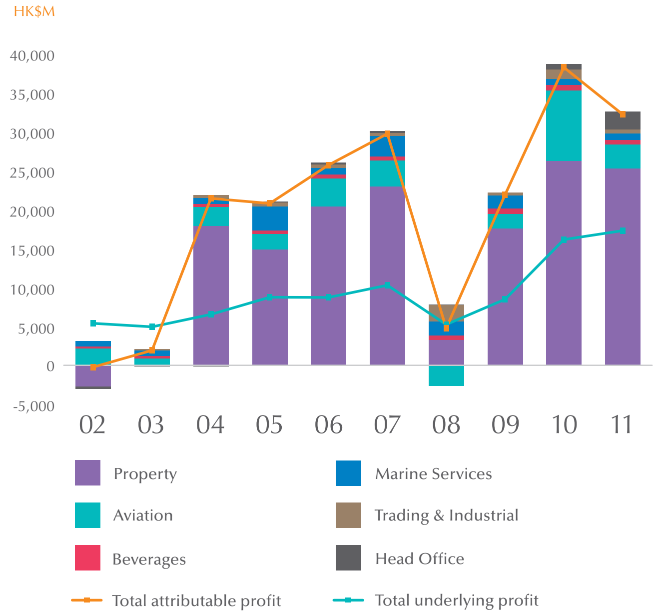


Earnings and Dividends Per 'A' Share

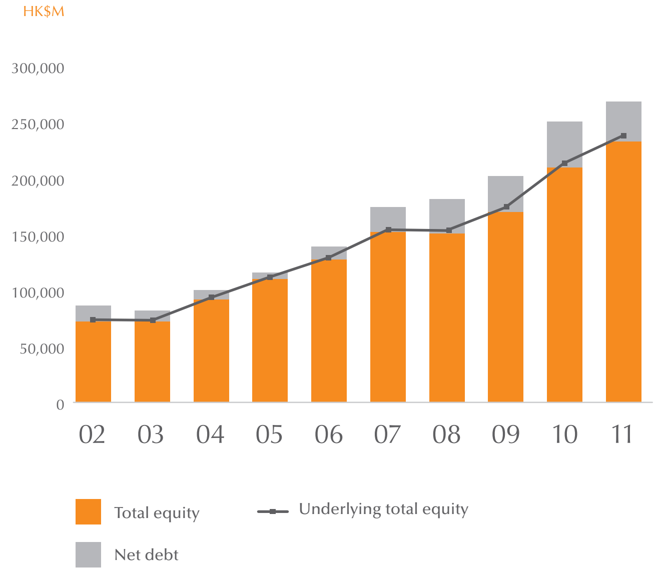


Equity Attributable to the Company's Shareholders and Market Capitalisation at Year-end

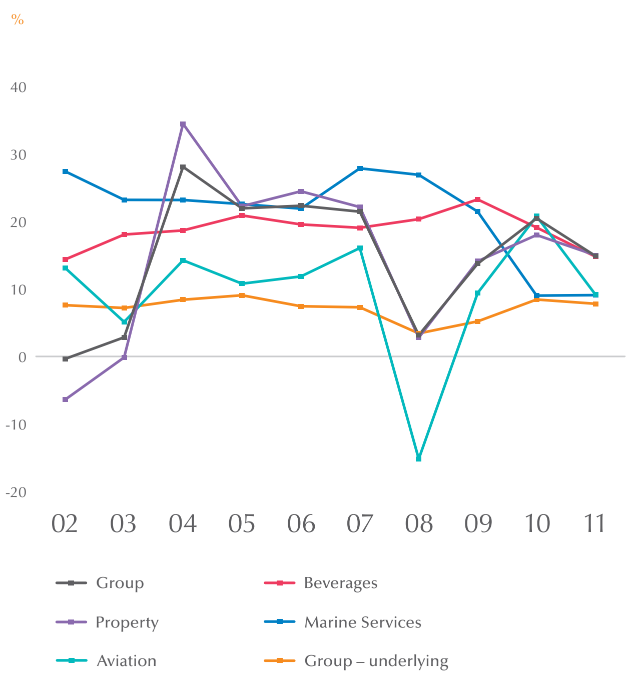
Profit Attributable to the Company's Shareholders



Total Equity and Net Debt



Returns on Average Equity*



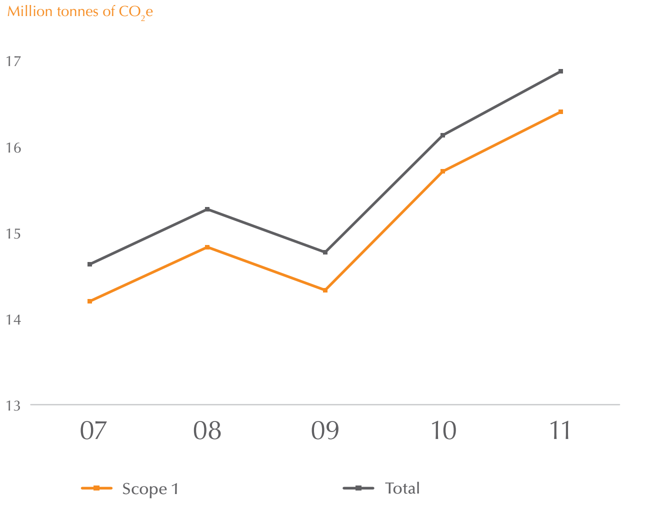
* Returns on average equity for the Trading & Industrial Division are not shown on the graph as restructuring within the division has rendered the comparison of returns between years unmeaningful.

Swire Pacific Share Price Relative to Hang Seng Index

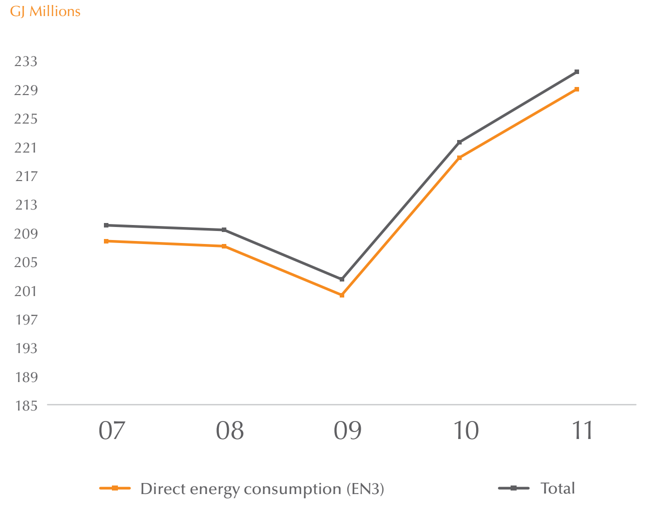
Summary of Past Performance – Sustainable Development

	2007	2008	2009	2010	**2011**
GHG emissions (Million tonnes of CO_2e)	14.6	15.3	14.8	16.1	**16.9**
Energy consumed (GJ Millions)	210.0	209.4	202.5	221.6	**231.4**
Water consumed (cbm Thousands)	8,236	8,026	8,053	7,555	**7,991**
LTIR (No. of injuries per 100 full-time equivalent employees)	4.12	3.74	2.93	3.39	**3.05**
Employee numbers	63,764	68,450	66,628	70,265	**73,867**
Investment in community programmes (HK$ Millions)	N/A	67	45	41	**64**
Average hours of training per employee	N/A	N/A	N/A	34	**37**

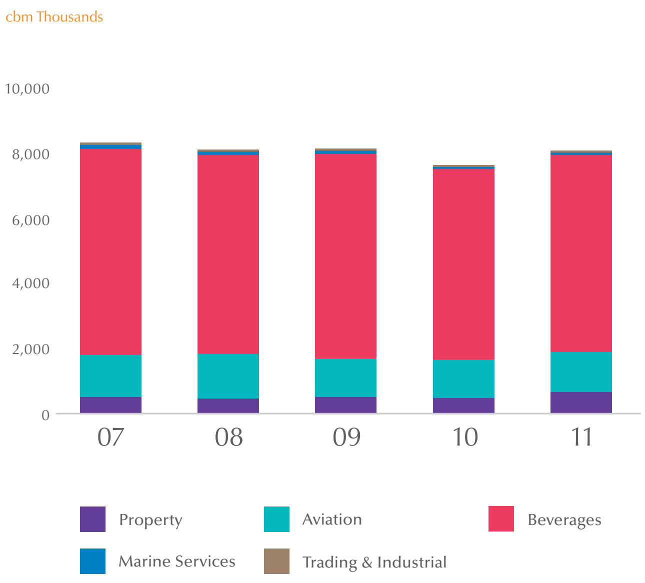
GHG Emissions



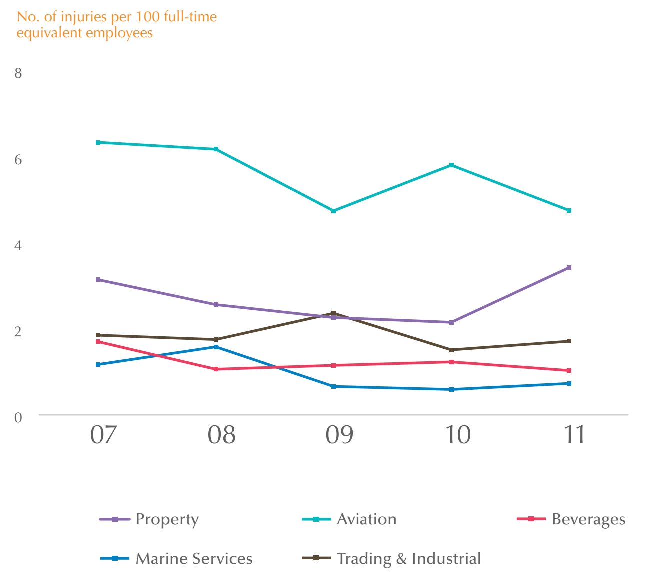
Energy Consumed



Water Consumed



LTIR



Chairman's Statement

Our consolidated profit attributable to shareholders for 2011 was HK$32,210 million, compared to HK$38,252 million in 2010. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$1,149 million to HK$17,292 million in 2011. The 2011 underlying profit included a profit of HK$8,615 million on disposal of the investment property known as Festival Walk. Excluding the effect of this and other non-recurring items, adjusted underlying profit attributable to shareholders decreased by HK$2,371 million to HK$8,728 million.

The increase in underlying profit principally reflects the profit on disposal of Festival Walk and growth in profits from the Property Division, the Marine Services Division and the Hong Kong Aircraft Engineering Company Limited ("HAECO") group. There was a weaker performance from the Cathay Pacific group (which had earned record profits in 2010) and profits fell in the Beverages and Trading & Industrial Divisions.

Dividends

The Directors have declared a second interim dividend (in lieu of a final dividend) of HK$2.35 per 'A' share and HK$0.47 per 'B' share which, together with the first interim dividend of HK$1.15 per 'A' share and HK$0.23 per 'B' share and the special interim dividend of HK$3.00 per 'A' share and HK$0.60 per 'B' share paid in October 2011, amount to full year dividends of HK$6.50 per 'A' share and HK$1.30 per 'B' share, compared to full year dividends of HK$3.50 per 'A' share and HK$0.70 per 'B' share in respect of 2010. The second interim dividend will be paid on 4th May 2012 to shareholders registered at the close of business on the record date, being Friday, 13th April 2012. Shares of the Company will be traded ex-dividend as from Wednesday, 11th April 2012.

The register of members will be closed on Friday, 13th April 2012, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, 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, 12th April 2012.

Key Developments

During 2011, the Group acquired an additional 2% interest in Cathay Pacific for a total cost of HK$1,236 million, increasing its interest to 44.97%.

During 2011, Swire Pacific Offshore ("SPO") committed to purchase an additional 27 vessels for delivery between 2011 and 2015. These commitments reflect SPO's strategy of rebalancing the fleet between anchor handling tug supply vessels and platform supply vessels and focusing the new building programme on vessels capable of operating in deeper waters, where demand is expected to be greatest.

In March 2011, Cathay Pacific announced orders for 27 new aircraft, including two Airbus A350-900s (which had been ordered in December 2010), 15 Airbus A330-300s and 10 Boeing 777-300ERs. In August 2011, Cathay Pacific announced the acquisition of four more Boeing 777-300ERs and eight Boeing 777-200F freighters. In January 2012, Cathay Pacific announced the purchase of six Airbus A350-900s. These new aircraft are expected to be delivered before the end of 2017.

In April 2011, Swire Properties acquired two parcels of land adjoining the existing Brickell CitiCentre development in Miami, USA. Development entitlements have been approved by the City of Miami for a special area plan, which allows for a mixed-use development of approximately 2.9 million square feet of gross floor area (excluding car park and circulation areas).

In August 2011, Swire Properties sold its entire interest in the property in Hong Kong known as Festival Walk for a total net consideration of HK$18.8 billion. A net gain of HK$638 million on this sale, which excludes gains on revaluation of the property previously credited to the income statement up to 30th June 2011, was included in the attributable profit for 2011. The underlying profit on the sale, which is calculated by reference to the original cost of the property to the Group, was HK$8,615 million.

In September 2011, the retail space at TaiKoo Hui, a 3.8 million square foot mixed-use development in the Tianhe district of Guangzhou, opened. Handover of the office space to tenants commenced in August 2011. The hotel and serviced apartments are scheduled to open in the second half of 2012.

In October 2011, the Group submitted a proposal to The Stock Exchange of Hong Kong Limited for the spin-off and separate listing of shares in Swire Properties by way of introduction. The listing of Swire Properties shares, which took effect in January 2012, was achieved by a distribution in specie by Swire Pacific of approximately 18% of the shares in Swire Properties. Following the listing, Swire Pacific's shareholding in Swire Properties was reduced to 82%.

Operating Performance

Underlying profit from the Property Division was HK$12,673 million, a 164% increase from HK$4,794 million in 2010. Underlying profit included the profit of HK$8,615 million on disposal of Festival Walk. Excluding the effect of this and other non-recurring items, the underlying profit of the Property Division was HK$4,113 million, an increase of 6% over 2010. The increase principally reflects positive rental reversions and stronger turnover rents in Hong Kong, resulting in an overall increase of 9% in gross rental income. The operating performance of the owned and managed hotels in Hong Kong and Beijing was much improved. The positive effect of these favourable factors was offset in part by the loss of rental income following the disposal of Festival Walk and worse results from the property trading portfolio as a result of a reduction in sales volumes and sales and marketing costs incurred in connection with the residential developments in Hong Kong.

On an attributable basis, the Property Division's net investment property valuation gain in 2011, before deferred tax in Mainland China, was HK$20,899 million, compared to a net gain in 2010 of HK$22,274 million. The increase in the valuation of the investment property portfolio (most of which took place in the first half of 2011) principally reflects higher rental income.

The Aviation Division recorded an attributable profit of HK$2,999 million in 2011, compared to HK$8,901 million in 2010. Non-recurring items included the attributable profit of HK$825 million arising on the disposal of interests in Hong Kong Air Cargo Terminals Limited ("Hactl") and a gain of HK$2,547 million on the remeasurement of our previously held interest in HAECO to fair value. Excluding the effect of these and other non-recurring items, the attributable profit of the Aviation Division decreased by HK$2,305 million or 42%. Our share of the profit of the Cathay Pacific group was HK$2,405 million in 2011, compared with HK$5,079 million in 2010. In 2011 the core business of the Cathay Pacific group was materially affected by instability and uncertainty in the world's major economies. The business was also adversely affected by natural disasters in Japan and Thailand, the political situation in the Middle East and high jet fuel prices. The passenger business of Cathay Pacific and Dragonair held up relatively well. The cargo business was weak. Cathay Pacific benefited from the strong profits earned by its associated company, Air China.

The results of the HAECO group improved in 2011. Profit attributable to shareholders was HK$615 million in 2011, an increase of HK$173 million or 39% compared with the corresponding figure in 2010. Demand for HAECO's services in Hong Kong remained strong and there was a significant improvement in Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO")'s performance in Mainland China, reflecting better utilisation of its hangars. The results of Hong Kong Aero Engine Services Limited ("HAESL") and Singapore Aero Engine Services Pte. Limited ("SAESL") benefited from an increase in workload. However, other subsidiaries and the joint ventures in Mainland China continued to make losses as a result of the costs of developing capabilities in their operations, high wage inflation, the strength of the Renminbi and increased competition.

The Beverages Division recorded an attributable profit of HK$588 million, a decrease of 16% from 2010 after taking account of the HK$69 million loss incurred in 2011 by the newly formed Campbell Swire joint venture. Overall sales volume grew by 8% to 995 million unit cases, compared with 2% growth in 2010. Profits increased in Mainland China by 31% to HK$265 million due to a 10% increase in volume, higher prices and an improved sales mix. However, in other markets, price increases (where these were possible) and improvements in the sales mix were insufficient to offset the effect of raw material cost increases.

The Marine Services Division recorded an attributable profit of HK$863 million, a 9% increase from 2010. The 2011 result includes a profit of HK$79 million on disposal of seven vessels during the year. Excluding this profit and the impairment of HK$57 million recorded in 2010, attributable profit fell by 8% compared to 2010. 2011 saw a gradual improvement in the offshore energy market. Oil prices of more than US$100 per barrel supported an increase in exploration and production commitments by the oil majors and utilisation improved during the year. However, the over-supply of new tonnage entering the industry continued to restrict the recovery in charter hire rates. An increase of 22% in operating costs also contributed to the decrease in profits.

Disregarding non-recurring items, the attributable profit from the Trading & Industrial Division decreased by 21% in 2011 to HK$339 million. The decrease principally reflected the absence of contributions from PUMA (the interest in which was sold in January 2011) and CROWN Beverage Cans group (the interest in which was sold in September 2010).

Prospects

Demand for the Group's office space in Hong Kong is likely to be affected by uncertain market conditions. Low vacancy rates and the fact that supply of new office space will be modest should mitigate the effect on rental income. The available office space will increase in 2012 with the completion of the 145,390 square foot building at 28 Hennessy Road and the 81,346 square foot building at 8 Queen's Road East, expected to take place in the second half of the year.

Consumer demand and accordingly competition for retail space are expected to remain strong in 2012. Active monitoring of the preferences of consumers and management of the mix of tenants should encourage higher retail sales in the Group's malls.

Retail conditions in Mainland China are expected to remain strong in 2012 as the economy continues to rebalance and grow. Results from Sanlitun Village are expected to continue to improve in 2012, reflecting past and planned investment aimed at enhancing footfall and circulation. TaiKoo Hui and INDIGO, a 1.9 million square foot mixed-use development in Beijing, are expected to contribute to higher rental income in 2012, with TaiKoo Hui in its first full year of operations and the retail component at INDIGO starting to open in March 2012.

Profits from property trading are expected to be significant in 2012, with the completion of and sale of units in the AZURA development in Hong Kong. Prices of luxury residential properties in Hong Kong are expected to be steady, underpinned by low interest rates and limited supply.

The hotels in Hong Kong and Mainland China are expected to continue to perform well in 2012, benefiting from increased business and leisure travel as the economies of Mainland China and the rest of Asia continue to grow. The 263-room hotel (operated by Mandarin Oriental) at the TaiKoo Hui development is scheduled to open in the second half of 2012. EAST Beijing, which is part of the INDIGO development, is also scheduled to open in the latter part of 2012.

After a record year in 2010, the Cathay Pacific group faced a number of major challenges in 2011. It continues to face challenges in 2012. Economic uncertainties have continued into the first part of this year. While these uncertainties continue, pressure on economy class yields is expected to continue and the cargo business in particular is expected to remain weak. Fuel prices have risen further. As a result, 2012 is looking even more challenging than 2011 and Cathay Pacific is therefore cautious about the prospects for this year. Cathay Pacific will continue to be vigilant in managing costs without compromising the quality of its products and services or the long-term strategic investment in its business. Its financial position remains strong.

Despite the uncertainty in the world's major economies, demand for HAECO's heavy and line maintenance services in Hong Kong and for TAECO's base maintenance services in Xiamen is expected to grow modestly in 2012. HAESL is also expected to perform well in 2012.

In the Beverages Division, the growth of the Mainland China economy (particularly of manufacturing exports) is expected to slow and may affect beverage sales in the southern and eastern provinces. Overall prospects for growth in beverage sales in Mainland China are nevertheless considered favourable. Taiwan is expected to recover from the difficult trading conditions of 2011 and Hong Kong has potential for growth. Results in 2012 in the USA are likely to be affected by the weakness of the economy and the difficulty of raising prices.

SPO's charter hire and utilisation rates are expected to improve in 2012 as exploration and production spending by oil companies increases. SPO's 2012 results will also reflect the full-year contribution of vessels delivered in 2011 and the delivery of the first D-class and wind farm installation vessels. In the longer-term, diminishing reserves and increasing consumption of oil and gas are expected to lead to increased exploration by energy companies in deeper waters. At the same time, there is growing demand by national governments for local content in offshore supply vessel contracts. With the investments SPO is currently making in larger, more sophisticated vessels and in expanding its network of regional offices and joint ventures, SPO will be well positioned to face both of these developments.

The Trading & Industrial Division expects continued growth in sales for Swire Resources and Taikoo Motors in 2012, with the effect of this at Swire Resources likely to be offset by the costs of expanding its distribution network and the portfolio of brands which it distributes. Taikoo Sugar and Akzo Nobel Swire Paints expect strong growth in sales in Mainland China, but this is likely to be partially offset by high raw material costs and the costs associated with network expansion.

Finance

Net debt at 31st December 2011 was HK$35,679 million, compared with HK$41,181 million at 31st December 2010. The decrease principally reflects the sale of Festival Walk, offset in part by investment in property projects in Mainland China and Hong Kong and in new vessels at SPO. Gearing decreased by 4.3 percentage points from 19.7% to 15.4%. Cash and undrawn committed facilities totalled HK$20,339 million at 31st December 2011, compared with HK$16,323 million at 31st December 2010.

Sustainable Development

Sustainability is integral to Swire Pacific's long-term approach to business. We believe that when the communities in which we operate prosper, so do we. 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 support community projects with money, products and services and the time and energy of our staff. We are an equal opportunities employer and offer our staff competitive remuneration and benefits. We strive 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.

In 2011, we formed an energy committee and held a sustainable development forum. This helped us to identify opportunities for improving energy efficiency and generating carbon credits. Swire Beverages' bottling plant in Zhengzhou achieved zero wastewater discharge in 2011. The new bottling plant at Luohe was awarded a Platinum LEED rating for its green design. Swire Properties has reduced the time in which it is trying to reduce its energy consumption by 20% from ten years to five. We are developing a reporting system designed to enable us to quantify the effect of our sustainability efforts on profits and to set targets. This reflects our recognition that sustainability can be profitable if properly managed and funded.

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, 15th March 2012

Expanding Our Horizons

From Miami to Chengdu, from offices to hotels, Swire Properties is continuing to strengthen its portfolio.


太古汇
Taikoo
Hui

Property Division

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, hotel interests, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 14.0 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.8 million square feet on completion. Of this, 5.1 million square feet has already been completed. In the United States, Swire Properties owns a mixed-use commercial development, with a residential trading component, at Brickell CitiCentre in Miami, Florida, which, on completion over two phases of development, is expected to comprise approximately 2.9 million square feet (5.5 million square feet including car park and circulation areas).

Swire Properties wholly owns and manages two hotels in Hong Kong, one hotel in Mainland China and four small hotels in the United Kingdom, and has 20% interests in four other hotels in Hong Kong. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental Hotel in Miami.

Swire Properties' trading portfolio comprises land, office and residential apartments under development in Hong Kong, Mainland China and Miami, Florida and the remaining units for sale at two completed developments.

Particulars of the Group's key properties are set out on pages 230 to 243.

The strategic objective of Swire Properties (as a listed company in its own right) is sustainable growth in shareholder value over the long term and as a leading developer, owner and operator of mixed-use commercial properties in Hong Kong and Mainland China. The strategies employed in order to achieve this objective are these:

- The creation of long-term value through conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas.
- Maximisation of the earnings and value of its completed properties through active asset management, including reinforcing its assets through enhancement, redevelopment and new additions.
- Continuing to expand its luxury residential property activities.
- Remaining focused principally on Hong Kong and Mainland China.
- Conservative management of its capital base.

Financial Highlights

	2011 HK$M	2010 HK$M
Turnover		
Gross rental income derived from		
Offices	**4,537**	4,222
Retail	**3,710**	3,357
Residential	**310**	296
Other revenue*	**94**	78
Property investment	**8,651**	7,953
Property trading	**213**	400
Hotels	**717**	518
Total turnover	**9,581**	8,871
Operating profit/(loss) derived from		
Property investment	**6,143**	6,009
Valuation gains on investment properties	**20,179**	20,381
Sale of investment properties	**638**	544
Property trading	**(50)**	72
Hotels	**(93)**	(144)
Total operating profit	**26,817**	26,862
Share of post-tax profits from jointly controlled and associated companies	**1,007**	1,686
Attributable profit	**24,999**	25,940

* Other revenue is mainly estate management fees.

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for the effect of HKAS 40 on investment properties, and the amended HKAS 12 on deferred tax.

	Note	2011 HK$M	2010 HK$M
Reported attributable profit		**24,999**	25,940
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(20,899)**	(22,274)
Deferred tax on revaluation movements	(b)	**523**	852
Realised profit on sale of investment properties	(c)	**–**	211
Realised profit on sale of Festival Walk	(c)	**7,977**	–
Depreciation of investment properties occupied by the Group	(d)	**27**	23
Non-controlling interests' share of revaluation movements less deferred tax		**46**	42
Underlying attributable profit		**12,673**	4,794
Adjustment to reverse fair value loss/(gain) on put option in favour of the owner of a non-controlling interest in Sanlitun Village	(e)	**259**	(12)
Underlying attributable profit after adjusting for Sanlitun Village put option		**12,932**	4,782

Notes:

(a) This represents the Group's net revaluation movements plus the Group's share of net revaluation movements of jointly controlled and associated companies.

(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies. As a result of amended HKAS 12, deferred tax is not provided on net revaluation movements in respect of investment properties in Hong Kong. However, deferred tax continues to be provided on net revaluation movements in respect of investment properties in Mainland China at the corporate income tax rate of 25%.

(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the income statement.

(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

(e) The value of the put option in favour of the owner of a non-controlling interest in Sanlitun Village is calculated principally by reference to the estimated fair value of the portions of Sanlitun Village investment property in which the minority partner is interested.

2011 Results Summary

Attributable profit from the Property Division for the year was HK$24,999 million compared to HK$25,940 million in 2010. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$20,899 million and HK$22,274 million in 2011 and 2010 respectively.

In August 2011, Swire Properties sold its entire interest in the investment property in Hong Kong known as Festival Walk for a total net consideration of HK$18.8 billion. A net gain of HK$638 million on this sale was included in the attributable profit for 2011. The underlying profit on the sale, which is calculated by reference to the original cost of the property to the Group, was HK$8,615 million.

Excluding the underlying profit of HK$8,615 million on the disposal of Festival Walk in 2011 and other non-recurring items, adjusted underlying profit increased by HK$237 million to HK$4,113 million in 2011.

Gross rental income was HK$8,557 million in 2011, compared with HK$7,875 million in 2010. The increase principally reflects positive rental reversions and higher turnover rents from the Hong Kong portfolio, partially offset by the loss of rental income from Festival Walk following its sale in August 2011. Rental income at Village South at Sanlitun increased due to positive rental reversions. Rental income at Village North increased due to higher occupancy. TaiKoo Hui started generating rental income after its completion in the fourth quarter of 2011.

There was a trading loss of HK$50 million in 2011, due to sales and marketing costs incurred in connection with the residential developments in Hong Kong, partly offset by profits on closings of residential units at Island Lodge in Hong Kong and ASIA in Miami.

The hotel portfolio recorded an operating loss of HK$93 million due to impairment losses at the UK hotels and pre-opening expenses at the hotel in TaiKoo Hui, partially offset by improved performance at the owned and managed hotels (The Upper House and EAST in Hong Kong and The Opposite House in Beijing).

Stock Exchange Listing of the Shares of Swire Properties

In October 2011, a proposal was submitted to The Stock Exchange of Hong Kong Limited for the spin-off and separate listing of shares in Swire Properties by way of introduction. The listing of Swire Properties shares, which took effect in January 2012, was achieved by a distribution in specie by Swire Pacific of approximately 18% of the shares in Swire Properties. Following the listing, Swire Pacific's shareholding in Swire Properties was reduced to 82%.

Key Changes to the Property Portfolio During 2011

In April 2011, Swire Properties acquired two parcels of land adjoining the existing Brickell CitiCentre site in Miami, USA, for HK$215 million. The City of Miami has granted approval for the development of a mixed-use complex of 2.9 million square feet of gross floor area (excluding car park and circulation areas). Construction work at the development, which has retail, office, hotel and residential components, is expected to start in 2012.

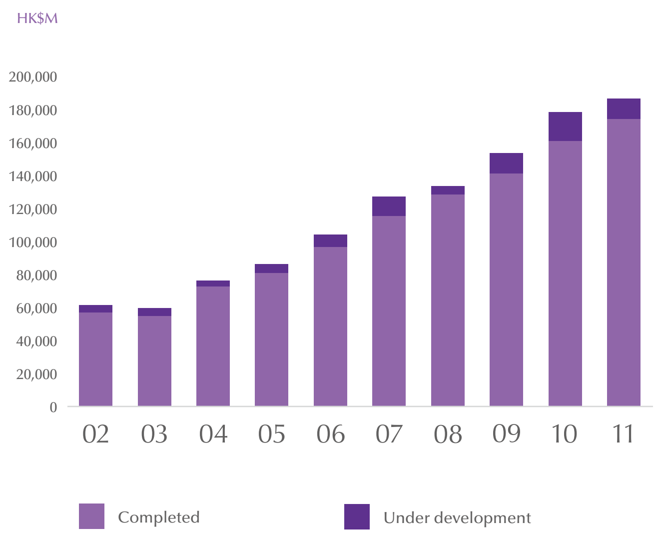
The acquisition of a residential building at 23 Tong Chong Street in Quarry Bay, Hong Kong, was completed in 2011. The building is to be redeveloped as serviced apartments. Completion is expected in 2014.

In December 2011, following a tender, Swire Properties acquired two adjacent residential sites in Cheung Sha on Lantau Island in Hong Kong. The sites will be developed into luxury residential properties for sale.

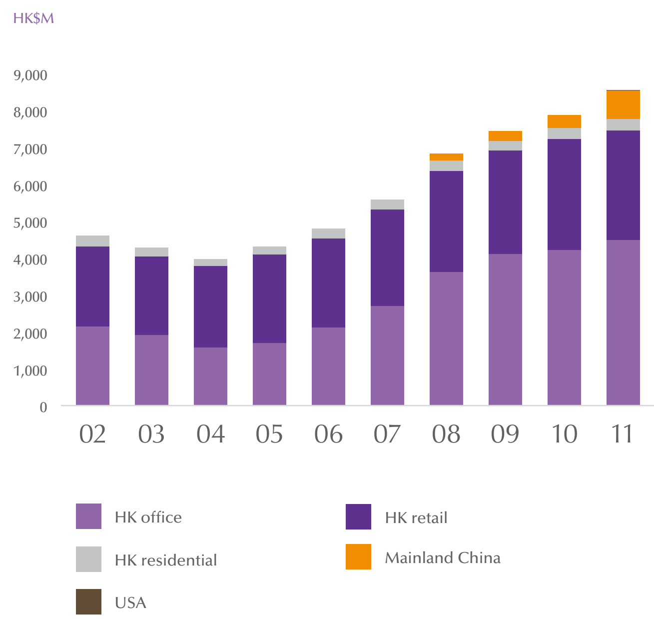
In January 2012, Swire Properties secured planning approval to expand Three Pacific Place in Hong Kong by redeveloping two nearby buildings. The expansion will provide an additional floor area of about 100,000 square feet. It is subject to obtaining lease modification and other Government approvals.

In September 2011, Swire Properties established a representative office in Singapore in order to explore investment opportunities in South East Asia.

Valuation of Investment Properties

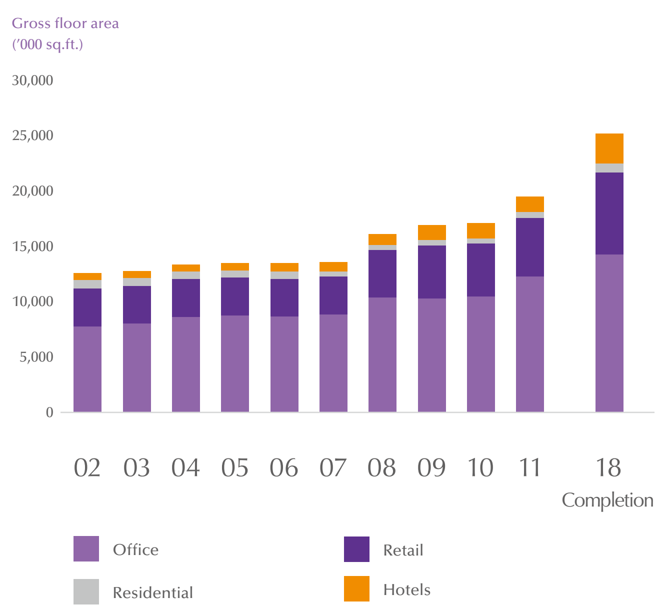


Gross Rental Income



Underlying Operating Profit

Completed Investment Property Portfolio



Principal Property Investment Portfolio – Gross Floor Area

('000 Square Feet)	At 31st December 2011					At 31st December 2010
Location	Offices	Retail	Hotels	Residential	Total	Total
Completed						
Pacific Place	2,186	711	496	443	3,836	3,836
TaiKoo Place	6,180*	–	–	–	6,180	6,180
Cityplaza	1,633	1,105	200	–	2,938	2,938
Festival Walk	–	–	–	–	–	1,209
Others	265	608	47	109	1,029	938
– Hong Kong	10,264	2,424	743	552	13,983	15,101
– Mainland China	2,021	2,872	169	–	5,062	1,556
– United States	–	–	259	–	259	259
– United Kingdom	–	–	196	–	196	196
Total completed	12,285	5,296	1,367	552	19,500	17,112
Under and pending development						
– Hong Kong	145	13	–	62	220	213
– Mainland China	905	1,589	1,144	90	3,728	6,988
– United States	963	520	200	108	1,791	–
Total	14,298	7,418	2,711	812	25,239	24,313

Gross floor area represents 100% of space owned by Group companies and the Group's attributable share of space held by jointly controlled and associated companies. A schedule of the principal properties of the Group and its jointly controlled and associated companies is given on pages 230 to 243.

* Includes 1.8 million square feet at the three techno-centres being Somerset House, Warwick House and Cornwall House.

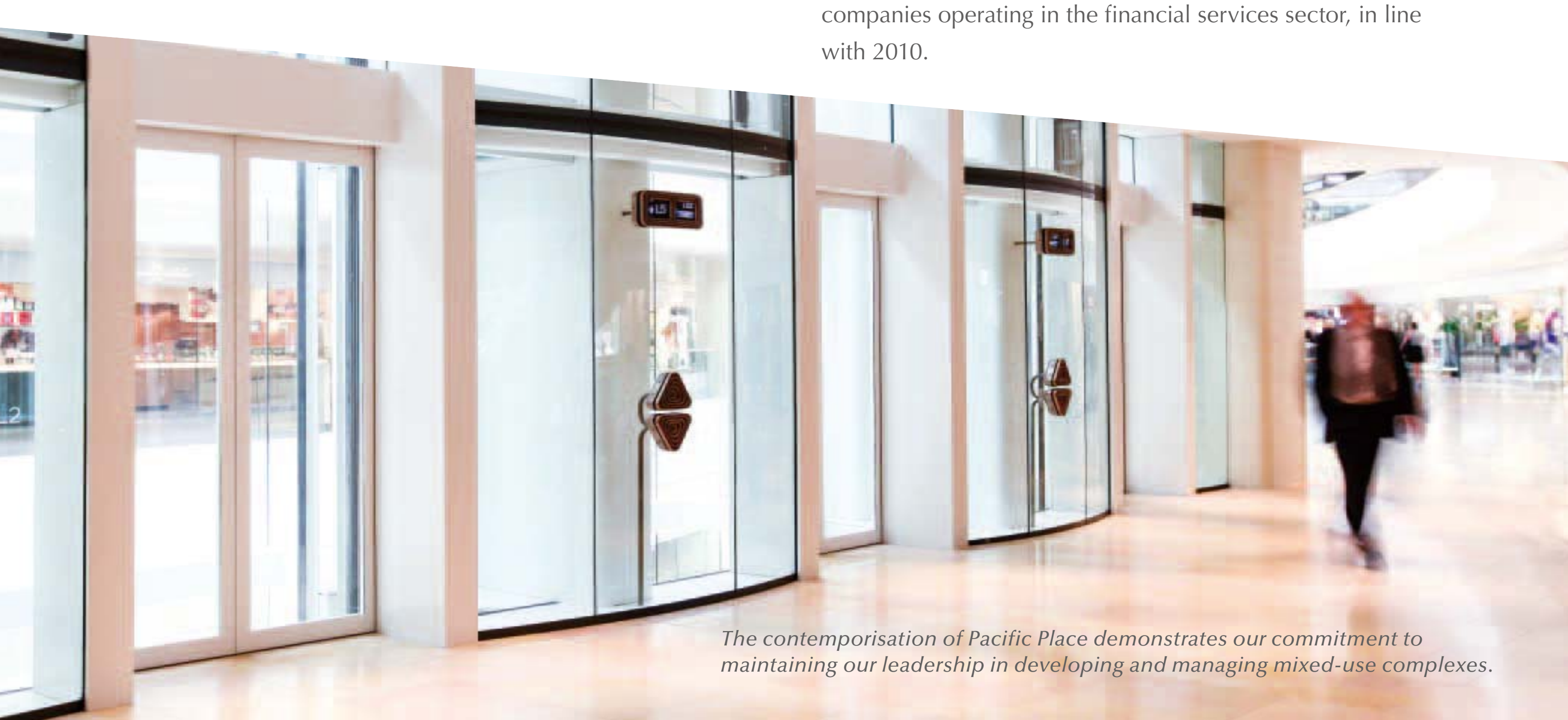
Investment Properties

Hong Kong

Offices

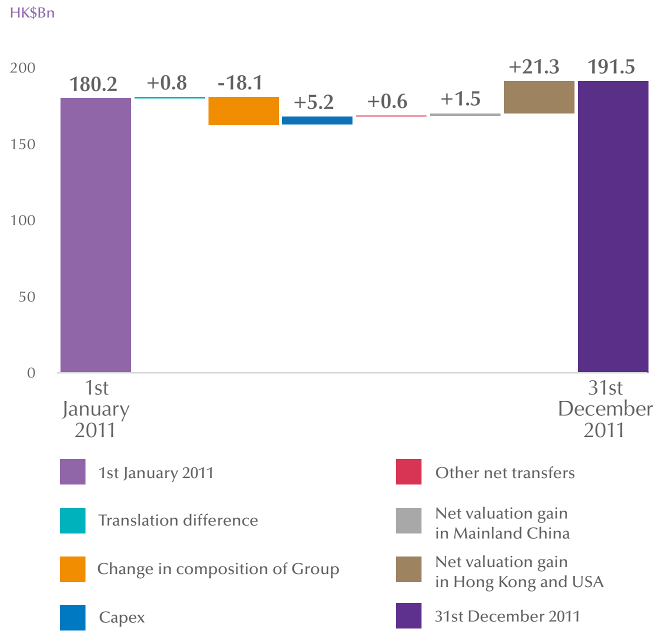
Swire Properties' completed office portfolio in Hong Kong comprises 10.3 million square feet of space, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza in Island East and 6.2 million square feet at TaiKoo Place in Island East.

Swire Properties has office tenants in Hong Kong operating in different sectors. The top ten office tenants occupied approximately 21% of the office space in Hong Kong at 31st December 2011, compared to 22% in 2010. Approaching one-third of the office space in Hong Kong is occupied by companies operating in the financial services sector, in line with 2010.



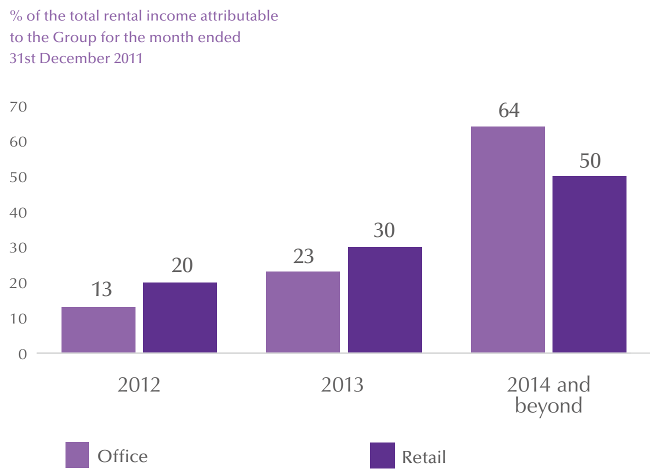
The contemporisation of Pacific Place demonstrates our commitment to maintaining our leadership in developing and managing mixed-use complexes.

Movement in Investment Properties



Hong Kong Lease Expiry Profile

At 31st December 2011



2011 Results

Gross rental income for the year increased by 7% over 2010, to HK$4,495 million.

The increase in gross rental income reflects positive rental reversions and strong demand for office space in the portfolio in the first half of 2011. Despite reduced demand in the second half of the year in uncertain market conditions, rental reversions remained positive. At 31st December 2011 the office portfolio was 98% let.

Outlook

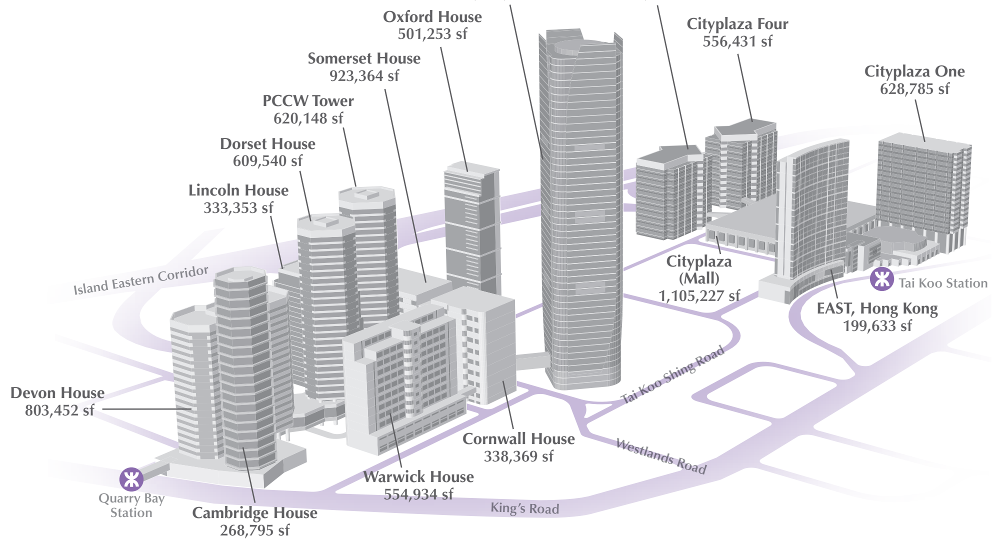
The office space available will increase in 2012 with the completion of 28 Hennessy Road and 8 Queen's Road East, both expected to take place in late 2012.

Tenancies accounting for approximately 13% of the rental income in the month of December 2011 are due to expire in 2012, with a further 23% due to expire in 2013.

Island East is Hong Kong's largest linked group of commercial buildings, with a portfolio of local and international tenants.

Hong Kong

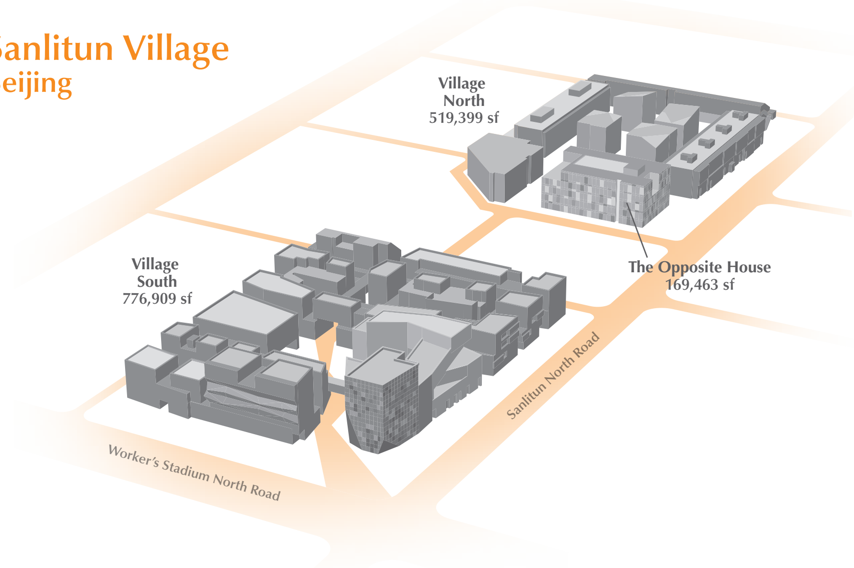
Island East



* Under development

Mainland China

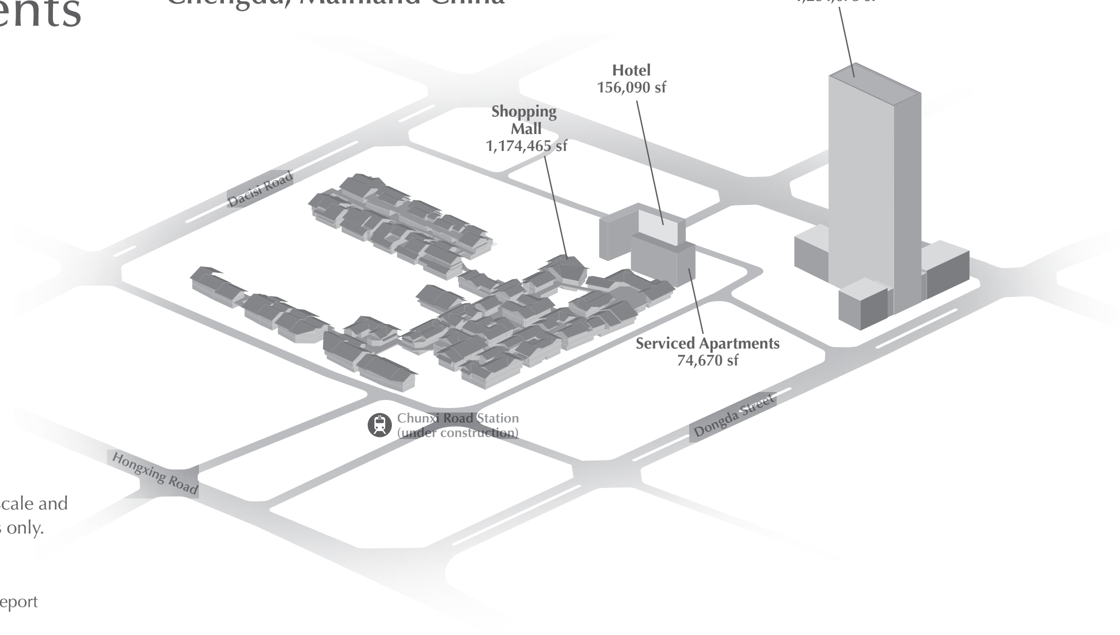
Sanlitun Village
Beijing



* Under development

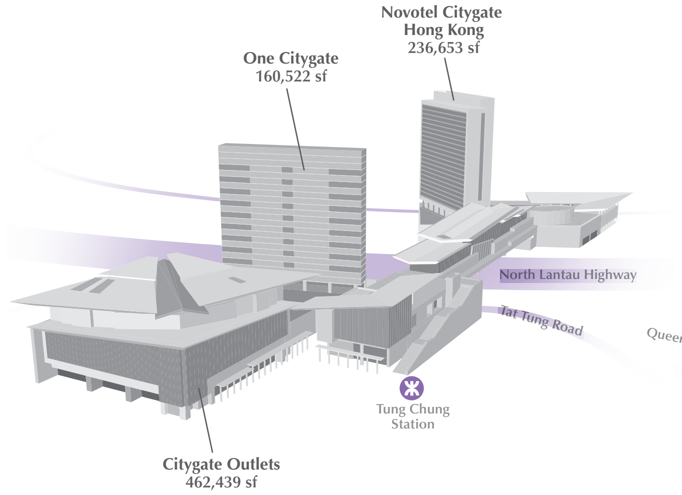
Future Developments

Daci Temple
Chengdu, Mainland China

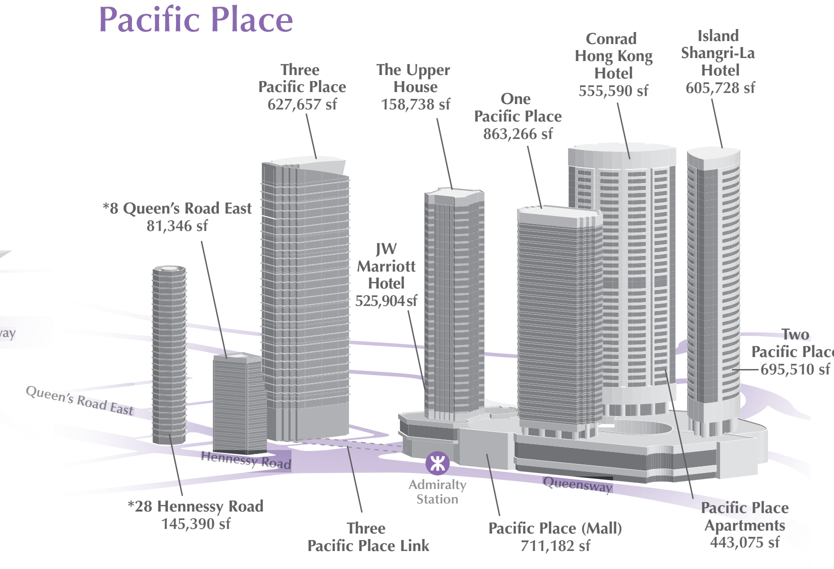


Note: These diagrams are not to scale and are for illustration purposes only.

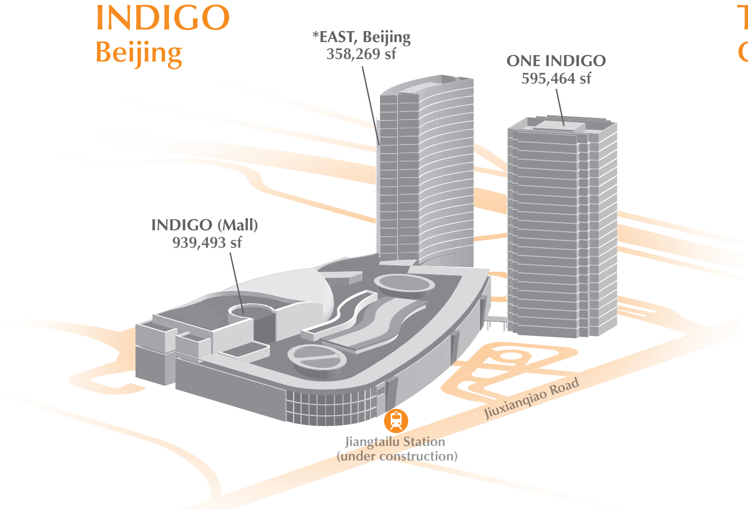
Citygate



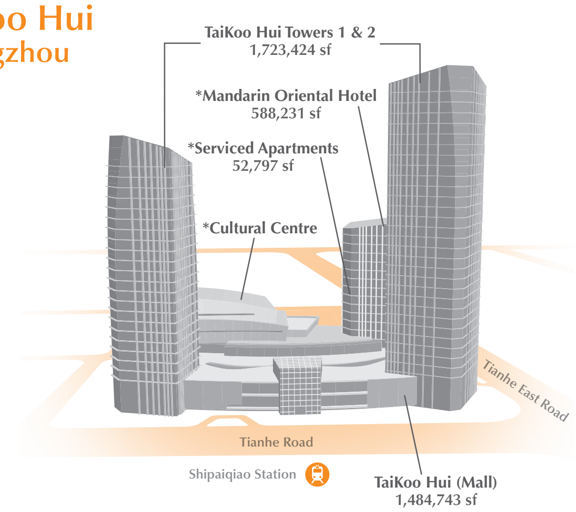
Pacific Place



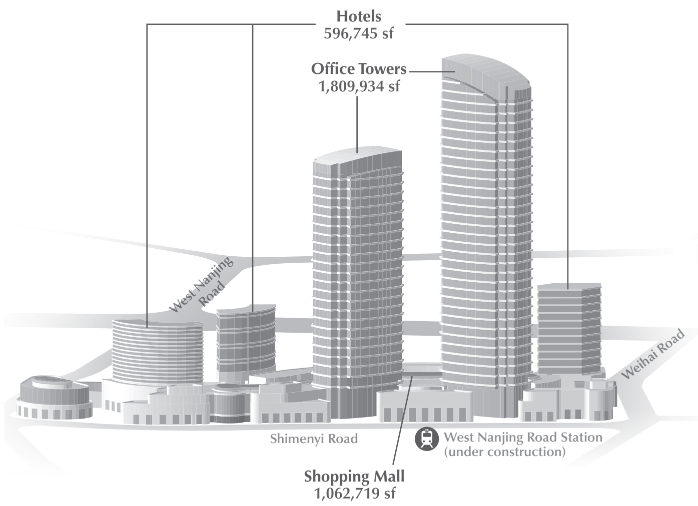
INDIGO
Beijing



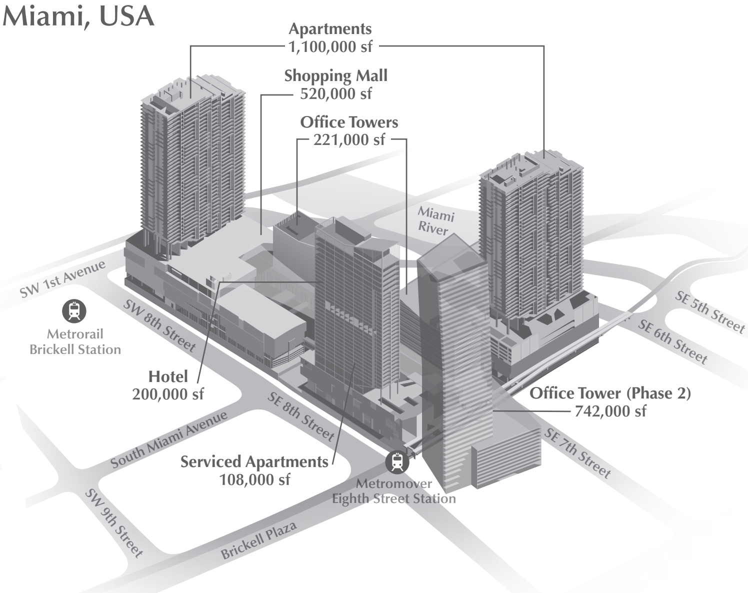
TaiKoo Hui
Guangzhou



Dazhongli
Shanghai, Mainland China



Brickell CitiCentre
Miami, USA



In 2011, Swire Properties decided to accelerate its ten-year energy reduction targets for operating properties to five-years and transform Island East into a sustainability icon through improvement works in natural lighting, thermal comfort, waste management, greenery and energy efficiency enhancement.

We remain cautious about the outlook for 2012. The financial services industry is undergoing a period of consolidation. Demand for office space is likely to continue to be affected by uncertain market conditions. Low vacancy rates and the fact that the supply of new office space will be modest should mitigate the effect on rental income.

Swire Properties plans to start redeveloping one of its techno-centres, Somerset House, in 2013 upon obtaining vacant possession. It is doing so with a view to increasing the attractiveness of the Island East portfolio to tenants.

Retail

Swire Properties manages three major retail malls in Hong Kong: The Mall at Pacific Place, comprising 0.7 million square feet; Cityplaza in Island East, comprising 1.1 million square feet; and Citygate Outlets at Tung Chung, comprising 0.5 million square feet. The malls are wholly-owned by Swire Properties, except for Citygate Outlets, in which it has a 20% interest.

2011 Results

Gross rental income from the retail portfolio was HK$2,961 million in 2011, a decrease of 2% from 2010, due to the loss of contribution from Festival Walk following its disposal, partially offset by stronger performance in other retail properties.

Rental reversions were positive and were particularly strong at Pacific Place, reflecting the strong demand for retail space and increased retail sales during the year.

The Group's wholly-owned malls were effectively fully let throughout the year.

Retail sales in the Group's retail malls were 18% higher in 2011 than in 2010.

Outlook

Consumer demand and accordingly competition for retail space are expected to remain strong in 2012. Active monitoring of consumer preferences and management of the tenant mix should encourage higher retail sales in the Group's malls.

In Hong Kong, tenancies accounting for approximately 20% of rental income in the month of December 2011 are due to expire in 2012, with a further 30% due to expire in 2013.

Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place and a small number of luxury houses and apartments elsewhere on Hong Kong Island.

Gross rental income for 2011 was HK$310 million, an increase of 5% over 2010.

Occupancy at the residential portfolio was approximately 91% at 31st December 2011.

Demand for the residential properties is expected to remain strong in 2012.

Investment Properties under Construction

The Pacific Place contemporisation project was substantially completed in October 2011 at a total cost of HK$2 billion.

Superstructure work is progressing at the 145,390 square foot office building at 28 Hennessy Road, with completion expected in the second half of 2012.

8 Queen's Road East, a 19-storey commercial building with gross floor area of 81,346 square feet, is currently being refurbished, with substantial completion scheduled for late 2012.

The property at 23 Tong Chong Street in Quarry Bay will be redeveloped into serviced apartments and is expected to be completed by 2014. The aggregate floor area upon completion will be approximately 75,000 square feet.

Construction work at OPUS HONG KONG at 53 Stubbs Road was completed in the fourth quarter of 2011. This property is owned by Swire Pacific Limited.

Mainland China

Completed Investment Properties

Swire Properties owns and manages one retail centre and two mixed-use developments in Mainland China.

Sanlitun Village comprises two neighbouring sites in the Chaoyang district of Beijing, Village South (0.8 million square feet of retail space) and Village North (0.5 million square feet of retail space). Retail tenants in Sanlitun Village sell internationally branded goods. Village South focuses on global mid-market brands, with tenants including the largest Adidas store in the world and the largest Apple store in Mainland China. Tenants at Village North are principally retailers of international and local designer fashion brands. The Opposite House hotel (see below under "Hotels – Mainland China") is also at Sanlitun Village.

Gateway China Fund I, a fund managed by Gaw Capital Partners, owns 20% of the Sanlitun Village development (except the Opposite House, which is wholly-owned by Swire Properties). The fund has an option to sell its 20% interest to Swire Properties before the end of 2013.

TaiKoo Hui is a mixed-use development in the Tianhe central business district of Guangzhou. The 3.8 million square foot development comprises a premium shopping mall, two Grade A office towers, a cultural centre and a Mandarin Oriental Hotel with serviced apartments, together with 800 car parking spaces, all of which are interconnected. The shopping mall opened in September 2011, with tenants including retailers of major international brands. Handover of the office space to tenants commenced in August 2011. The hotel and serviced apartments are scheduled to open in the second half of 2012.

INDIGO is a 1.9 million square foot mixed-use development at Jiangtai in the Chaoyang district of Beijing, comprising a retail mall, a Grade A office tower, ONE INDIGO, and a 369-room hotel operated by EAST. ONE INDIGO started to open in late 2011 and the retail mall started to open in March 2012. The hotel is expected to open in the latter part of 2012.

2011 Results

At Sanlitun Village, gross rental income was HK$435 million, an increase of 36% compared to HK$319 million in 2010. The increase reflected improved reversionary base rents from Village South and higher occupancy rates at Village North. At 31st December 2011, 93% of space at Village South and 90% of space at Village North was leased.

Village South has become a popular place to go in Beijing. At Village North some retailers sell exclusive brands which are not available elsewhere in Beijing.

The put option in respect of the non-controlling interest in Sanlitun Village is recognised in the accounts. The movement in its fair value during the year resulted in an increase in net finance charges of HK$259 million, compared to a decrease of HK$12 million in 2010.

TaiKoo Hui's shopping mall was 99% let at the end of 2011. Approximately 70% of the mall is leased to retailers selling international brand names. Rents at the shopping mall are among the highest per square foot in Guangzhou. As at 31st December 2011, tenants have committed to take up (or have agreed terms in relation to) approximately 68% of total office space. HSBC, the largest tenant, has leased 29 floors, or approximately 47% of the gross floor area within the office towers.

TaiKoo Hui is Swire Properties' largest completed property development in Mainland China.

At INDIGO, there were committed tenants (including tenants which have signed letters of intent) for approximately 77% of the retail space and approximately 46% of the office space at 31st December 2011.

Outlook

Retail conditions in Mainland China are expected to remain strong in 2012 as the economy continues to rebalance and grow. The office market has started to slow.

Results from Sanlitun Village are expected to continue to improve in 2012, reflecting significant changes to the tenant mix, past and planned investments made to enhance footfall and circulation and reductions in costs. TaiKoo Hui and INDIGO are expected to contribute to higher rental income in 2012, with TaiKoo Hui in its first full year of operations and the retail component at INDIGO starting to open in March 2012.

Investment Properties under Construction

Site clearance and resettlement works have largely been completed at the Dazhongli project in the Jing'an district of Shanghai. Foundation works commenced at the end of 2011. This 3.5 million square foot mixed-use project, comprising a retail centre, office towers and hotels, is expected to open in phases from 2016 onwards. The project will be linked to Nanjing West Road Station of Metro Line 13.

Site preparation works at the Daci Temple site in Chengdu have commenced. The 2.7 million square foot mixed-use development will comprise a street style retail complex, an office tower, a boutique hotel and serviced apartments. The office tower is intended to be developed for trading purposes. The project is scheduled to open in phases in 2014.

In January 2012, Swire Properties entered into an agreement with Sino-Ocean Land Limited to fund the whole of the remaining land premium (and associated taxes) payable in respect of the Daci Temple project and certain working capital requirements in an aggregate amount of US$230 million. Following this transaction, Swire Properties' interest in the project has increased to 81%, reflecting its contribution to the overall funding of the project. Sino-Ocean Land has a call option, exercisable for one year commencing from the date of the agreement, to purchase Swire Properties' additional interest in the project for an amount equal to one half of the additional funding plus interest at the rate of 10% per year. Swire Properties has the right, exercisable for one year commencing one week before the end of the call option period, to require Sino-Ocean Land to purchase Swire Properties' additional interest in the project on the same terms as those described above. Until the rights described above are exercised or lapse, Swire Properties' additional interest in the project will be accounted for as a secured loan and Swire Properties' existing interest will continue to be accounted for as a 50% interest in a jointly controlled entity.

Audited Financial Information

Investment Properties

	Group			Company
	Completed HK$M	Under Construction HK$M	Total HK$M	Total HK$M
At 1st January 2011	**160,763**	**19,485**	**180,248**	**2,295**
Translation differences	**374**	**421**	**795**	**–**
Change in composition of Group	**(18,090)**	**–**	**(18,090)**	**–**
Additions	**141**	**5,084**	**5,225**	**303**
Transfer upon completion	**11,142**	**(11,142)**	**–**	**–**
Other net transfers from property, plant and equipment	**175**	**38**	**213**	**–**
Other net transfers from property held for development	**104**	**249**	**353**	**–**
Fair value gains	**19,521**	**3,250**	**22,771**	**2,668**
	174,130	**17,385**	**191,515**	**5,266**
Add: Initial leasing costs	**290**	**–**	**290**	**–**
At 31st December 2011	**174,420**	**17,385**	**191,805**	**5,266**
At 1st January 2010	141,129	13,279	154,408	1,195
Translation differences	287	245	532	–
Change in composition of Group	–	189	189	–
Additions	578	3,937	4,515	213
Disposals	(592)	(57)	(649)	–
Transfer upon completion	23	(23)	–	–
Other net transfers from property, plant and equipment	812	(6)	806	–
Other net transfers to property under development for sale	–	(897)	(897)	–
Fair value gains	18,526	2,818	21,344	887
	160,763	19,485	180,248	2,295
Add: Initial leasing costs	170	–	170	–
At 31st December 2010	160,933	19,485	180,418	2,295

Geographical Analysis of Investment Properties

	Group		Company	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Held in Hong Kong:				
On medium-term leases (10 to 50 years)	**25,143**	39,154	**–**	–
On long-term leases (over 50 years)	**144,751**	123,827	**5,266**	2,295
	169,894	162,981	**5,266**	2,295
Held in Mainland China:				
On medium-term leases (10 to 50 years)	**21,230**	17,267		
Held in USA:				
Freehold	**391**	–		
	191,515	180,248		

Note:
The Group figures in the table above comprise investment properties owned by Swire Properties as well as a small number of properties owned by Swire Pacific Limited which are managed by Swire Properties. The Company figures represent those investment properties owned directly by Swire Pacific Limited.

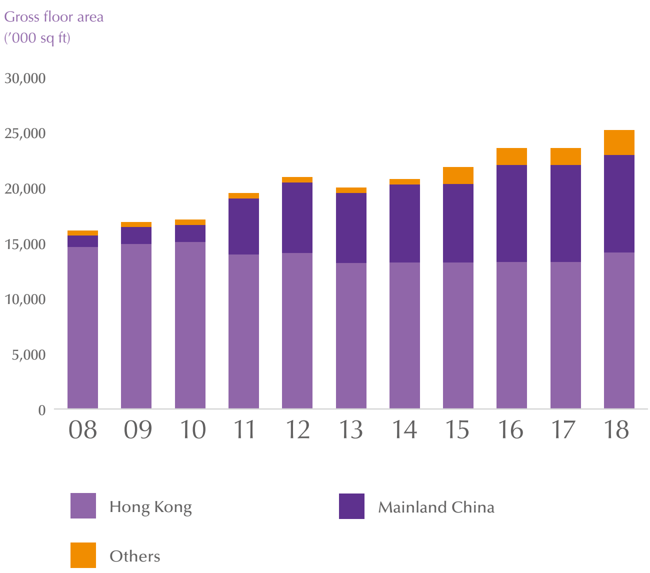
Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2011 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$191,515 million compared to HK$180,248 million at 31st December 2010 and HK$201,414 million at 30th June 2011.

The increase in the valuation of the investment property portfolio since 31st December 2010 principally reflects higher rental income. The decrease in the valuation of the investment property portfolio since 30th June 2011 principally reflects the sale of Festival Walk in August 2011.

Under HKAS 40, hotel properties are not accounted for as investment properties but are included within property, plant and equipment at cost less accumulated depreciation and any provision for impairment losses.

Completed Property Investment Portfolio



Hotels

Hong Kong

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place, and EAST Hong Kong, a 345-room hotel at Island East. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung.

The wholly-owned and managed hotels performed significantly better. At The Upper House, revenue per available room increased by 35% from 2010, while at EAST, revenue per available room increased by 51%. All of the non-managed hotels also performed strongly in 2011.

The Opposite House's mix of modern and traditional design and style has gained international recognition.

Mainland China

The Opposite House, a 99-room luxury hotel at Sanlitun Village, Beijing, is wholly-owned by Swire Properties and is managed by Swire Hotels. Revenue per available room increased by 33% from 2010.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami. Trading conditions in 2011 improved compared with those in 2010, with higher room and occupancy rates.

United Kingdom

Swire Properties owns four hotels in the United Kingdom, one each in Cheltenham, Bristol, Brighton and Exeter. An impairment charge was recorded against the hotels in December 2011, reflecting the challenging trading environment in the United Kingdom. Despite challenging operating conditions, the hotels performed satisfactorily during the year.

Outlook

The hotels in Hong Kong are expected to continue to benefit from growth in the number of visitors from Mainland China and are well positioned in both the business and tourism sectors.

In Mainland China, The Opposite House is expected to see further growth in its accommodation, restaurant and bar businesses. EAST, Beijing is scheduled to open in the latter part of 2012.

The trading environment in the United Kingdom remains challenging. The Magdalen Chapter Hotel in Exeter was closed in 2011 for refurbishment and is scheduled to reopen in 2012.

Capital Expenditure and Commitments for Investment Properties and Hotels

Capital expenditure in 2011 on Hong Kong investment properties and hotels, including completed projects, amounted to HK$3,104 million (2010: HK$3,031 million). Outstanding capital commitments at 31st December 2011 were HK$6,740 million (31st December 2010: HK$1,448 million).

Capital expenditure in 2011 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of jointly controlled companies, amounted to HK$3,180 million (2010: HK$2,983 million). Outstanding capital commitments at 31st December 2011 were HK$8,430 million (2010: HK$9,861 million), including the Group's share of the capital commitments of jointly controlled companies of HK$7,101 million (2010: HK$6,952 million). The Group

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast Year of Expenditure				**Commitments**
	2011 HK$M	2012 HK$M	2013 HK$M	2014 HK$M	2015 & beyond HK$M	**At 31st Dec 2011 HK$M**
Hong Kong projects	**3,104**	1,099	571	666	4,404	**6,740**
Mainland China projects	**3,180**	3,321	1,628	2,062	1,419	**8,430**
USA projects	**7**	491	829	1,102	50	**2,472**
UK hotels	**95**	38	–	–	–	**38**
Total	**6,386**	4,949	3,028	3,830	5,873	**17,680***

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies. The Group is committed to funding HK$1,828 million of the capital commitments of jointly controlled companies.

is committed to funding HK$1,828 million (31st December 2010: HK$2,459 million) of the capital commitments of jointly controlled companies in Mainland China.

Capital expenditure in 2011 on USA investment properties and hotels amounted to HK$7 million (2010: HK$14 million). Outstanding capital commitments at 31st December 2011 were HK$2,472 million (2010: HK$6 million).

Property Trading

Swire Properties' trading portfolio principally comprises land and residential apartments under development in Hong Kong, Mainland China and Miami, Florida. In addition, as at 31st December 2011 there are completed apartments for sale at 5 Star Street in Hong Kong and at the ASIA development in Miami, Florida.

Hong Kong

99 of the 126 units at the AZURA development on Seymour Road have been pre-sold. Construction work is progressing on schedule, with completion expected in the latter part of 2012. Swire Properties has an 87.5% interest in this development.

Superstructure work at the 75,805 square foot residential development at ARGENTA on Seymour Road is progressing, with completion expected in 2013.

Construction work at the 151,944 square foot residential development at Sai Wan Terrace is in progress. Swire Properties has an 80% interest in this development, with completion expected in 2013.

Foundation work at the 165,792 square foot residential development at 33 Seymour Road is progressing, with completion expected in 2014. Foundation work is also progressing at the adjacent site at 92-102 Caine Road. This site is to be redeveloped so as to provide 195,531 square feet of residential space, with completion expected in 2016.

All remaining residential and retail units at the Island Lodge development in North Point have now been sold. Swire Properties was entitled to reimbursement of redevelopment costs and a share of the net proceeds of sales under an agreement with China Motor Bus Company Limited, which owned the property.

The 17,663 square foot residential development at 5 Star Street was completed in 2010. 22 of the 25 units have been sold.

Construction work is in progress at the 88,555 square foot residential development at 148 Argyle Street, in which Swire Properties has a 50% interest. Completion is expected in 2013.

Audited Financial Information

Property Trading Portfolio at Cost

	Group	
	2011 HK$M	2010 HK$M
Properties held for development		
Freehold land	**124**	443
Properties for sale		
Completed properties		
– development costs	**270**	388
Completed properties		
– freehold land	**7**	9
Completed properties		
– leasehold land	**4**	4
Properties under development		
– development costs	**1,329**	673
Freehold land under development for sale	**175**	–
Leasehold land under development for sale	**5,025**	4,443
	6,810	5,517

AZURA has a sought after location close to the Central business district in Hong Kong.

USA

Sales of 99 of the 123 units have been closed at the ASIA residential development in Miami since the development was completed in April 2008. A further 11 units have been leased.

The real estate market in South Florida improved in 2011 but remains difficult.

The residential portion of the Brickell CitiCentre development is intended to be for trading purposes. Completion of this development is expected in 2015.

Outlook

Profits from property trading are expected to be significant in 2012, with the completion and sale of units at the AZURA development in Hong Kong. Prices of luxury residential properties in Hong Kong are expected to remain steady, underpinned by low interest rates and short supply. In downtown Miami, properties built between 2005 to 2008 have been largely absorbed, with prices starting to rise in certain sectors.

Martin Cubbon

Aviation Division

Leading the Way

From airlines to aircraft engineering and maintenance, Swire Pacific's aviation businesses are dedicated to operational excellence and to strengthening Hong Kong's position as a global aviation hub.

Aviation Division

The Aviation Division principally comprises significant investments in the Cathay Pacific group and the Hong Kong Aircraft Engineering ("HAECO") group. The Cathay Pacific group includes Cathay Pacific Airways ("Cathay Pacific"), its wholly-owned subsidiary Hong Kong Dragon Airlines ("Dragonair"), its 60%-owned subsidiary AHK Air Hong Kong ("AHK"), an associate interest in Air China and an interest in the Air China Cargo jointly controlled entity. In addition, Cathay Pacific has interests in companies providing flight catering and ramp and cargo handling services. Cathay Pacific and HAECO are listed on the Hong Kong Stock Exchange.

The strategic objective of Cathay Pacific and HAECO (as listed companies in their own right) is sustainable growth in shareholder value over the long term. The strategies employed in order to achieve this objective are these:

- The development and strengthening of Hong Kong as a hub for aviation services, including passenger, cargo and aircraft engineering services.
- The development and strengthening of the airline (Cathay Pacific and Dragonair) and aircraft engineering (HAECO) brands.
- Developing the airlines' fleets (by investing in modern fuel efficient aircraft) with a view to their becoming one of the youngest, most fuel efficient fleets in the world.
- Maintaining and enhancing high standards of service to passenger, cargo and aircraft engineering customers.
- Strengthening the airlines' passenger and cargo networks and improving what they do on the ground and in the air.
- Continuing to build the strategic relationship with Air China.
- Increasing the range and depth of aircraft engineering services offered by HAECO.
- Endeavouring to minimise the impact of the airlines on the environment by investing in fuel efficient aircraft, by route optimisation and by aircraft weight reduction.

Financial Highlights

	2011 HK$M	2010 HK$M
HAECO group*		
Turnover	**5,171**	2,574
Operating profit	**532**	229
Attributable profit	**615**	290
Gain on remeasurement of previously held interest in HAECO	**–**	2,547
Attributable profit on sale of interest in Hong Kong Air Cargo Terminals Limited ("Hactl")	**–**	825
Share of post-tax profits from associated companies		
Cathay Pacific group**	**2,405**	5,079
HAECO group*	**–**	152
Hactl***	**–**	26
	2,405	5,257
Attributable profit	**2,999**	8,901

* The interest in the HAECO group was accounted for as an associated company until the acquisition of a controlling interest on 7th June 2010.
** The share of profit attributable to Cathay Pacific's holding in the HAECO group until 7th June 2010 is included in the attributable figures for the HAECO group.
*** The interest in Hactl was accounted for as an investment from 12th February 2010 until its disposal on 31st May 2010.

2011 Overview

The Aviation Division reported an attributable profit of HK$2,999 million in 2011, compared to an attributable profit of HK$8,901 million in 2010.

During 2011, the group acquired an additional 2% interest in Cathay Pacific for a total cost of HK$1,236 million, increasing its interest in Cathay Pacific to 44.97%.

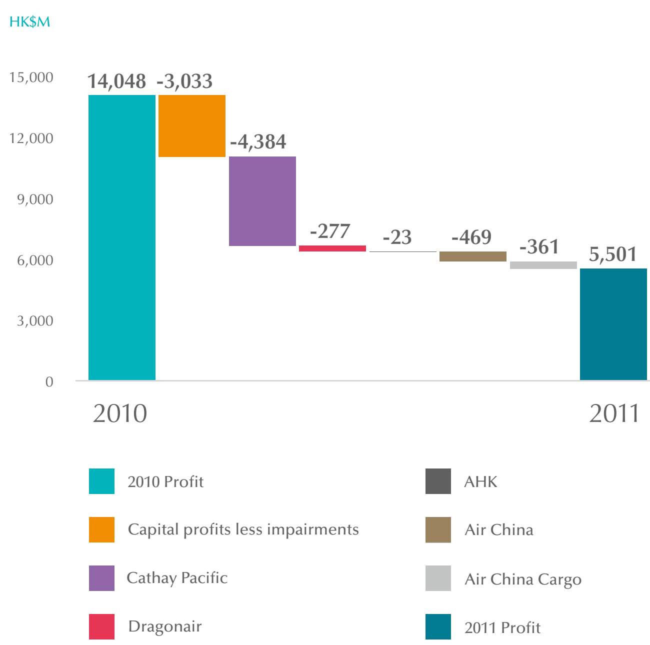
Cathay Pacific Group

2011 Results Summary

The Cathay Pacific group's attributable profit was HK$5,501 million in 2011, compared to a profit of HK$14,048 million in 2010. The 2010 results included significant non-recurring items arising from the sale of shareholdings in Hong Kong Air Cargo Terminals Limited and HAECO and the deemed disposal of part of Cathay Pacific's interest in Air China. Adjusting for these items, the attributable profit decreased by HK$5,514 million. Turnover for 2011 increased by 9.9% to HK$98,406 million.

In 2011 the core business of the Cathay Pacific group was materially affected by instability and uncertainty in the world's major economies. The business was also adversely affected by natural disasters in Japan and Thailand, the political situation

Cathay Pacific Group – Movement in Attributable Profit



in the Middle East and high jet fuel prices. The passenger business of Cathay Pacific and Dragonair held up relatively well. The cargo business was weak.

Passenger revenue for the year was HK$67,778 million, an increase of 14.2% compared with 2010. 27.6 million passengers were carried, a rise of 2.9% compared with 2010.

Cathay Pacific's new Business Class is being progressively introduced on its Boeing 777-300ER and Airbus A330-300 aircraft.

Passenger capacity increased by 9.2%. The load factor fell by 3 percentage points to 80.4%. Yield increased by 8.7% to HK66.5 cents, mainly attributable to higher fuel surcharges and favourable exchange rate movements.

Cargo revenue for 2011 was marginally higher by 0.3% to HK$25,980 million compared with 2010. The cargo business performed reasonably well in the first quarter of 2011. However, from April onwards, demand weakened significantly and remained weak for the rest of the year. The tonnage carried by Cathay Pacific and Dragonair in 2011 fell by 8.6% to 1.6 million tonnes by comparison with 2010. Yield was up by 3.9% to HK$2.42, mainly attributable to higher fuel surcharges and favourable exchange rate movements. Capacity increased by 6.9%. The load factor fell by 8.5 percentage points to 67.2%.

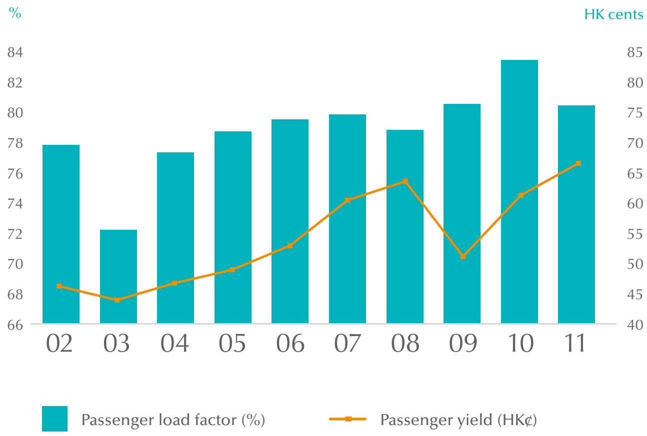
Fuel is the airlines' biggest single cost. High jet fuel prices had a significant effect on operating results in 2011. Disregarding the effect of fuel hedging, the Cathay Pacific group's fuel costs increased by HK$12,455 million (or 44.1%) in 2011. The increase reflected both higher fuel prices and the fact that more flights were operated. Managing the risk associated with changing fuel prices remains a high priority. To this end there is an active fuel hedging programme in place. In 2011 a profit of HK$1,813 million was recognised from fuel hedging activities, with unrealised mark-to-market gains of HK$436 million being recognised in reserves.

Key Operating Highlights

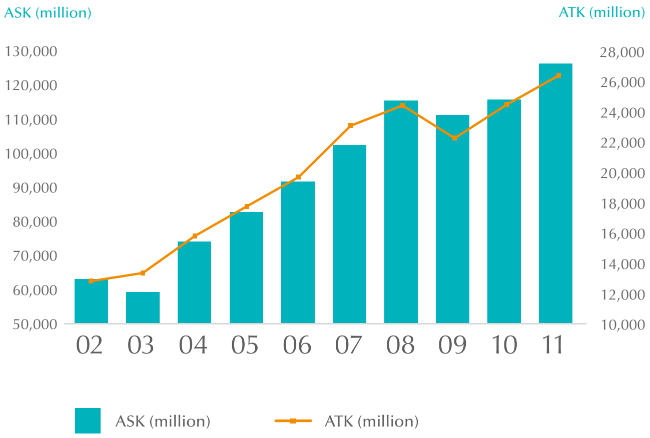
Cathay Pacific and Dragonair

		2011	2010	Change %
Available tonne kilometres ("ATK")	Million	**26,383**	24,461	+7.9%
Available seat kilometres ("ASK")	Million	**126,340**	115,748	+9.2%
Revenue passenger kilometres ("RPK")	Million	**101,536**	96,588	+5.1%
Revenue passengers carried	'000	**27,581**	26,796	+2.9%
Passenger load factor	%	**80.4**	83.4	-3.0%pt
Passenger yield	HK¢	**66.5**	61.2	+8.7%
Cargo and mail carried	Tonnes '000	**1,649**	1,804	-8.6%
Cargo and mail load factor	%	**67.2**	75.7	-8.5%pt
Cargo and mail yield	HK$	**2.42**	2.33	+3.9%
Cost per ATK	HK$	**3.45**	3.16	+9.2%
Cost per ATK without fuel	HK$	**2.01**	2.02	-0.5%
Aircraft utilisation	Hours per day	**12.3**	12.0	+2.5%
On-time performance	%	**82.0**	80.9	+1.1%pt

Passenger Services Load Factor and Yield



Capacity — Available Seat Kilometres and Available Tonne Kilometres



Passenger Services

Revenue from Cathay Pacific and Dragonair's passenger services increased between 2010 and 2011. Demand for premium class travel remained robust in 2011. Firm demand for business class seats on short-haul routes reflected the relative strength of the Asian economies. Load factors in economy class remained generally high, particularly on the North American and Southeast Asian routes. However, there was a reduction in economy class yield on long-haul routes. Business to and from Japan was affected by the earthquake and tsunami which took place in March 2011. Business to and from Thailand was affected by the serious floods which took place in October and November. The strength of some currencies in which passenger revenues are received relative to the Hong Kong and US dollars had a positive impact on passenger revenues during 2011.

Two new Cathay Pacific passenger routes were introduced in 2011. In June, coverage in the Middle East was extended with a new four-times-weekly service to Abu Dhabi, the capital of the United Arab Emirates. In September, a daily service to Chicago was introduced.

Cathay Pacific's Milan service increased from four flights per week to daily in July in response to strong demand. Seven more flights per week to Taipei were reinstated, bringing the total back to the pre-financial crisis level of 108 flights per week in each direction. Three more flights per week to New

Dragonair was voted the "World's Best Regional Airline" in the 2011 Skytrax awards and was named the "Best Regional Airline" at the 22nd Annual TTG Travel Awards.

York were added in March and more flights were added in May, so that there is now a four-times-daily service on this route. Three of the four daily flights operate non-stop. Two more flights per week were added to the Toronto route in May, so that a twice-daily service is again being operated on this route. Three more flights per week to Jakarta were added in August 2011, so that there is now a three-times-daily service on this route. In March, one more flight per week was added to the Surabaya route, so that there is now a daily service on this route. Three flights to Penang each week that previously went via Kuala Lumpur now go direct, providing a daily non-stop service to Penang. Singapore became an eight-times-daily service from July. On Southwest Pacific routes, operation from Adelaide was enhanced in November by turning three of the seven flights each week into non-stop services to Hong Kong. The other four flights continue to operate via Melbourne.

Dragonair increased capacity on its Mainland China and Taiwan routes from March 2011 onwards. Ten flights per week were added on the Kaohsiung route, taking the total to 42 per week. One daily flight was added on the Xiamen route, taking the total to four flights per day. The number of flights on the Ningbo route increased from seven to ten flights per week. There are two flights per day on the Chengdu and Nanjing routes and one flight per day on the Chongqing route from March 2011. From October 2011, a fourth daily flight was added to Hangzhou.

Dragonair's capacity was increased on some routes to secondary cities in Mainland China by using larger (Airbus A330-300) aircraft.

Cargo Services

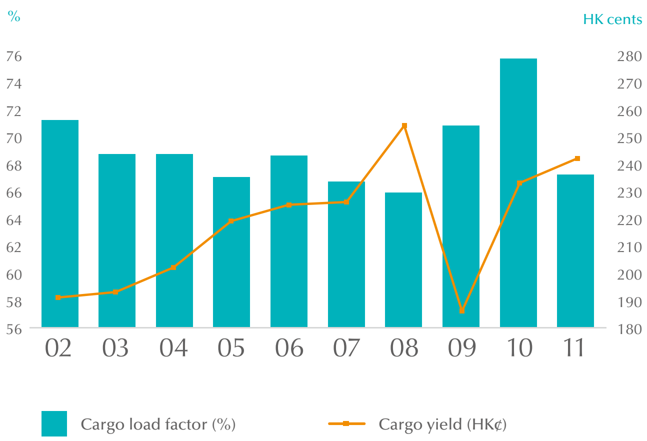
Cathay Pacific and Dragonair

2010's strong growth in the world's air cargo markets continued in the first quarter of 2011. Business in that quarter was solid. However, from April onwards shipments from our two principal markets, Hong Kong and Mainland China, weakened significantly. This weakness continued for the rest of 2011. The normal increase in shipments in the late autumn did not occur. Exports from Mainland China fell as consumer demand weakened in key markets. Demand from Europe was particularly weak. The business was also affected by increased competition from carriers operating from Shanghai. In 2011 services to Bengaluru in India, Chongqing and Chengdu in Western China and Zaragoza in Spain were started.

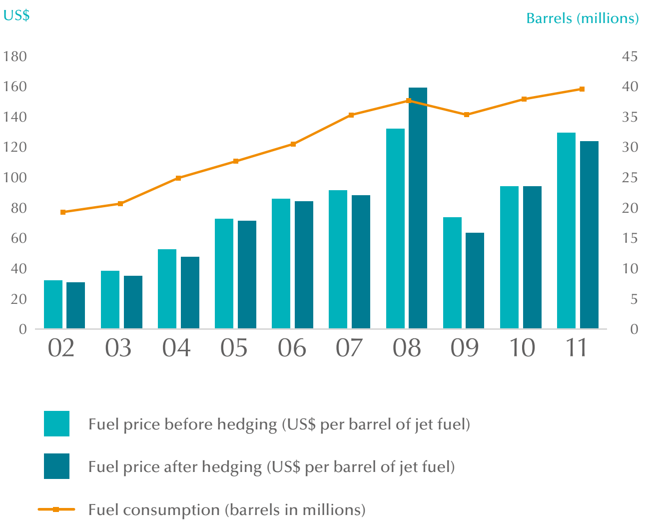
In Mainland China less manufacturing is being done in the Pearl River Delta and the Yangtze River Delta and more manufacturing (particularly of high technology products) is being done in western and central areas. In order to position the airlines to carry cargo from these areas, scheduled freighter services to Chongqing and Chengdu were started in October 2011.

There is growing demand for high quality foreign products in Mainland China. This reflects the growing numbers and wealth of the middle classes. This growing demand has resulted in more cargo being carried by Cathay Pacific to Hong Kong for transhipment to Mainland China.

Cargo Services Load Factor and Yield



Fuel Price and Consumption



Cathay Pacific continues to modernise its fleet with 26 new generation Boeing 777-300ER aircraft on order. These ultra long-haul aircraft are up to 28% more fuel efficient than the ones they replace.

AHK Air Hong Kong ("AHK")

AHK, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express, the remaining 40% shareholder, to 12 Asian cities with a fleet of eight Airbus A300-600F freighters and three Boeing 747-400BCF freighters dry-leased from Cathay Pacific.

Despite an improvement in yield, AHK recorded a lower profit compared with 2010, due to an increased provision for deferred tax.

Fleet Profile

At 31st December 2011, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 164, an increase of five during the year.

In March 2011, Cathay Pacific announced the acquisition of two more Airbus A350-900s, 15 more Airbus A330-300s and ten more Boeing 777-300ERs. In August 2011, Cathay Pacific announced the acquisition of four more Boeing 777-300ERs and eight Boeing 777-200F freighters.

In 2011, 13 new aircraft were delivered: three Airbus A330-300s, six Boeing 777-300ERs and four Boeing 747-8F freighters.

The second of four Boeing 747-400BCF freighters being sold to the cargo joint venture with Air China was sold in July. The remaining two such aircraft will be sold to the cargo joint venture in the second quarter of 2012.

Three Boeing 747-400BCF freighters are being dry-leased to Air Hong Kong in order to increase its capacity.

The four leased Airbus A340-300s parked by Cathay Pacific during the financial crisis of 2008-2009 will not return to service. Two were returned to their lessors in 2011 and the other two returned in January and February 2012. One Dragonair Airbus A330-300 was returned to its lessor in 2011.

It is planned to retire the 21 Boeing 747-400s and 11 Airbus A340-300s in the fleet before the end of the decade as new, more efficient aircraft arrive. One Boeing 747-400 passenger aircraft was deregistered in February 2011.

In January 2012, Cathay Pacific announced the purchase of six Airbus A350-900s for delivery in 2016 and 2017.

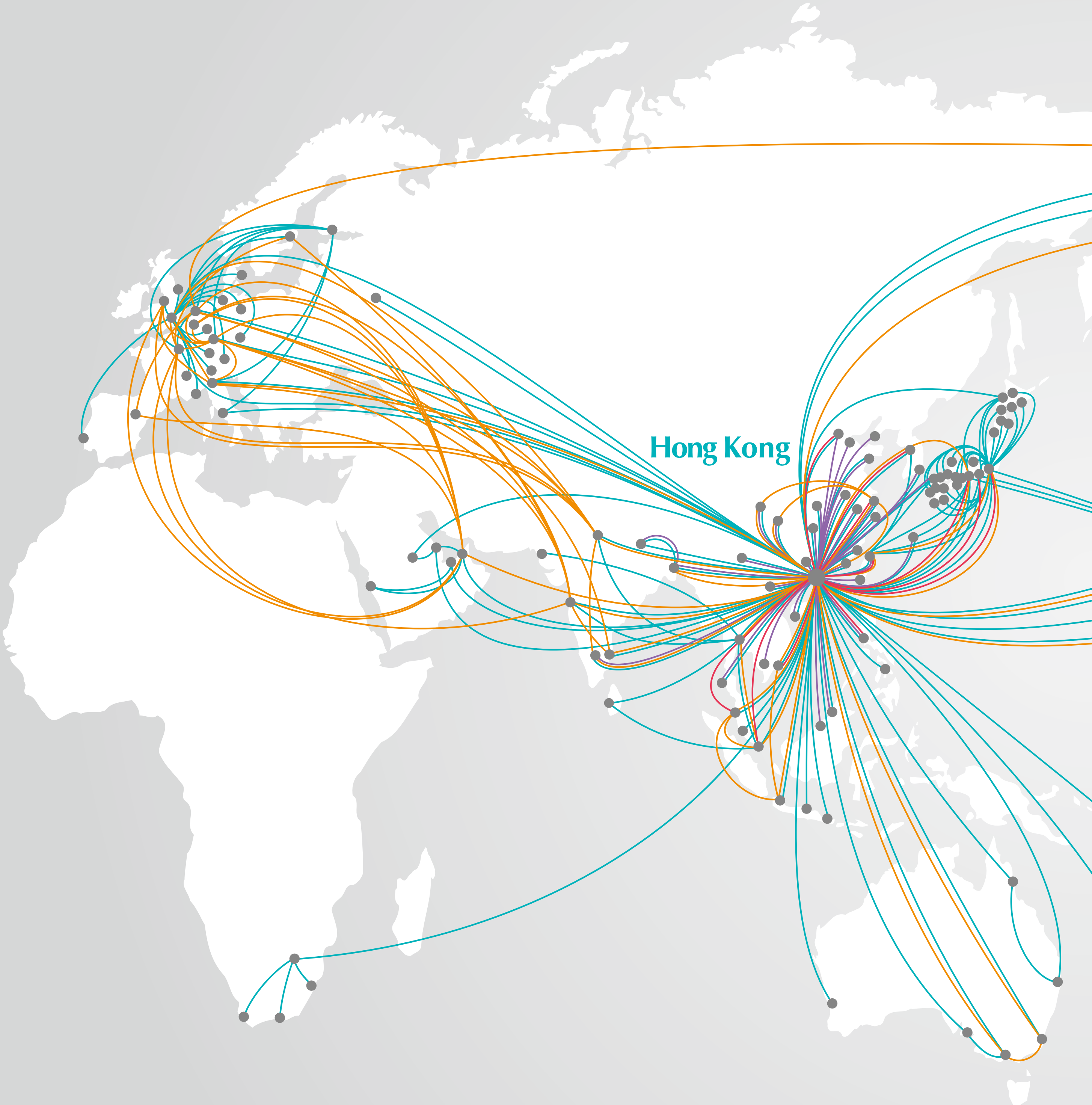
In January 2012, Dragonair agreed to lease two Airbus A320-200s for delivery later in 2012.

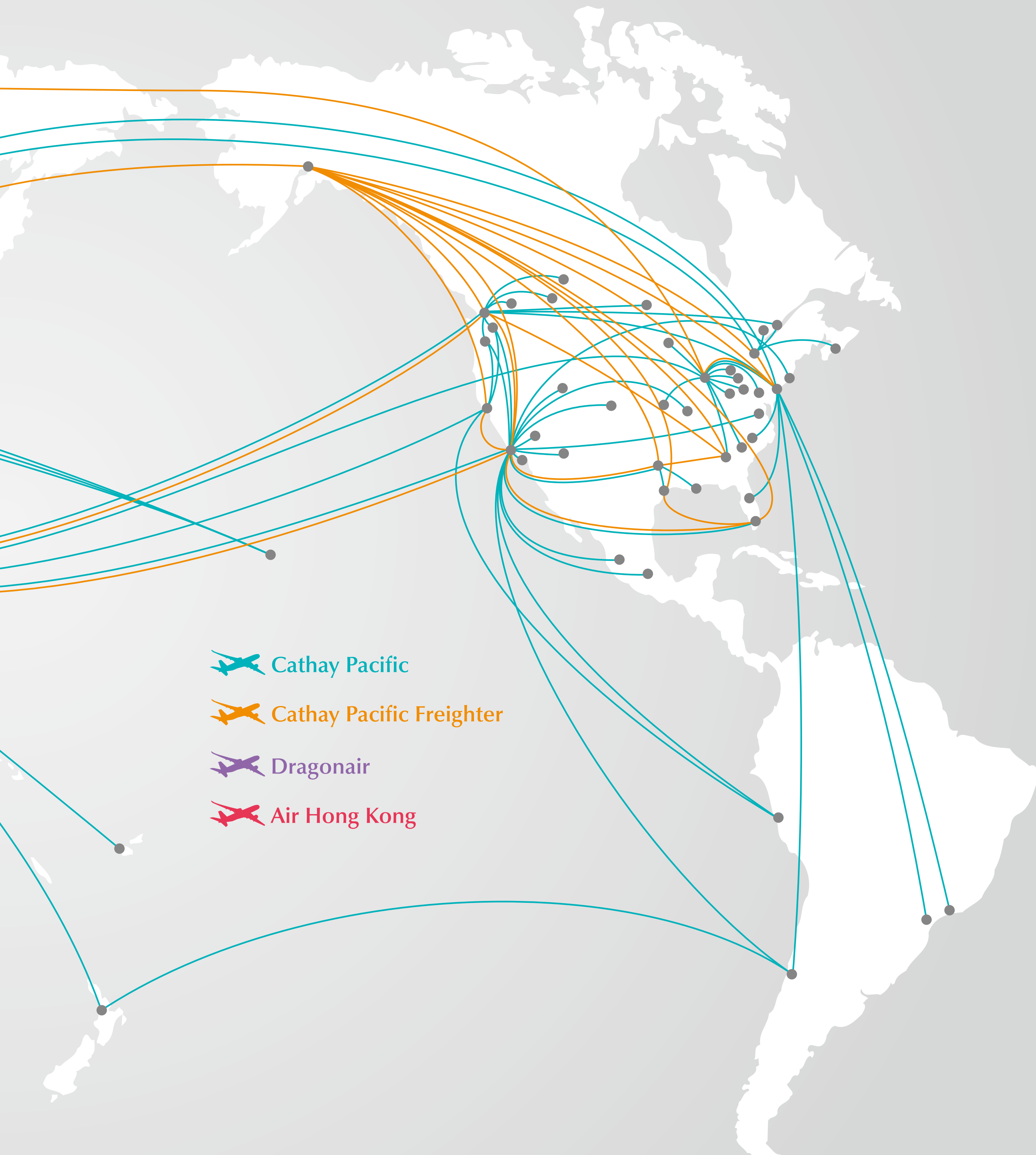
At 31st December 2011, the Cathay Pacific group had a total of 93 aircraft on firm order for delivery up to 2019.

Air China

Air China, in which Cathay Pacific holds a 19.53% interest, is Mainland China's national flag carrier and a leading provider of passenger, cargo and other airline related services, serving 96 domestic and 47 international, including regional, destinations.

Network Coverage





Cathay Pacific
Cathay Pacific Freighter
Dragonair
Air Hong Kong

Fleet Profile*

	Number as at 31st December 2011	Leased			Firm orders				Expiry of operating leases							
Aircraft type	Owned	Finance	Operating	Total	'12	'13	'14 and beyond	Total	'12	'13	'14	'15	'16	'17 and beyond	Options	Purchase rights
Aircraft operated by Cathay Pacific:																
A330-300	8	15	10	33	6	4	9	19				2	1	7		
A340-300	6	5	2[(a)]	13					2[(a)]							
A350-900							32[(b)]	32							10[(c)]	
747-400	16		5	21					2[(d)]			2	1			
747-400F	3	3		6												
747-400BCF	4[(e)]		4	8						2	1			1		
747-400ERF		6		6												
747-8F	2	2		4	4	2		6								
777-200	5			5												
777-200F							8	8								
777-300	3	9		12												
777-300ER	5	8	11	24	5	8	13	26						11		20[(f)]
Total	52	48	32	132	15	14	62	91	4	2	1	4	2	19	10	20
Aircraft operated by Dragonair:																
A320-200	5		6	11	2[(g)]			2				2	2	2		
A321-200	2		4	6								2	2			
A330-300	4	1	10	15					3	3	1	1	2			
Total	11	1	20	32	2			2	3	3	1	5	6	2		
Aircraft operated by Air Hong Kong:																
A300-600F	2	6		8												
747-400BCF			3	3									1	2		
Total	2	6	3	11									1	2		
Grand total	**65**	**55**	**55**	**175**	**17[(h)]**	**14**	**62**	**93**	**7**	**5**	**2**	**9**	**9**	**23**	**10**	**20**

* Includes parked aircraft. This profile does not reflect aircraft movements after 31st December 2011.

(a) The operating leases of these two aircraft expired in October and December 2011 and they were returned to the lessors in January and February 2012.

(b) Including two aircraft on 12-year operating leases.

(c) Options to be exercised no later than 2016 for A350 family aircraft.

(d) One aircraft was purchased by Cathay Pacific Airways upon its lease expiry in January 2012.

(e) Two aircraft are expected to be sold to Air China Cargo in the second quarter of 2012.

(f) Purchase rights for aircraft to be delivered by 2017.

(g) Two aircraft on 10-year operating leases were delivered in February 2012.

(h) Two A320-200s on operating lease terms for which letters of intent were signed in December 2011 (with the leases having been signed in January 2012) will be delivered in November and December 2012. With these two additional aircraft, the total aircraft delivered in 2012 will be 19.

The Cathay Pacific group's share of Air China's profit is based on accounts drawn up three months in arrear and consequently the 2011 annual results include Air China's results for the 12 months ended 30th September 2011 and any significant events or transactions for the period from 1st October 2011 to 31st December 2011.

The Cathay Pacific group recorded a profit of HK$2,013 million from Air China in 2011, a decrease of 18.9% compared with 2010.

Air China plays an increasingly important role in the business of the Cathay Pacific group, having contributed 31.1% of consolidated profits before tax in 2011. Air China and Cathay Pacific continue to work together closely.

Air China Cargo Joint Venture

In May 2011, the cargo joint venture with Air China was launched. The joint venture operates from Shanghai under the Air China Cargo name. Shipments of air cargo between the Yangtze River Delta region and major markets round the world account for two-thirds of Mainland China's air cargo business.

The key markets for the joint venture are expected to be North America, Europe and North Asia. In addition to operating its own freighters, the venture has exclusive rights to carry cargo in the bellies of the Air China passenger fleet.

The Cathay Pacific group recorded a loss of HK$361 million from Air China Cargo in 2011, in its first period in operation. This reflected the current weakness in the global cargo market.

Cargo Terminal

The topping-out ceremony to mark the completion of civil construction of the new Cathay Pacific cargo terminal at Hong Kong International Airport took place in November 2011. The terminal, at which around 1,800 staff will be employed, is expected to start operating in early 2013. When fully operational, it will be one of the biggest and most sophisticated air cargo terminals in the world and will reinforce Hong Kong's position as the world's leading international air cargo hub.

Other Operations

Cathay Pacific Catering Services group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, operates six flight kitchens in Asia and North America.

Hong Kong Trader, one of Cathay Pacific's Boeing 747-8 freighters, has a unique livery, designed to promote Hong Kong as a leading trading centre.

There was an increase in the number of meals sold in 2011 and this was reflected in increased turnover and profit. However, increases in raw material, fuel and employment costs led to a lower profit margin.

The overseas flight kitchens in Asia and Canada performed well in 2011, with improvements in profitability in Asia and a return to profitability in Canada.

Hong Kong Airport Services ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at Hong Kong International Airport.

The 2011 results of HAS were satisfactory, reflecting increased flight movements and an improvement in yield.

Outlook

After a record year in 2010, the Cathay Pacific group faced a number of major challenges in 2011. It continues to face challenges in 2012. Economic uncertainties have continued into the first part of this year. While these uncertainties continue, pressure on economy class yields is expected to continue and the cargo business in particular is expected to remain weak. Fuel prices have risen further. As a result, 2012 is looking even more challenging than 2011 and Cathay Pacific is therefore cautious about the prospects for this year. Cathay Pacific will continue to be vigilant in managing costs without compromising the quality of its products and services or the long-term strategic investment in its business. Its financial position remains strong.

John R Slosar

The HAECO group is a leader in aircraft engineering services.

Hong Kong Aircraft Engineering Company ("HAECO") Group

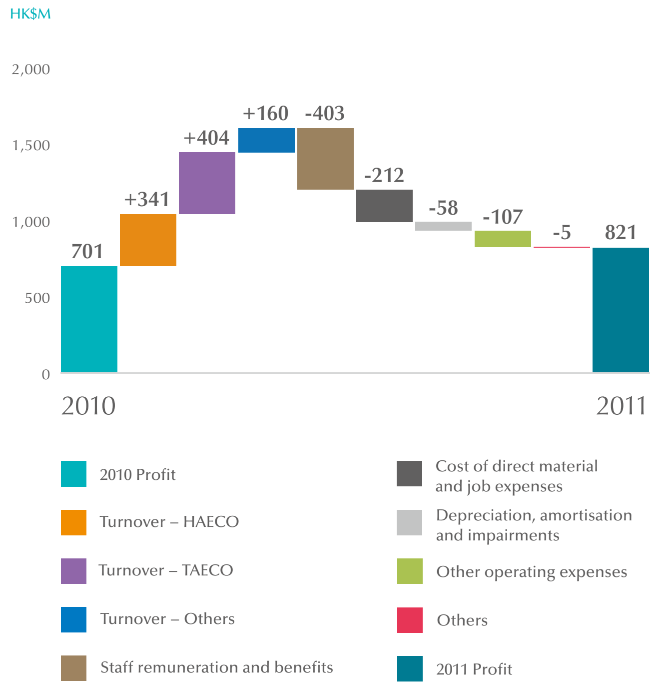
The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO) and in Xiamen (by HAECO's subsidiary company, Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO")).

Engine overhaul work is performed by HAECO's jointly controlled company Hong Kong Aero Engine Services Limited ("HAESL") and by HAESL's jointly controlled company Singapore Aero Engine Services Limited ("SAESL").

2011 Results Summary

The HAECO group's profit attributable to shareholders was HK$821 million in 2011, an increase of 17% or HK$120 million compared with the corresponding figure for 2010. The results of HAECO and TAECO improved, especially in the first half of 2011. The results of HAESL benefited from more work being done per engine. The other subsidiaries and joint ventures in Mainland China continued to make losses.

HAECO Group – Movement in Attributable Profit



Financial Highlights

HAECO Group

	2011 HK$M	2010 HK$M	Change %
Turnover			
HAECO	**3,307**	2,966	+11%
TAECO	**1,581**	1,177	+34%
Others	**283**	123	+130%
Net operating profit	**525**	389	+35%
Profit attributable to the Company's shareholders			
HAECO	**381**	327	+17%
TAECO	**98**	53	+85%
Share of profit/(loss) of:			
HAESL and SAESL	**415**	380	+9%
Other subsidiaries and jointly controlled companies	**(73)**	(59)	-24%
Total	**821**	701	+17%
Swire Pacific share	**615**	442	+39%

Key Operating Highlights

HAECO Group

		2011	2010	Change %
Base maintenance manhours sold – HAECO	Million	**3.00**	2.74	+9.5%
Base maintenance manhours sold – TAECO	Million	**3.42**	2.52	+35.7%
Line maintenance movements handled – HAECO	Average per day	**306**	278	+10.1%

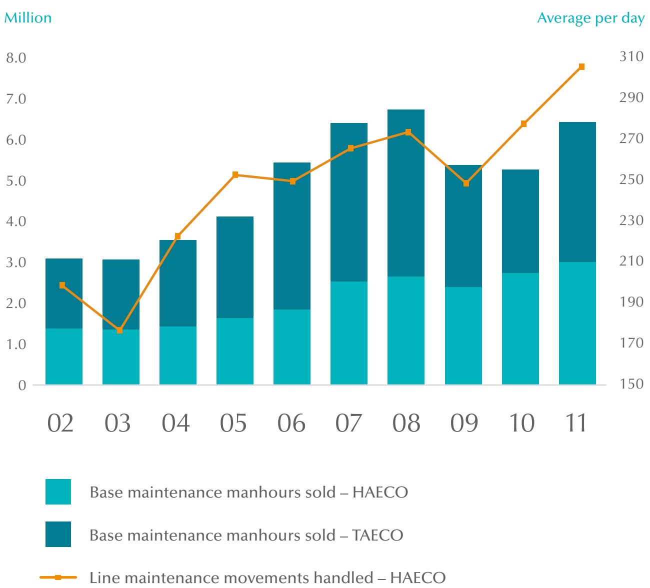
HAECO

HAECO recorded a 17% increase in attributable profit in 2011 to HK$381 million. Manhours sold by HAECO for heavy maintenance increased from 2.74 million in 2010 to 3.00 million in 2011. The increase reflected strong demand. Approximately 71% of the work was for airlines based outside of Hong Kong.

Demand for HAECO's line maintenance services in Hong Kong increased in line with the increase in aircraft movements at Hong Kong International Airport. The average daily number of aircraft movements handled by HAECO increased by 10% to 306 per day in 2011 from 2010.

HAECO's operating expenses increased by 10% to HK$2,916 million, in line with the growth in business.

HAECO Group – Key Operating Highlights



TAECO

TAECO recorded an 85% increase in attributable profit in 2011 to HK$98 million. This reflected better utilisation of its hangars, particularly in the first half of 2011. Manhours sold for heavy maintenance increased from 2.52 million in 2010 to 3.42 million in 2011. TAECO's line maintenance operations also improved. Aircraft movements handled by TAECO at the four airports at which it provides line maintenance services (Xiamen, Beijing, Tianjin and Shanghai) increased by 18% in 2011.

TAECO's operating expenses increased by 32% to HK$1,456 million.

HAESL and SAESL

HAESL recorded a 9% increase in profit to HK$773 million. This principally reflected more work being done per engine.

SAESL, in which HAESL has a 20% interest, recorded a 13% growth in profit in 2011.

Other Subsidiaries and Jointly Controlled Companies

The increased losses from other subsidiaries and jointly controlled companies are principally due to the costs of developing capabilities in their operations in Mainland China, high wage inflation, the strength of the Renminbi and increased competition.

Key Developments

TAECO was approved by Airbus as a corporate and executive jet cabin completion centre in March 2011 – the first such approved centre in the Asia Pacific region. TAECO was also approved by Boeing as a business jet VIP completion centre in October 2011.

HAECO staff are trained to provide a wide range of maintenance services.

TAECO opened its sixth wide-body double bay hangar at Xiamen in June 2011.

HAESL opened its component repair centre of excellence facility, a 13,500 square metre extension to its existing component repair facility, in June 2011.

Taikoo Engine Services (Xiamen) Company Limited completed an extension to its engine overhaul facility in June 2011.

Taikoo Sichuan Aircraft Engineering Services Company Limited's construction of a second hangar has been approved. Construction is expected to commence in 2012.

In November 2011, HAECO entered into a Memorandum of Understanding with Cathay Pacific to provide inventory technical management for the Cathay Pacific and Dragonair fleets.

In December 2011, the HAECO group acquired a 49% shareholding in a provider of line maintenance in Shanghai. The provider was renamed Shanghai Taikoo Aircraft Engineering Services Company Limited.

Outlook

The aviation industry is being affected by instability and uncertainty in the world's major economies. However, demand for HAECO's heavy and line maintenance services in Hong Kong is expected to remain strong in 2012. HAECO will seek to develop its inventory technical management and component and avionics overhaul businesses. HAESL is expected to perform well in 2012. TAECO and the joint ventures in Mainland China are expected to continue to be adversely affected by high wage inflation, the strength of the Renminbi and increased competition.

Augustus Tang

Beverages Division

Delivering More Enjoyment

From manufacturing to marketing, from bottling to distribution, Swire Beverages is a strategic partner to Coca-Cola, one of the world's largest beverage companies.


SWIRE COCA-COLA

Beverages Division

The Beverages Division has the right to manufacture, market and distribute the products of The Coca-Cola Company in Hong Kong, Taiwan, seven provinces in Mainland China and an extensive area of the western USA.

The strategic objective of Swire Beverages is to be a first class supplier of non-alcoholic beverages in its developed and emerging markets. The strategies employed in order to achieve this objective are these:

- Extending the availability and improving the market execution of our beverage brands.
- Building relationships with customers by providing a level of service that is valued by them and creates value for them.
- Effective management of revenues.
- Ensuring that suppliers provide high quality goods and services in a cost efficient manner.
- Attracting, engaging and retaining the best people, making them feel valued and motivating them to perform to the best of their ability.
- Engaging with the communities in which it operates and seeking to reduce the environmental impact of its operations, with a particular focus upon water conservation.

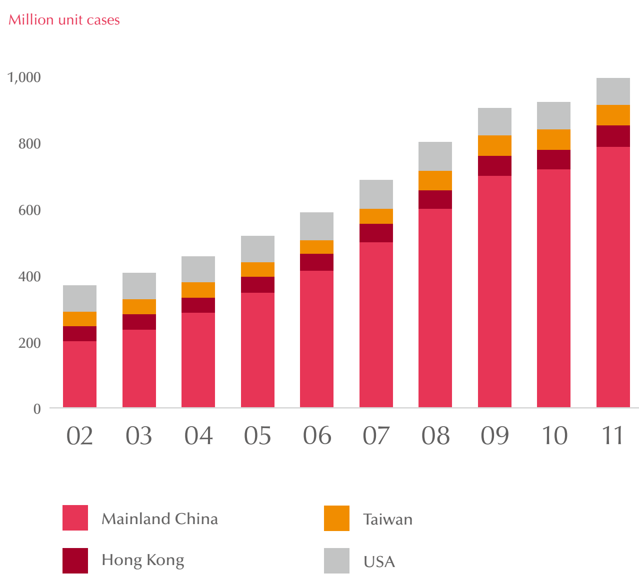
2011 Results Summary

Swire Beverages

Swire Beverages made an attributable profit of HK$657 million in 2011, a 6% decrease from 2010. Excluding a profit of HK$40 million on the sale of long-term investments from the 2010 result, attributable profit declined marginally by HK$2 million or 0.3%.

Overall sales volume grew by 8% to 995 million unit cases compared with 2010. Volume grew in Mainland China and Hong Kong and declined marginally in the USA and Taiwan. Profit margins improved in Mainland China due to higher prices and an improved sales mix. In other markets, price increases (where these were possible) and improvements in the sales mix were insufficient to offset the effect of raw material cost increases.

Sales Volume



Financial Highlights

	2011 HK$M	2010 HK$M
Turnover	**9,223**	8,554
Operating profit	**533**	618
Share of post-tax profits from jointly controlled and associated companies	**302**	334
Attributable profit	**588**	699

Segment Information

	Turnover		Attributable Profit/(Loss)	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Mainland China*	**1,854**	1,523	**265**	203
Hong Kong	**2,046**	1,883	**164**	173
Taiwan	**1,600**	1,561	**18**	48
USA	**3,723**	3,587	**223**	250
Central costs	**–**	–	**(13)**	25
Swire Beverages	**9,223**	8,554	**657**	699
Campbell Swire	**–**	–	**(69)**	–
Beverages Division	**9,223**	8,554	**588**	699

* Mainland China turnover is attributable mainly to the Fujian Coca-Cola franchise. The division also has jointly controlled interests in six franchises in Mainland China, the total turnover of which was HK$14,911 million (2010: HK$11,942 million). The division has an associated interest in a manufacturing company that supplies still beverages to all Coca-Cola franchises in Mainland China, the turnover of which, excluding sales to the seven franchises, was HK$5,659 million (2010: HK$4,287 million). The sales volume for Mainland China shown in the chart on page 50 represents sales in the seven franchises only.

Mainland China

2011 Results

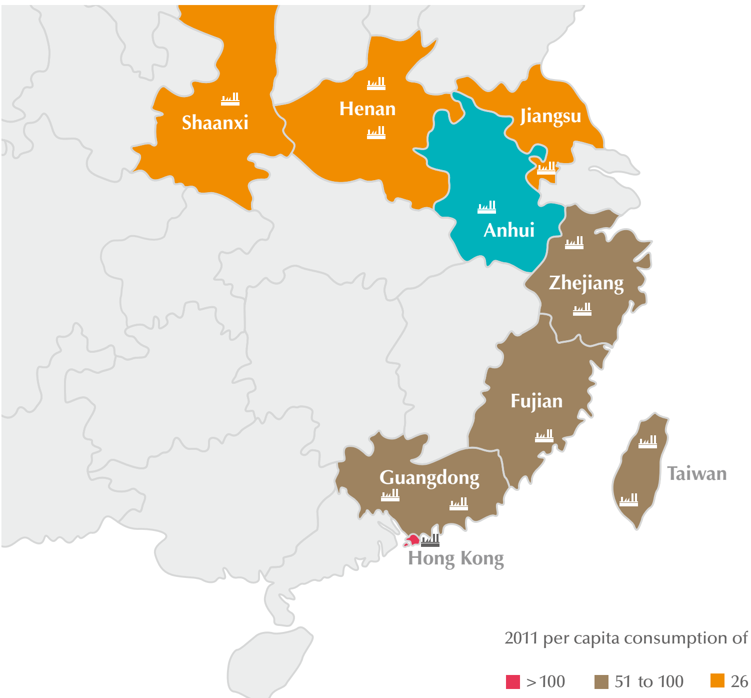
Attributable profit from the Mainland China operations was HK$265 million, a 31% increase from 2010. Sales volumes increased by 10%, with all franchise areas performing strongly. This strong performance reflected better weather, focused sales efforts on core brands and stronger consumer marketing promotions. Sparkling sales volumes increased by 10%. Still sales volumes increased by 10%, which comprised a 13% increase in juice sales volumes partially offset by a decrease, reflecting competitive pressures, in tea sales volumes. Sales revenue growth of 19% exceeded volume growth due primarily to an improvement in the sales mix and higher prices.

Margins improved by 13% per unit case. Raw material costs increased by 7% per unit case or HK$2,067 million in total despite efficiency savings. The effect of cost increases was more than offset by an improved sales mix and higher prices. Sales of higher margin single serve items grew by 4% by volume and represented 50% of total sales volumes.

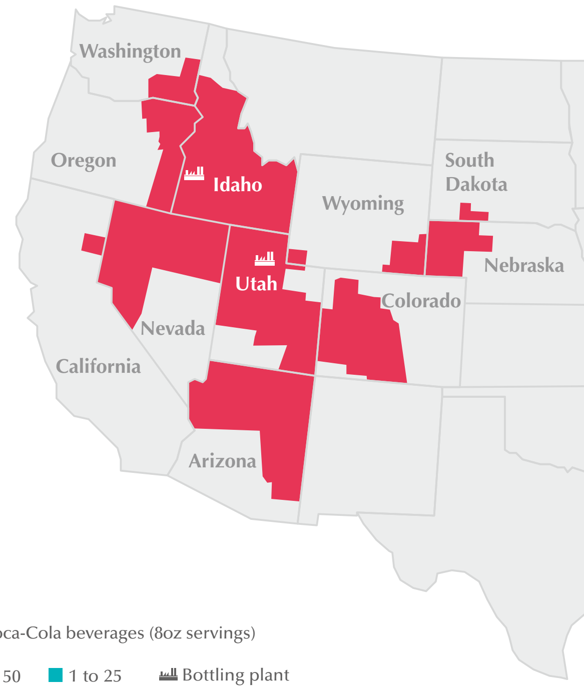
Swire Beverages added 235 new products to its portfolio in 2011 to meet the needs of its franchise population of over 460 million people.

Franchise Territories

Greater China



USA



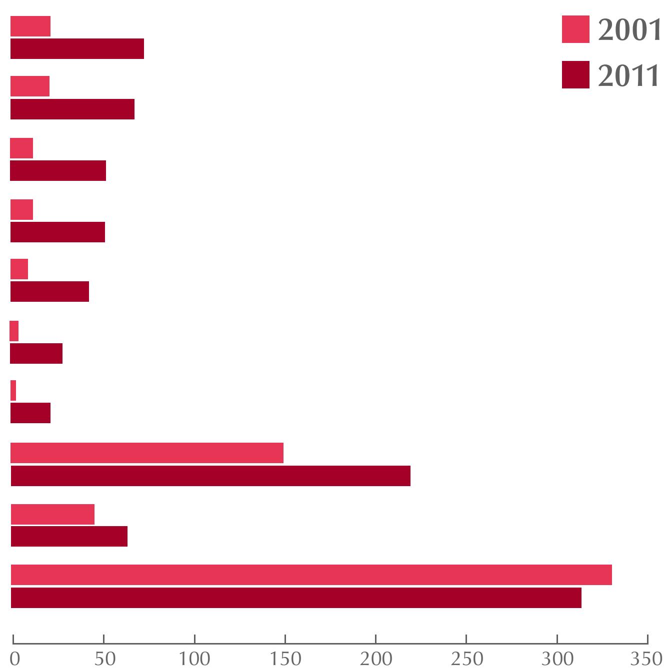
2011 per capita consumption of Coca-Cola beverages (8oz servings)

■ > 100 ■ 51 to 100 ■ 26 to 50 ■ 1 to 25 Bottling plant

Per Capita Consumption in Franchise Territories

	Population (millions)	GDP per capita (US$)	Sales volume (million unit cases) 2011	2001
Mainland China				
Zhejiang	50.7	9,206	**154**	40
Guangdong	78.3	9,002	**206**	56
Fujian	37.1	6,421	**80**	17
Jiangsu	57.0	7,649	**119**	25
Shaanxi	37.5	4,927	**63**	13
Henan	94.0	4,559	**104**	15
Anhui	69.2	3,905	**62**	7
Hong Kong	7.1	33,299	**65**	43
Taiwan	23.2	19,690	**61**	42
USA	6.2	40,137	**81**	76

Per capita consumption of Coca-Cola beverages (8oz servings)



A twistable lightweight Ice Dew water bottle was introduced in Mainland China in 2011, using 35% less plastic than its predecessor and reducing the recycling space the bottle occupies by 70%. Closed-loop PET bottles were also introduced using 10% recycled content.

Retail market conditions were strong, reflecting government support for domestic consumption growth. Sales growth was supported by concentrating on restaurant outlets and extending distribution in rural areas.

Eight new production lines were installed in Mainland China, six by the associated company responsible for manufacturing still beverages.

Hong Kong

2011 Results

Attributable profit from the Hong Kong operations was HK$164 million, a 5% decrease from 2010.

Sales volumes increased by 7% compared to a 0.4% increase in the total beverage market. Sparkling sales grew by 7% and benefited from the growth of the Schweppes +C sparkling lemon drink that was launched in late 2010. Still sales increased by 7%, with satisfactory growth in the core beverage categories, supplemented by the effect of the launch of Aquarius, a sports drink.

Margins fell by 3% per unit case. Raw material costs increased by 7% per unit case. This increase more than offset the favourable effect of improvements in the sales mix and higher prices, which in turn reflected an increase in the number of package types, such as increase being intended to enable different prices to be charged in different sales channels.

Aquarius was introduced into the Hong Kong market in July 2011.

Swire Beverages has 15 bottling plants in Mainland China, Hong Kong, Taiwan and the USA.

There was little change in total volumes sold in the Hong Kong market. Sales for immediate consumption benefited from growth in the number of tourists. This was offset by weaker sales for home consumption.

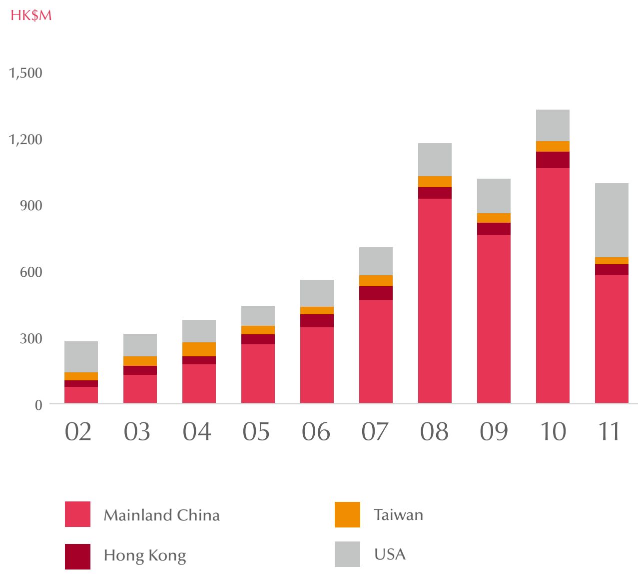
Taiwan

2011 Results

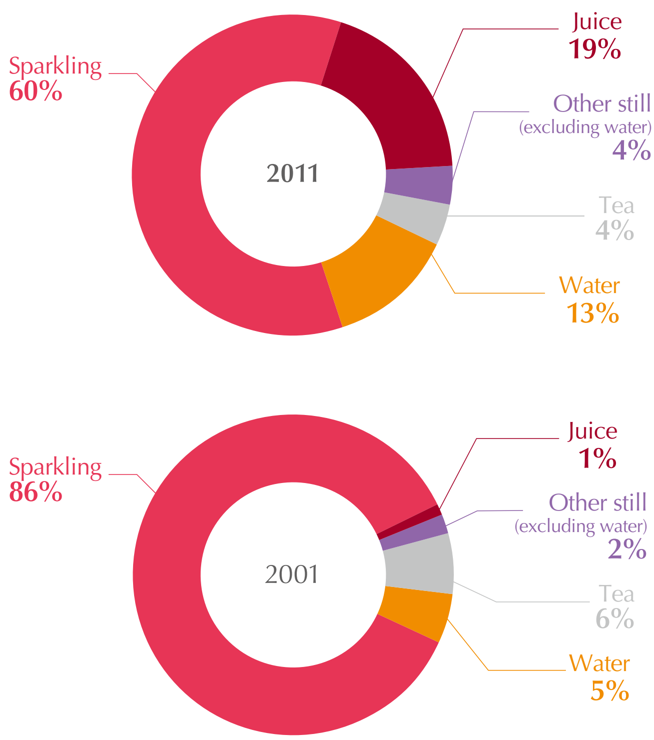
Attributable profit from the Taiwan operations was HK$18 million, a 63% decrease from 2010.

Sales volumes decreased by 1% compared with 2010. Consumer confidence was weak and peak season summer sales were badly affected by a food ingredient scandal, which did not directly involve any Coca-Cola products. The adverse market conditions made it difficult to increase prices in order to offset the effect of increased raw material costs.

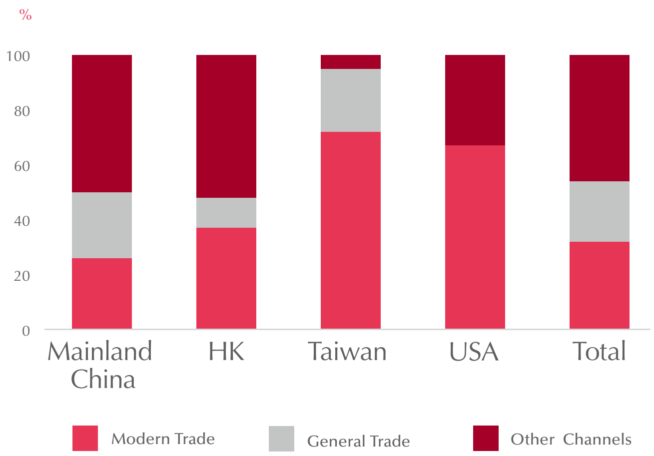
Capital Expenditure by Operation



Breakdown of Total Volume by Category



Breakdown of Total Volume by Channel



The decreased profit reflected in part a restructuring charge of HK$24 million. This charge was incurred in order to reduce costs in response to the challenging operating environment.

USA

2011 Results

Attributable profit from the US operations was HK$223 million, an 11% decrease from 2010.

Sales volumes were down marginally by 0.5%. This reflected an adverse economic environment, poor weather in the early summer and reduced promotional activity by key retailers. Sparkling sales volumes were down by 5%. Still sales volumes were up by 15%.

Margins per unit case were in line with 2010. Raw material costs increased by 7% per unit case. The effect of cost increases was offset by an improved sales mix and higher prices.

The US company has started an expansion of its warehousing capacity (which will include automated handling capability) in Salt Lake City. The project will cost HK$340 million and is expected to improve efficiency from 2013.

Outlook

The growth of the Mainland China economy (particularly of manufacturing exports) is expected to slow in 2012. This may affect beverage sales in the southern and eastern provinces as they will be more affected than other areas by the expected slowdown. Overall prospects for growth in beverage sales are nevertheless considered favourable, particularly in rural areas and the central provinces due to government policies to encourage domestic consumption in less developed regions. The rate of increase in raw material costs is expected to slow. However, the effect of increases in 2011 will continue to be felt in 2012, so increasing revenue and controlling costs will remain a critical focus.

Taiwan is expected to recover from the difficult trading conditions of 2011. Hong Kong has potential for growth through continued expansion into new drink categories.

Because the US population is young and growing the medium term prospects in the US are good. However, the 2012 results will be affected by the weakness of the economy and the difficulty of raising prices.

Campbell Swire

The joint venture with The Campbell Soup Company was established in January 2011 to manufacture, sell and distribute soup and broth products in Mainland China. Swire Foods Holdings Limited (a wholly-owned subsidiary of Swire Pacific Limited) has a 40% shareholding. An attributable loss of HK$69 million was incurred in 2011. This was in line with expectations.

Outlook

Campbell's local recipe soups will have expanded distribution in Shanghai and northern provinces in 2012. Swanson's broth will be introduced in affordable sachets. Marketing and distribution of ready-to-drink soup (a new concept in Mainland China) will remain the focus.

Geoff L Cundle

Marine Services Division

Extending Best Practice

From offshore support to ship repair, from environmental services to towage, Swire Pacific's Marine Services Division has one of the most modern, high specification fleets in the business.


PACIFIC PYTHON

Marine Services Division

The Marine Services Division, through the Swire Pacific Offshore group ("SPO"), operates a fleet of specialist vessels supporting the offshore energy industry in every major offshore production and exploration region outside North America. The division also has jointly controlled interests, through the Hongkong United Dockyards group ("HUD"), in ship repair and harbour towage services in Hong Kong.

The strategic objective of the Marine Services Division is to maintain and strengthen (i) Swire Pacific Offshore's position as a leader in the offshore energy supply industry and (ii) HUD's strong position in ship repair and harbour towage services in Hong Kong. The strategies employed in order to achieve this objective are these:

- Substantial and continuous investment by Swire Pacific Offshore in new vessels, especially those designed to operate in deeper waters, where the fastest growth in oil and gas exploration is expected.
- Selective investment in the provision of complementary marine services with a view to increasing returns from Swire Pacific vessels.
- A commitment to operational excellence and to maintaining and enhancing high standards of service to customers, including by placing major emphasis on safety and training.
- Strengthening the global and local network of Swire Pacific Offshore, both by entry into new areas and by developing the network in existing areas.
- Doing business through operating commercial joint ventures where necessary or appropriate.
- Diversifying into the servicing of offshore wind farm developments (as an end in itself and as a contribution to the development of sustainable energy).
- Maintaining an appropriate level of investment by HUD in new vessels and facilities.

Financial Highlights

	2011 HK$M	2010 HK$M
Swire Pacific Offshore group		
Turnover	**3,505**	3,046
Operating profit	**819**	732
Attributable profit	**785**	709
Share of post-tax profits from jointly controlled companies		
HUD group	**78**	82
Attributable profit	**863**	791

Fleet Size

	2011	2010
Fleet size (number of vessels)		
Swire Pacific Offshore group	**77**	76
HUD group – Hongkong Salvage & Towage	**19**	17
Total	**96**	93

2011 Results Summary

The attributable profit of the Marine Services Division in 2011 was HK$863 million, an increase of 9% from 2010.

Swire Pacific Offshore Group

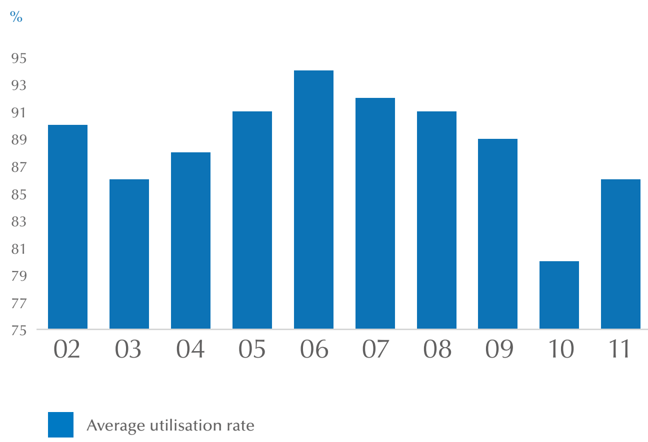
2011 Results

SPO reported an attributable profit of HK$785 million in 2011, an increase of 11% compared to 2010. The result includes a profit of HK$79 million on the disposal of seven vessels in the year. Disregarding this capital profit and the impairment of HK$57 million recorded in 2010, the attributable profit fell by 8% compared to 2010.

During the year, eight new vessels were delivered, consisting of five P-class 4,800 brake horse power ("BHP") anchor handling tug supply ("AHTS") vessels, one C-class 16,310 BHP AHTS vessel, one H-class 11,500 BHP platform supply vessel ("PSV") and one seismic survey vessel. The contribution from these new vessels was HK$59 million. In line with SPO's strategy of phasing out its older tonnage, seven older vessels were sold during the year. The fleet size at 31st December 2011 was 77 vessels.

2011 saw a gradual improvement in the offshore energy market. Oil prices of more than US$100 per barrel supported an increase in exploration and production commitments by

SPO – Average Utilisation Rates



SPO – Fleet Size Growth

Vessel class	Brake horse power	Vessels in operation 2010	Additions 2011	Disposals 2011	Year-end 2011	Vessels expected to be received in: 2012	2013	2014	2015
Anchor Handling Tug Supply Vessels									
J-class	2,600-4,200	11	–	4	7	–	–	–	–
T-class	3,600-4,000	4	–	–	4	–	–	–	–
P-class	4,800-4,830	11	5	–	16	–	–	–	–
S-class	5,440	4	–	–	4	–	–	–	–
6000 series	6,000-6,500	2	–	1	1	–	–	–	–
UT704	8,000-9,000	2	–	1	1	–	–	–	–
R-class	7,100-7,210	8	–	–	8	–	–	–	–
V-class	8,810	10	–	–	10	–	–	–	–
W-class	10,800	8	–	–	8	–	–	–	–
B-class	12,240	6	–	–	6	–	–	–	–
C-class	16,310	–	1	–	1	1	2	–	–
D-class	17,860-18,250	–	–	–	–	2	3	3	–
Platform Supply Vessels									
A-class	6,310	5	–	–	5	–	2	4	4
H-class*	11,500	–	1	–	1	–	1	6	1
Ice Breaking Supply Vessels									
E-class*	23,170	3	–	–	3	–	–	–	–
Seismic and Hydrographic Survey Vessels									
Survey	5,000-7,720	2	1	1	2	–	–	–	–
Accommodation Barges									
I-class		–	–	–	–	2	–	–	–
Wind Farm Installation Vessels									
O-class	32,900	–	–	–	–	2	–	–	–
Inspection, Maintenance and Repair Vessel**		–	–	–	–	1	–	–	–
		76	8	7	77	8	8	13	5

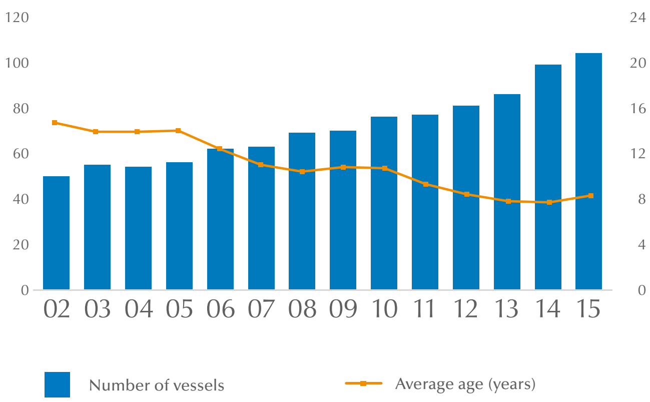
* SPO's fleet includes one H-class vessel and one E-class vessel chartered from external parties. The H-class vessel was delivered during 2011.

** Vessel owned by Seabed AS, which was acquired by SPO in February 2012.

SPO – Profile of Capital Commitments

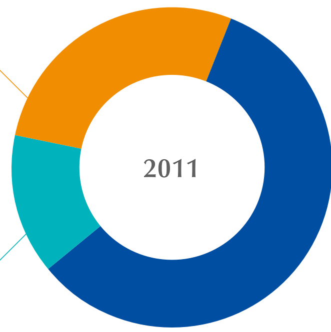
	Expenditure 2011 HK$M	Forecast year of expenditure 2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M	Commitments at 31st Dec 2011 HK$M
Vessels	**2,930**	6,370	3,212	2,994	857	**13,433**
Other fixed assets	**62**	33	2	1	–	**36**
Total	**2,992**	6,403	3,214	2,995	857	**13,469**

SPO – Fleet Size and Average Age of Vessels*



* Includes two vessels chartered from external parties

SPO – Turnover by Region



SPO is strongly committed to safety, reliability and quality.

the oil majors. However, the over-supply of new tonnage entering the industry continued to restrict the recovery in charter hire rates.

Average daily charter hire rates for SPO's vessels were 11% higher than in 2010. The average fleet utilisation during the year was 86%, six percentage points higher than in 2010, with total charter hire revenue in 2011 increasing by 15%.

Total operating costs increased by HK$496 million. This was mainly due to an increase in manning costs as well as the cost of chartering vessels from external parties.

Total capital expenditure on new vessels and other fixed assets in 2011 amounted to HK$2,992 million, compared to HK$1,328 million in 2010.

SPO – LTIR

No. of injuries per 100 full-time equivalent employees

During 2011, SPO committed to purchase an additional 27 vessels. This comprised a second wind farm installation vessel for delivery in late 2012, four C-class AHTS vessels, one of which has been delivered and the remaining three of which will (subject to negotiations with the insolvency officer of the shipyard building them) be delivered in 2012 and 2013, four D-class AHTS vessels for delivery in 2013 and 2014, and eight H-class and ten A-class PSVs for delivery between 2013 and 2015. These commitments reflect SPO's strategy of rebalancing the fleet between AHTS vessels and PSVs and focusing the new building programme on vessels capable of operating in deeper waters, where demand is expected to be greatest.

Outlook

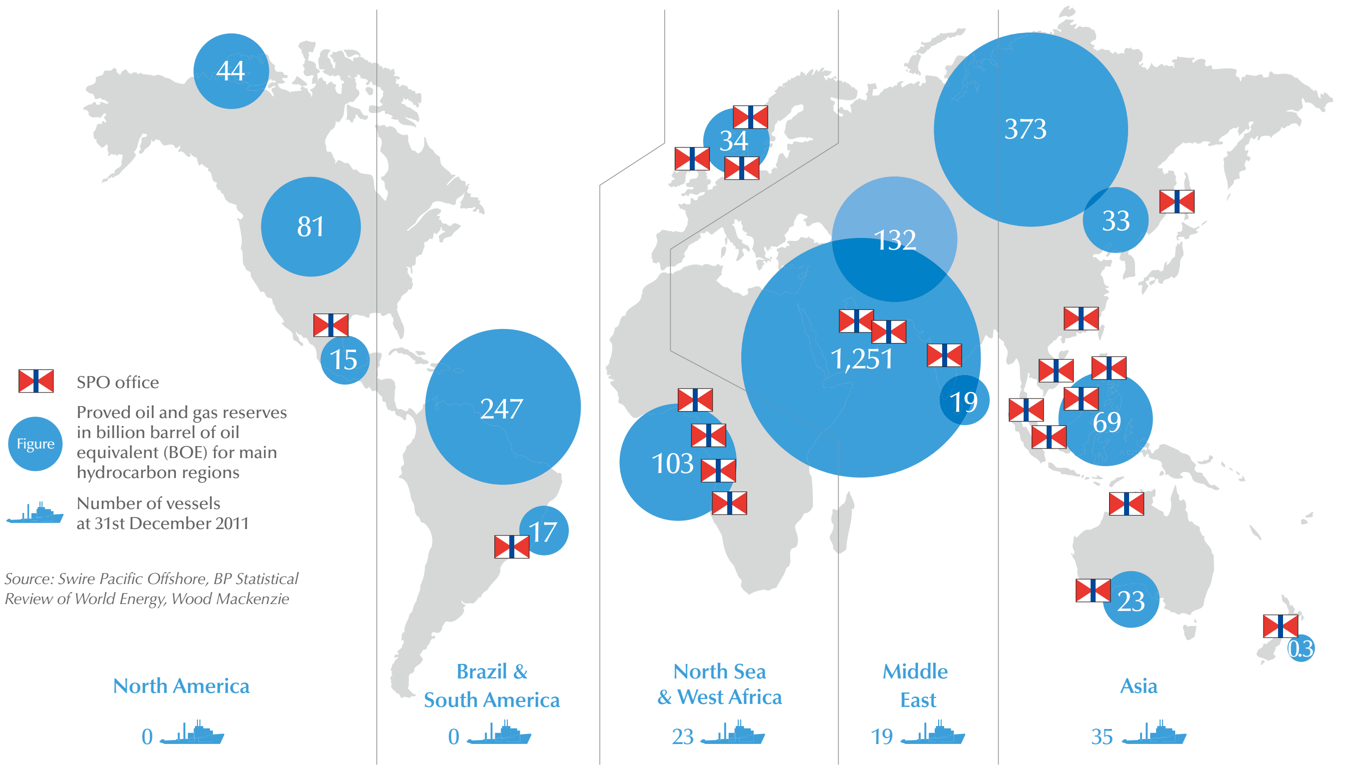
SPO's charter hire and utilisation rates are expected to improve in 2012 as exploration and production spending by energy companies increases. SPO's 2012 results will also reflect the full-year contribution of vessels delivered in 2011 and the delivery of the first D-class and wind farm installation vessels.

In the longer-term, diminishing reserves and increasing consumption of oil and gas are expected to lead to increased exploration by energy companies in deeper waters. At the same time, there is growing demand by national governments for local participation in offshore supply vessel contracts. With the investments SPO is currently making in larger, more sophisticated vessels and in expanding its network of regional offices and joint ventures, SPO will be well positioned to face both of these developments.

41% of SPO's 2012 fleet capacity was pre-booked at 31st December 2011.

The I-Class accommodation barge has 236 single berth cabins, a gymnasium and a cinema.

SPO – Global Footprint



Source: Swire Pacific Offshore, BP Statistical Review of World Energy, Wood Mackenzie

In December 2011, SPO took delivery of Pacific Python, the last of eight new "P Class" Anchor Handling Tug Supply vessels built for SPO in Mainland China.

In January 2012, SPO acquired a 70% controlling interest in Altus Logistics Pte. Ltd., a Singapore-based logistics group focused on the oil and gas industry. In February 2012, SPO completed the acquisition of a 100% interest in Seabed AS, a Norwegian company which specialises in providing inspection, maintenance and repair services to the offshore oil and gas industry. The two acquisitions will enable SPO to provide a more comprehensive range of services to offshore energy customers, and will give SPO access to a number of new markets.

Hongkong United Dockyards ("HUD") Group

The HUD group, jointly owned by Swire Pacific and Hutchison Whampoa, provides harbour and sea-going ship repair and general engineering services from its facilities on Tsing Yi Island, Hong Kong. The group's salvage and towage division, operating as Hongkong Salvage & Towage ("HKST"), is the largest towage operator in Hong Kong, operating 13

Pacific Assegai, a platform supply vessel operated by SPO, reached an important milestone in 2011: no lost time injuries for more than four years and no recordable safety incidents for more than two years.

tugs. HKST also manages six container vessels which are on long-term contracts to transport refuse for the Hong Kong Government.

2011 Results

The attributable profit of the HUD group for 2011 was HK$78 million compared to a comparable 2010 figure of HK$82 million.

The ship repair division recorded a loss (before tax and interest) for 2011 of HK$5 million, compared with a profit of HK$12 million in 2010. Margins declined as operating costs (particularly labour costs) increased but prices, reflecting the difficult economic background and increased competition, did not.

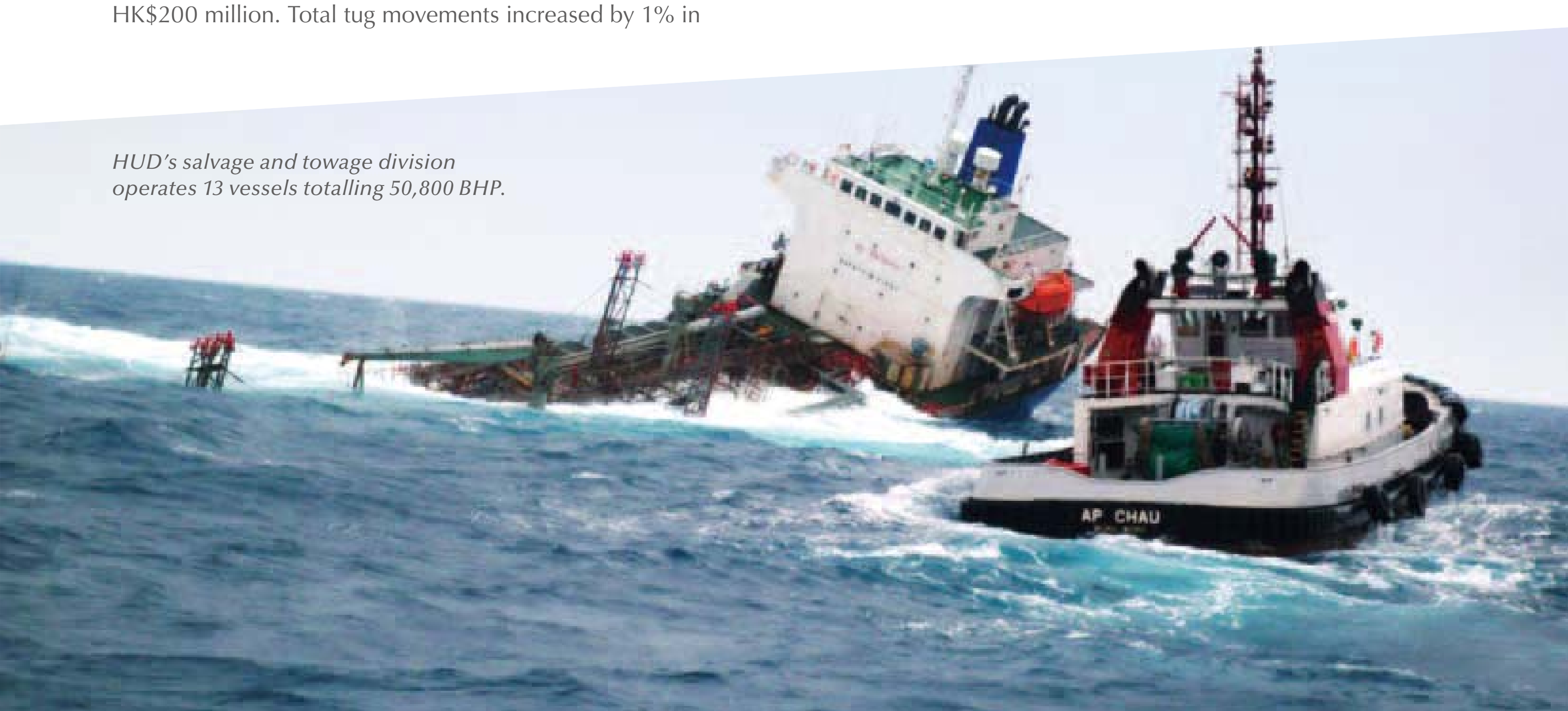
In 2011, HKST's profit (before tax and interest) was HK$210 million, compared with the corresponding 2010 figure of HK$200 million. Total tug movements increased by 1% in 2011, with those at container terminals increasing by 5%. The first two (of four) 5,000 BHP tugs were delivered in September and November of 2011. The other two will be delivered in 2012.

Outlook

2012 is expected to be another difficult year for the shipping industry and consequently for the ship repair division. Operating costs are expected to remain high and it will be difficult to increase prices.

Tug movements are expected to be similar to those in 2011. HKST will continue to position itself as the market leader for tug operations in Hong Kong.

J B Rae-Smith



HUD's salvage and towage division operates 13 vessels totalling 50,800 BHP.

Growing Our Portfolio

From sports apparel and automotive trading to paint and sugar, the Trading & Industrial Division is adept at exploiting the sales potential of multiple brands.


WOB GO 209

Trading & Industrial Division

The Trading & Industrial Division has interests in a number of wholly-owned companies and jointly controlled companies, comprising:

- Swire Resources group – distribution and retailing of sports and casual footwear and apparel in Hong Kong and Mainland China
- Taikoo Motors group – distribution and retailing of motor vehicles in Taiwan and Hong Kong
- Taikoo Sugar – packaging and selling sugar products in Hong Kong and Mainland China
- Akzo Nobel Swire Paints – manufacture and distribution of paint in Hong Kong and Mainland China

The strategic objective of the Trading & Industrial Division is to develop and strengthen the trading and industrial businesses which it operates. The strategies employed in order to achieve this objective are these:

- Strengthening the capability of Swire Resources in the distribution of branded sports and apparel goods in the Greater China region, including by expanding the range and quality of those branded goods.
- Continuing to increase the number of retail outlets operated by Swire Resources, particularly in Mainland China.
- Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to the portfolio of brands represented and expanding into Mainland China.
- Increasing the volume of sugar sold by Taikoo Sugar, particularly by further investment in its facilities and distribution capabilities in Mainland China.
- Expanding the distribution network of Akzo Nobel Swire Paints in smaller cities and towns in Mainland China.

Financial Highlights

	2011 HK$M	2010 HK$M
Turnover		
Swire Resources group	**2,914**	2,135
Taikoo Motors group	**5,336**	3,588
Taikoo Sugar	**732**	594
Other subsidiary companies	**–**	4
	8,982	6,321
Operating profits/(losses)		
Swire Resources group	**192**	183
Taikoo Motors group	**121**	125
Taikoo Sugar	**(2)**	5
Other subsidiary companies and central costs	**(29)**	(14)
	282	299
Attributable profits/(losses)		
Swire Resources group*	**149**	177
Taikoo Motors group	**93**	89
Taikoo Sugar	**(3)**	5
Other subsidiary companies and central costs	**(30)**	(14)
	209	257

* Including share of post-tax profits from jointly controlled and associated companies within the Swire Resources group shown below.

	2011 HK$M	2010 HK$M
Share of post-tax profits from jointly controlled and associated companies		
Swire Resources group	**2**	35
Akzo Nobel Swire Paints	**130**	114
CROWN Beverage Cans group	**–**	56
	132	205
Attributable profit (excluding profit on sale of interest in PUMA & CROWN Beverage Cans group)	**339**	427
Profit on sale of interest in CROWN Beverage Cans group	**–**	771
Profit on sale of interest in PUMA	**148**	–
Attributable profit	**487**	1,198

Key Operating Highlights

	2011	2010
Shoes sold (millions of pairs)**	**2.8**	3.1
Items of apparel sold (millions)**	**3.9**	5.3
Retail outlets in Hong Kong	**160**	125
Retail outlets in Mainland China	**109**	87
Vehicles sold:		
– to third party distributors	**9,534**	6,768
– to retail customers	**6,559**	4,525
Motorbikes sold	**2,007**	350
Sugar sold (millions of pounds):		
– to bulk users	**170.7**	177.5
– to retail and catering users:		
– Hong Kong	**16.3**	14.8
– Mainland China	**26.0**	20.6

** The 2010 figures include 0.8 million pairs of shoes and 2.0 million items of apparel sold by the PUMA associate.

2011 Results Summary

Attributable profit from the Trading & Industrial Division in 2011 decreased by 59% to HK$487 million. Excluding the gain on disposal of the Group's interest in PUMA in January 2011 of HK$148 million and the HK$771 million gain on disposal of its interest in CROWN Beverage Cans group in 2010, profit decreased by 21% to HK$339 million. The decrease principally reflected the absence of contributions from PUMA as the interest was sold in January 2011 and CROWN Beverage Cans group which was sold in the second half of 2010.

Swire Resources Group

The Swire Resources group distributes and retails sports and casual footwear and apparel brands in Hong Kong and Mainland China. Swire Resources is a distributor for 17 brands in Hong Kong and six brands in Mainland China.

2011 Results

Attributable profit (excluding the gain on disposal of the interest in PUMA) for 2011 was HK$149 million, a decrease of 16% from 2010. Results from the multibrand store chains in Hong Kong and the distribution of Columbia products were very good. However, the effect of this was more than offset by the absence of a contribution from the PUMA associate and expenditure on acquiring and developing new distributorships.

In November 2011, the group acquired an 85% interest in the company which sells Chevignon denim products in Hong Kong and Mainland China under a long term licence agreement with the French owner of the brand. The group started to sell Repetto shoes in December 2011.

Turnover in Hong Kong was 26% higher than in 2010. The trading environment in Hong Kong was buoyant. Retail sales benefited from strong demand from visitors from Mainland China and prolonged cold weather in the first half of 2011. Margins benefited from less discounting and promotions, though this was partly offset by the effect of increased staff and occupancy costs. The group managed 160 retail outlets in Hong Kong at the end of 2011.

Swire Resources distributes and markets the denim brand Chevignon in Hong Kong and Mainland China.

Swire Resources opened its flagship Catalog store in Mainland China at Sanlitun Village, Beijing.

Turnover increased by 55% in Mainland China. This principally reflected increased sales of Columbia products. Gross margins declined as lower margin wholesale sales accounted for a higher proportion of total sales. The group managed 109 retail outlets in Mainland China at the end of 2011.

Outlook

The highly competitive and mature Hong Kong market will continue to be challenging. The strong competitive advantage enjoyed by the group's multibrand stores should be maintained.

In Mainland China, strong growth in sales of Columbia products is expected to continue. The costs of expanding the group's distribution network and of developing its portfolio of brands (in particular the newly acquired Chevignon brand) and its multibrand stores are expected to increase.

Taikoo Motors Group

The Taikoo Motors group imports and distributes vehicles under franchise agreements in Taiwan and Hong Kong.

2011 Results

Attributable profit of HK$93 million for 2011 was 4% higher than the comparable figure of HK$89 million for 2010. This increase in attributable profit reflects good growth in the car business in Taiwan, partly offset by the cost of developing sales of Vespa motor scooters in Taiwan and of developing the new Fiat and Alfa Romeo businesses in Hong Kong.

Taikoo Motors sold 16,093 cars and commercial vehicles in 2011, 43% more than in 2010. Total car registrations in the Taiwan market increased by 16% over 2010 to over 326,000 units.

Volkswagen passenger car sales in Taiwan increased by 24% over 2010 to 10,383 units.

2,047 Škoda cars were sold in Taiwan in 2011, compared with 795 in 2010 (the year in which Taikoo Motors took responsibility for the brand).

Taikoo Motors took responsibility for sales of Fiat and Alfa Romeo passenger cars in Hong Kong in the second half of 2011. 236 cars were sold in the remainder of the year.

2,064 Volkswagen light commercial vehicles were sold in Taiwan in 2011, 48% more than in 2010. The overall market for imported light commercial vehicles in Taiwan increased by 25%.

Sales of Volvo commercial vehicles in Taiwan increased by 20% compared to 2010. 248 Volvo trucks and buses were sold in the year.

Sales of Harley-Davidson motorcycles continued to grow. 500 units were sold in Taiwan, an increase of 43%.

Sales of Vespa scooters started in Taiwan in April 2011. 1,507 scooters were sold in the year.

The group operated 22 showrooms and 15 service centres at the end of 2011.

Outlook

Taikoo Motors is cautiously optimistic about the prospects for 2012, although growth may be affected by economic uncertainty. Volkswagen cars will remain Taikoo Motors' principal brand.

The group will continue to seek to broaden its product portfolio and geographical coverage. The costs of developing sales of new brands, including Fiat, Alfa Romeo and Vespa, and of expanding showrooms are expected to increase.

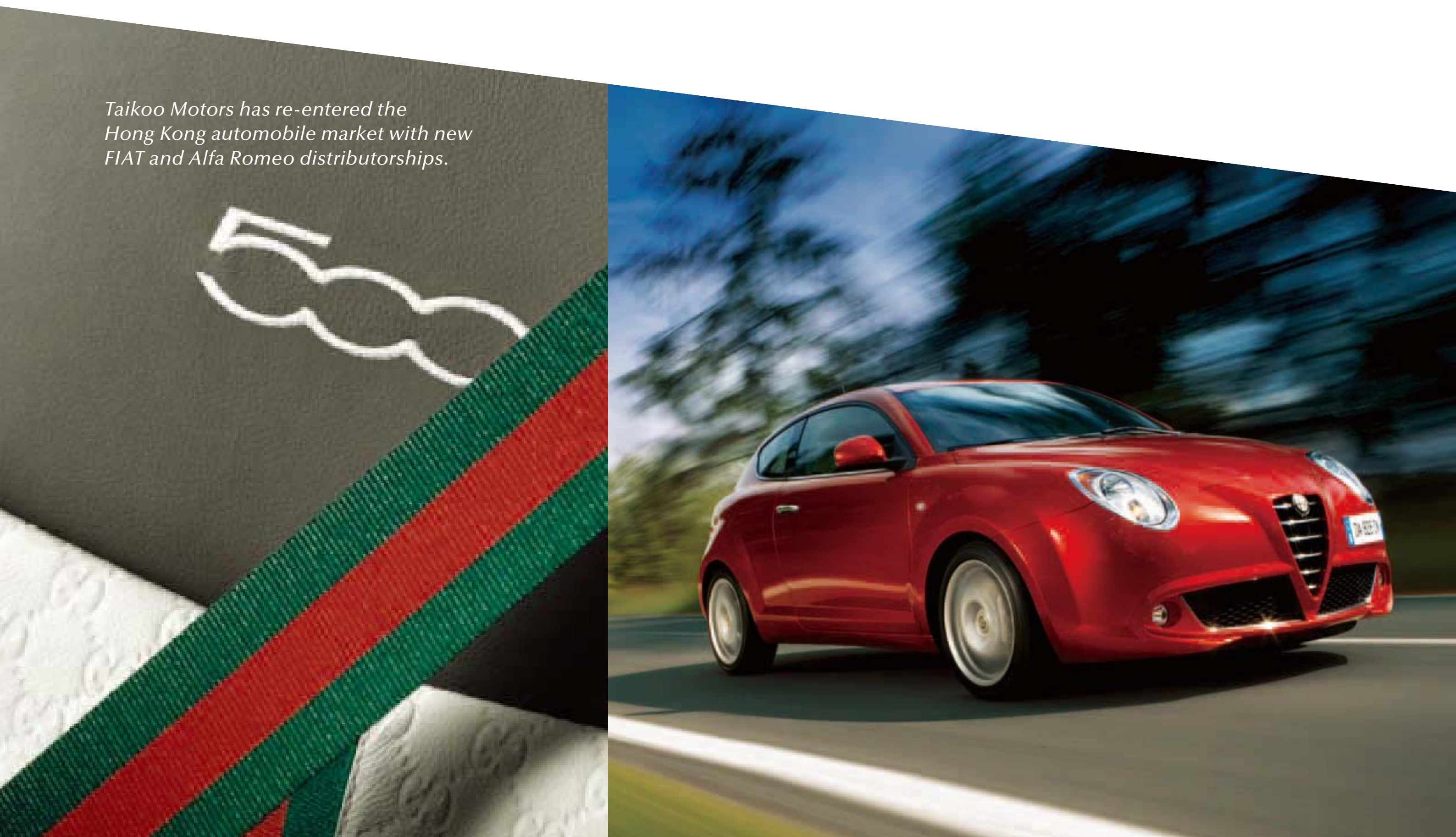
Taikoo Sugar

Taikoo Sugar packages and sells sugar to retail and catering customers in Hong Kong and Mainland China. It also sells sugar in bulk to industrial users.

2011 Results

Taikoo Sugar reported a loss of HK$3 million in 2011, compared to a profit of HK$5 million in 2010.

Taikoo Sugar sold 16.3 million pounds of sugar to retail and catering customers in Hong Kong, an increase of 10% compared with 2010. In Mainland China, Taikoo Sugar sold 26.0 million pounds of sugar in 2011, an increase of 26% compared with 2010. Profitability was adversely affected by high sugar costs in the first half of 2011. Price increases enabled Taikoo Sugar to offset part of the effect of high sugar costs in the second half of 2011.



Taikoo Motors has re-entered the Hong Kong automobile market with new FIAT and Alfa Romeo distributorships.

In 2011, Swire Resources launched the New Star Training Programme specially designed for new recruits with little or no relevant working experience. The seven-day programme equips staff with the skills and motivation to succeed.

A new packaging plant in Shanghai was opened during 2011, with the capacity to package 6.2 million pounds of sugar per annum. Taikoo Sugar sold sugar in 83 cities in Mainland China at the end of 2011.

Outlook

Taikoo Sugar plans to increase the number of cities in which it sells sugar in Mainland China to 113 in 2012 and to increase the volume of sales in Mainland China by 20%. Margins are expected to benefit from higher prices and a return to profitability is expected.

Akzo Nobel Swire Paints manufactures and distributes decorative paints in Mainland China and Hong Kong.

Akzo Nobel Swire Paints

Akzo Nobel Swire Paints consists of joint ventures with Akzo Nobel which manufacture and distribute decorative paints, primarily under the Dulux brand, in Mainland China and Hong Kong.

2011 Results

Attributable profit increased by 14% from 2010 to HK$130 million.

Sales volume grew by 16% from 2010, reflecting expansion of the distribution network into smaller cities and towns in Mainland China.

Gross margins decreased due to higher raw material costs and an adverse change in the product mix, with a higher proportion of lower margin products having been sold.

The Hong Kong market remained stable.

Outlook

Sales are expected to grow by over 10% in 2012 as a result of further network expansion. However, cost increases are expected to result in profits being similar to those of 2011.

J B Rae-Smith

2011 Sustainable
Development Review
and 2012 Aims

Our Sustainable Commitment

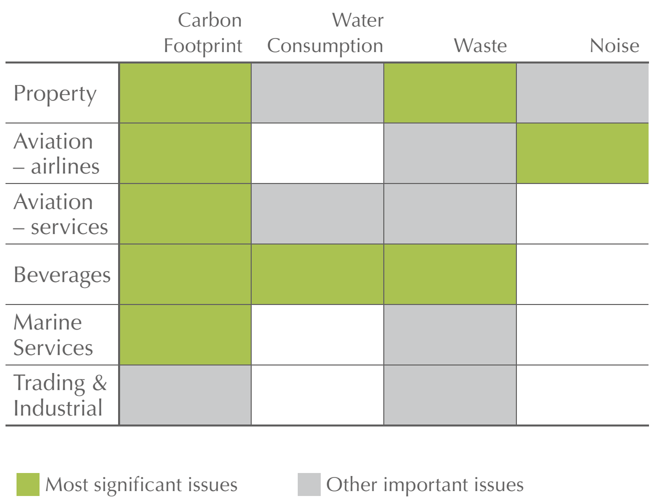
Focusing Our Commitment To Maximise Future Results

Environment

We believe that business growth should not come at the cost of the environment. We wish to protect the environment we work in, by encouraging our staff to work to this end, by using appropriate technologies and by funding appropriate research and development. Our ultimate goal for our operating companies is to achieve zero net impact on the environment. We aim to do this by investment, innovation and operational excellence.

In 2011:

- We established a carbon intensity target for our business units.
- We formed an energy committee to facilitate the exchange of environmental know how within the Group.

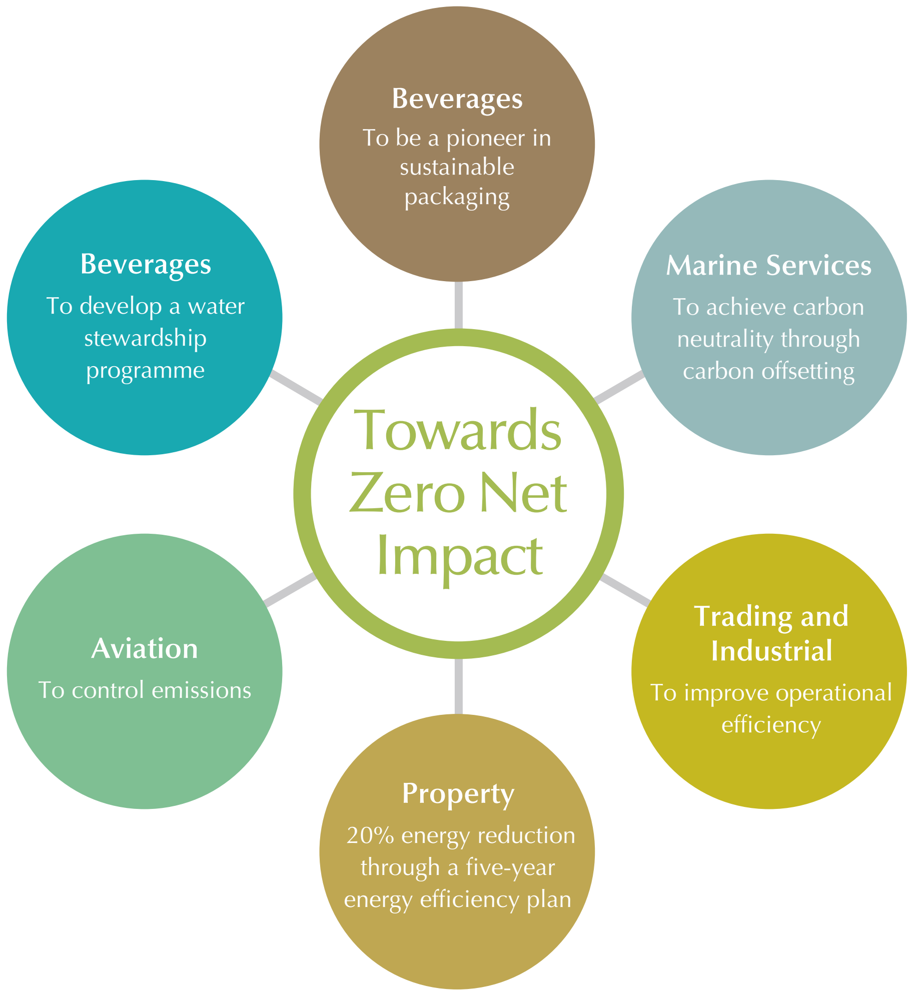


Sustainability

Spending money on sustainability is not just a cost. It is an investment in the long term success of our businesses. Sustainable practices do not just protect the environment. They make good business sense and are capable of generating long term value.

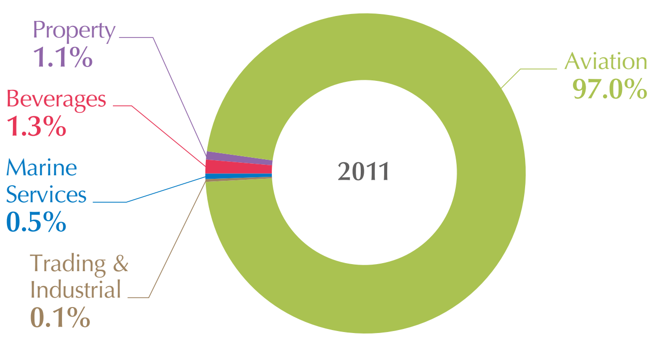
In 2011 we formed an energy committee within the sustainability committee to facilitate the exchange of environmental know how within the Group. Our sustainability-focused committees and working groups enable business units to share resources and best practices and to make plans for the attainment of our zero net environmental impact goal.

Our Environment Strategy



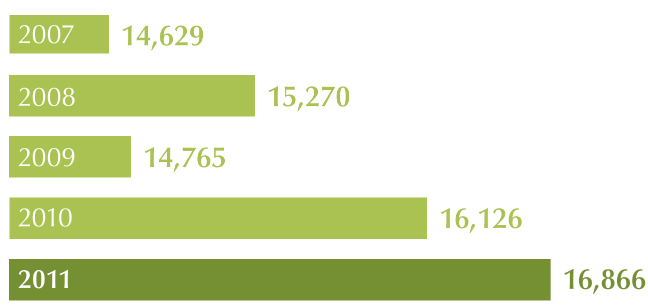
Swire Pacific's Carbon Footprint

GHG Emissions by Division



GHG Emissions

Thousand tonnes of CO_2e

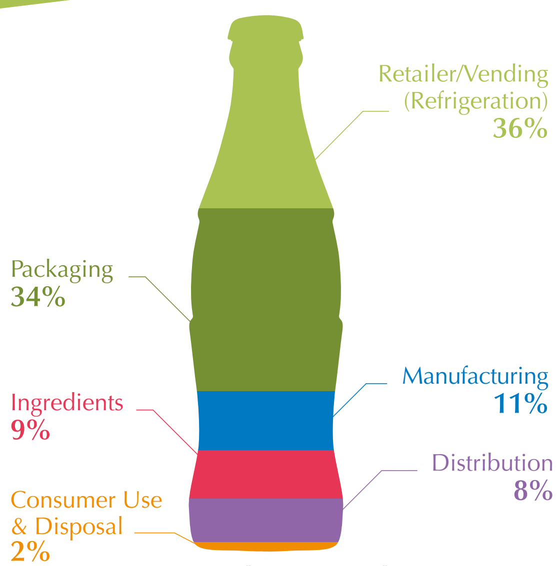


Cooperation with Other Groups

We try to keep ourselves informed about the latest developments in environmental protection. By joining advocacy groups, we learn from them and offer our own experience to them. Internationally, we are a member of The Climate Group (www.theclimategroup.com) and in 2011 joined more than 400 other companies in signing the 2°C Challenge Communiqué (www.2degreecommunique.com), urging governments to establish a comprehensive international framework to tackle climate change. In Hong Kong, we are a member of the Business Environment Council (www.bec.org.hk) and the Climate Change Business Forum (www.climatechangebusinessforum.com) and are a platinum patron of the Green Building Council (www.hkgbc.org.hk).

Carbon Footprint of Our Beverages

In 2010 and 2011, the Beverages Division participated in an assessment under the Greenhouse Gas Protocol Initiative (www.ghgprotocol.org). The assessment analysed the carbon footprint of Coca-Cola and Coca-Cola Zero drinks packaged in returnable glass, PET and aluminium containers.



Coca-Cola PET Bottle
600ml

Our Carbon Footprint

In 2011, our greenhouse gas (GHG) emissions were 16.9 million tonnes of CO_2e, 5% more than in 2010. The Aviation Division is responsible for 97% of our total GHG emissions. In 2011, the Aviation Division's GHG emissions increased by 5% to 16.4 million tonnes of CO_2e.

To achieve net zero impact on the environment, we must reduce our carbon footprint. It is therefore a priority for us. We must first measure our current carbon footprint. We measure our GHG emissions and report them (and the actions which we are taking to reduce them) annually to the Carbon Disclosure Project (www.cdproject.net).

Carbon Offsetting

What is Carbon Offsetting?

When you cannot reduce your own carbon emissions, you can reduce somebody else's by buying a carbon credit. You can also earn carbon credits by doing things which absorb carbon dioxide from the atmosphere.

A zero carbon footprint is not possible now. Carbon offsetting can help an organisation to move towards a net zero carbon footprint.

Cathay Pacific introduced its **FLY** *greener* carbon offset programme in 2007, enabling its passengers to buy offsets. The programme has supported hydropower projects and a wind turbine farm in Mainland China. By the end of 2011, Cathay Pacific had offset 98,000 tonnes of carbon dioxide.

Swire Pacific Offshore's Forest Conservation Scheme in Paraguay

Swire Pacific Offshore (SPO) is reducing its carbon footprint by participating in a REDD+ (Reducing Emissions from Deforestation and Forest Degradation – www.un-redd.org) forest conservation scheme in Paraguay. This scheme is expected to generate one million tonnes of carbon credits by 2030, making SPO carbon neutral over the period to 2030. The scheme can be expanded, enabling SPO to generate carbon credits for other business units.

Fuel Efficiency

We use a lot of fossil fuels, particularly in aviation, so our GHG emissions are our biggest environmental challenge. We try to improve fuel efficiency and limit our emissions (including by more efficient use of fuel) through operational improvements and use of new technologies.

The airlines do their best to minimise fuel consumption, for example by buying new more fuel efficient aircraft and by traffic management. As they fly more, so the airlines' emissions increase. Biofuels may help – see below.

We are using more electric vehicles. HAECO and Swire Properties operate electric vehicles. The Beverages Division is phasing out its pre-Euro 4 standard vehicles and replacing them with Euro 5 standard vehicles, which emit less carbon dioxide and pollutants.

In 2011, Hong Kong Airport Services Limited (a subsidiary of Cathay Pacific) started to use a loader at Hong Kong International Airport which can be powered by electricity or diesel. Using dual power loaders can reduce tailpipe emissions by up to 40% and energy costs by up to 35%.

Biofuels

Most biofuels are derived from organic matter such as plants. Plants absorb carbon dioxide as they grow. This compensates in part for the carbon emissions which result from the consumption of biofuels. First generation biofuels are produced from food crops. Second generation biofuels are produced from residual biomass and biological waste.

Cathay Pacific supports the development of sustainable fuels. It is involved in the formation of the Sustainable Aviation Fuel Users Group Asia. Using biofuels would reduce our airlines' reliance on fossil fuels. However, using food crops to produce biofuels can adversely affect food and drinking water supplies, biodiversity and people. We are looking at biofuels derived from non-food crops, agricultural residues and waste material which would otherwise go to landfills.

Energy Efficient Buildings

The Group's second-largest source of greenhouse gas emissions is the electricity which is used in its buildings. We own and/or manage approximately 29.4 million square feet of principally commercial space. Making buildings more energy efficient is a priority.

Energy Efficiency as a Design Requirement

Energy efficiency is a key design requirement for all our new buildings. Before design starts, efficiency targets are set. The design is evaluated against these targets. After construction, energy efficiency is tested and continues to be tested during a building's life.

Ten Years of Energy Efficient Thinking in Swire Properties

2001

Set up a three-year energy reduction plan

Established methods to estimate, measure and verify energy savings and an energy database

2006

Built Hong Kong's first office building to be given a BEAM (www.beamsociety.org.hk) excellent rating

Subsequently aimed to achieve BEAM Platinum rating for new buildings in Hong Kong and LEED Gold standard for new buildings in Mainland China

2007

Started an energy initiative with leading property development and management companies in Hong Kong, Singapore and the UK

Areas for improvement in energy savings were identified

2008

Free energy audits offered to tenants

Encourages efficient use of energy by tenants

Established an efficiency research fund with Tsinghua University in Beijing

Analysed energy consumption and best practices, leading to the development of energy-saving standards and guidelines and to reductions in the usage of energy in our property portfolio

2009

Established a ten-year (2010-2020) energy reduction plan

Set a 20% energy reduction target

2010

Conducted an energy audit at Taikoo Primary School

Given the success of free energy audits for tenants, we offered one to a local school and identified opportunities for energy savings

2011

Ten-year energy reduction plan changed to a five year plan

Improvements are being made in energy efficiency, the use of natural lighting, temperature control, waste management and the use of greenery

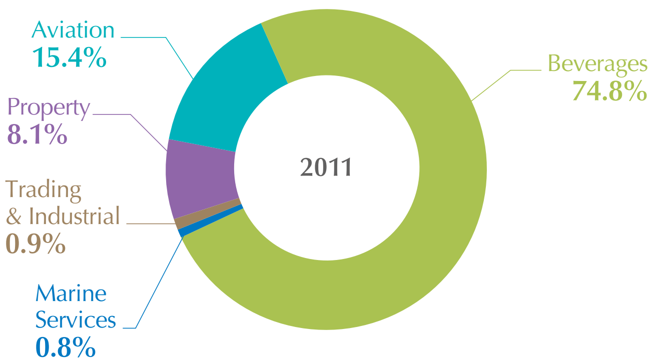
Established a joint research centre with the Building Energy Research Centre of Tsinghua University

Encourages further research into building energy efficiency and promotes sustainable development in the property industry

Water Consumption

In 2011, the Group's total water consumption was 8.0 million cubic metres, up 6% from 2010. Swire Beverages accounted for 75% of this, using water to make beverages and to maintain hygiene.

Water Consumption by Division



In 2008, the Beverages Division conducted a water risk assessment in Mainland China. Water of the right quality should continue to be available in the short term, but shortages are likely in some parts of Mainland China by 2025. The division is therefore developing measures intended to ensure sustainable water supplies for its Mainland China plants.

The Beverages Division's water motto is 'Reduce, Reuse and Replenish'. This means reducing consumption, returning recycled and treated waste water to the environment at a level that supports aquatic life and replenishing the communities with the same amount of water we use in our finished beverages. The aim is for all plants to return all the water which they use to make beverages back to the water supply system by 2020.

The bottling plant in Zhengzhou supplies the municipal authorities with treated wastewater, which is used for filling a man-made lake. This saves over 200 million litres of fresh water annually. The Zhengzhou plant discharged no wastewater in 2011. The design of the new bottling plant in Luohe incorporated water management features. The plant was given a platinum rating under the US Green Building Council's LEED rating system, the first Coca-Cola plant to be given such a rating. Other plants are introducing comparable features.

Waste

The world produces too much waste. Hong Kong for example produces over 13,000 tonnes of waste per day, putting pressure on landfills.

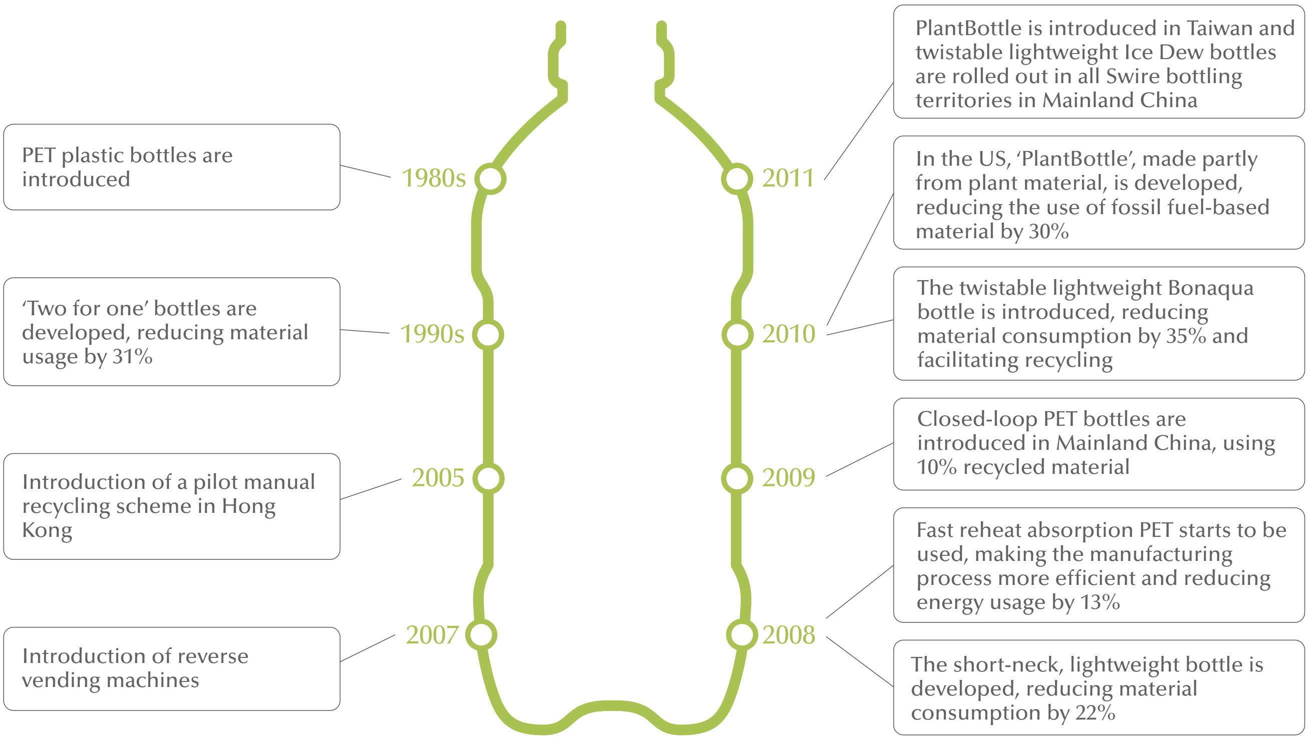
Packaging

Businesses need to design, manufacture and package their products with a view to minimising waste. Changes in the design of the plastic bottles used by the Beverages Division have reduced waste.

Waste as a Resource

A lot of waste can be reused. In 2010, HAECO installed an absorption chiller unit powered by spent fuel from aircraft, aiming at turning waste into energy and reducing electricity usage. TAECO treats and recycles 230 tonnes of wastewater per day. The recycled water is used for flushing toilets, irrigation, apron cooling and cleaning floors, vehicles and aircraft. Cathay Pacific Catering Services gives fruit peelings and leftover food to a local pig farm.

The Evolution of Plastic Bottles at Swire Beverages



Noise

Noise pollution is a challenge for our airline operations. Cathay Pacific endorses the International Civil Aviation Organisation's balanced approach to controlling noise emissions around the airport. This approach focuses on reducing noise at source, regulating land use around airports, adapting operational procedures and implementing operating restrictions. We work with the Hong Kong Civil Aviation Department on noise mitigation and with manufacturers and others on ways to reduce the noise made by our aircraft.

In 2011, we were fined five times for noise infringements at London's Heathrow Airport and received noise infringement notifications from airports in Frankfurt and Brussels. We are working to improve our performance through better planning and aircraft deployment.

The Swire Institute of Marine Sciences (SWIMS)

SWIMS was built with a donation from The Swire Group Charitable Trust in 1990. The institute conducts marine science experiments. Much of the research undertaken looks at how species respond to environmental and man-made stresses. Funding for a similar marine station to be operated by Xiamen University was announced in April 2011.

Aims for 2012

- To streamline the collection, reporting and monitoring of information.
- To explore opportunities to increase energy efficiency, to generate carbon credits and to conduct internal carbon trading.
- To seek opportunities to invest in biofuels and other alternative energy technologies.

Health and Safety

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.

In 2011:

- **The Beverages Division introduced an enhanced road safety programme in Mainland China.**
- **Swire Properties further strengthened its monitoring of the safety practices adopted by its contractors in Mainland China.**
- **The China health and safety working group shared the best practices of our Hong Kong and Mainland China operations.**

Health and Safety Management

Health and safety risks are identified through enterprise risk management, which is overseen by the Swire Pacific board. Representatives from each division sit on a group health and safety committee, which monitors health and safety issues and developments. Health and safety priorities are recorded in a risk register. This enables appropriate initiatives to be taken.

In 2011, a programme of engineering surveys with a health and safety focus was carried out in Hong Kong and Mainland China. To avoid bias, the surveys were conducted by independent third parties.

A Safety Culture

Attitudes to health and safety, particularly in Mainland China, are inconsistent and sometimes underdeveloped. Safety regulations and equipment cannot be fully effective if staff do not understand their importance, so it is essential to develop a strong safety culture. A number of our operating companies are conducting campaigns intended to raise awareness of health and safety issues and to change health and safety behaviour.

In 2011, Swire Properties produced a bilingual video to promote workstation ergonomics.

HAESL's 'I Care I Report' programme encourages the involvement of staff in health and safely matters. Staff are asked to report things which present potential safety exposures. In 2011, 625 reports were received and they were graded for the first time in order to measure their quality. Rewards are offered for the most effective reports.

Swire Resources held a safety competition for the second year running in 2011. The competition offers rewards to staff in shops and warehouses for outstanding health and safety performance.

Vehicle and Road Safety

Vehicle and road safety is a priority. We cannot control everything that happens on the roads but we can try to ensure that our own vehicles and drivers meet high safety standards.

In Mainland China in 2011, the Beverages Division introduced an enhanced road safety programme under which helmets were distributed and defensive driving training was provided. In 2011, injuries in the Beverages Division attributable to road accidents were 13% less than in 2010.

HAECO trains and assesses its drivers with a view to improving their driving. HAECO has installed devices in its vehicles to assist reversing, to alert drivers to speeding and to record speeding and other matters.

A taskforce chaired by HAECO was established in 2011 to develop a safety policy for buses which are hired to transport staff to and from work.

Operational Safety

We must always comply with and anticipate changes in health and safety laws.

Cathay Pacific

Cathay Pacific introduced a fatigue risk management system (FRMS) in 2010. This helps to manage fatigue-related risks through education, training and roster management.

Taikoo Motors

Taikoo Motors has better air quality at its spray booths in Taiwan than is required by law. Filters are regularly replaced. Technicians have to wear masks and to replace them often.

HUD

In 2011, HUD tried out the use of metal instead of wooden scaffolding. Scaffolders have been trained to erect and use metal scaffolding. This is intended to enhance safety standards when working at heights.

Data Reporting and Analysis

Collecting accurate safety data and analysing it are essential to the creation of a safe working environment. Trends can be analysed and causes identified, so that appropriate action

can be taken. We developed a fatal incident reporting policy, guidelines for reporting major health and safety incidents and a quarterly health and safety reporting system.

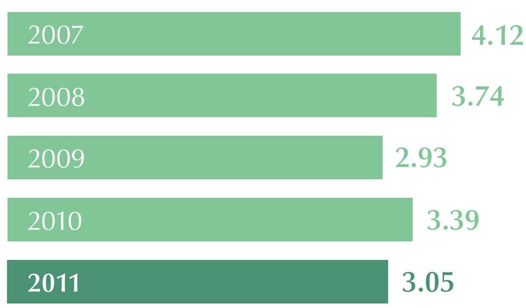
Lost Time Injuries

In 2011, lost time injuries (LTIs) increased by 4% to 2,171 cases. There were 3.05 injuries per 100 full-time equivalent employees (FTE), compared with 3.39 injuries per 100 FTE in 2010. This represents a decrease of 10%. This was mainly due to 28% and 16% decreases in the reported LTIR at Cathay Pacific and Swire Beverages respectively.

64,775 days were lost due to injuries in 2011. The lost day rate was 91.08 days lost per 100 FTE, which represents a 25% decrease from 2010. Injury data for 2010 and 2011 is provided on page 223.

Lost Time Injury Rates

(No. of injuries per 100 full-time equivalent employees)



Fatalities

Regrettably there were two fatalities in 2011.

A Swire Beverages sales representative in Mainland China was killed in a traffic accident while travelling to visit a customer.

An employee at HUD was killed when he fell from a ladder in the cargo hold of a vessel in Hong Kong.

These two incidents have been thoroughly investigated.

Health and Safety in Mainland China

As our businesses in Mainland China grow, we need consistent health and safety standards. In order to achieve this, the China health and safety working group was set up in 2010 to share best practices, create policies and facilitate health and safety improvements. In 2011, the chair of this group was taken by a senior representative from Swire Properties, a company which is very familiar with health and safety matters in Mainland China. The group met three times in 2011 and it focused on contractor management, regulatory changes and road safety. Members of the group come from both Hong Kong and Mainland China, which facilitates the sharing of knowledge and best practices.

Benchmarking

Comparing our health and safety performance with that of other groups can be useful. But it is difficult because different groups report in different ways. In 2011, a preliminary benchmarking survey was conducted. We started to work with other companies (including in aviation) with a view to sharing information.

Contractors, Suppliers and Others

We want our contractors and suppliers to comply with the same health and safety standards as we do. We address this point in our supplier code of conduct. We also want those who buy our products and services and those who visit our premises to be safe at all times.

In 2011, Swire Properties strengthened its monitoring of the safety practices of its contractors in Mainland China. Tenders include safety requirements and there are regular safety inspections and reviews.

SPO has high safety standards for the operation of its vessels, particularly in deep waters and other harsh environments. High safety standards benefit our own crews and can also benefit others, as happened when *Pacific Wrangler* used its rescue craft to rescue crew from a trawler which was sinking off the coast of Western Australia.

Aims for 2012

- To implement the quarterly reporting system developed in 2011.
- To extend health and safety training to more employees, including frontline staff at Swire Properties in Mainland China.
- To share health and safety experiences more broadly across the group and to develop more group health and safety initiatives.
- To develop a group policy in relation to contracted buses.

Staff

Proper treatment of employees is an essential part of conducting a sustainable business. We are an equal opportunities employer and offer our staff competitive remuneration and benefits. We provide training and development designed to help staff realise their potential. We communicate with staff in a way intended to ensure their commitment to our values. The working environment is intended to promote diversity and respect, and to encourage an appropriate balance between work and non-work activities.

The benefits of caring for staff are not one-way. A highly trained team, strong staff motivation and low staff turnover all contribute to profits.

In 2011:

- We developed an online recruitment system for summer interns.
- We held our first sustainable development forum and conducted a survey of our sustainable development performance.

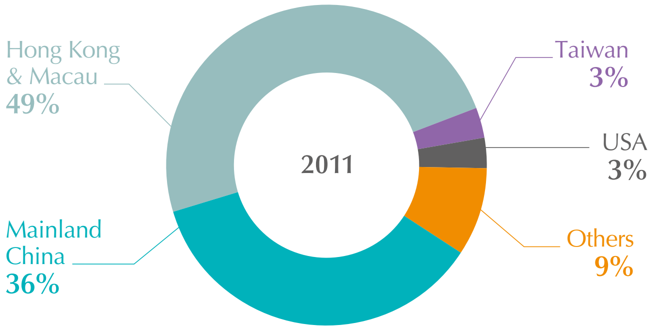
Human Resources (HR)

Our HR departments are strong supporters of sustainability. In 2011, we extended our regular HR meetings for Hong Kong based companies to companies based in Mainland China. Two group HR meetings were held, one in Shanghai, the other in Guangzhou. HR training was undertaken. Companies were visited. All this enabled HR staff from different parts of Mainland China to share ideas and experiences.

Recruitment

It is essential to our future that we identify, attract, develop and retain the right people. To do this we must recruit effectively, so we put a lot of effort into finding the right people. Our operating companies recruit in ways that suit their individual needs.

Employee Numbers by Region



Compensation and Benefits

We offer competitive compensation, in good times and in bad. Staff are not seen as expendable in a poor economy, so we try to avoid redundancies during downturns. Staff can be confident that they will be looked after and will receive steady employment.

The benefits which we provide include medical insurance and annual leave.

Training and Development

Our training programmes are designed to develop management, language, technical and other skills. HAECO offers engineering apprenticeships and mechanical training. Cathay Pacific and Dragonair train cabin and flight crew.

In order to develop their skills and knowledge, staff are encouraged to take jobs in different parts of the group, by way of transfer or secondment.

Employee Training Hours by Division

Average no. of hours per employee

	2011	2010
Property	**11.20**	11.07
Aviation	**42.04**	35.45
Beverages	**34.37**	41.00
Marine Services	**45.66**	17.39
Trading & Industrial	**16.54**	13.13
Head Office	**6.00**	13.30
Total Group	**36.83**	34.08

Innovations in Training

In 2009, with the assistance of Ethos International, a leadership company which is a subsidiary of John Swire & Sons (H.K.) Limited, the Swire Leadership Programme (SLP) was introduced. Participants in the SLP are assessed and

trained with a view to developing the management and leadership skills which they need in order to progress in the group. SLP contributes to the maintenance and development of our corporate culture and values.

Training needs to adapt to changing circumstances. Competition in the labour markets has led to high staff turnover. Recruiting and retaining frontline retail staff has been particularly difficult. In response, Swire Resources introduced a seven day training programme designed for new recruits with little or no relevant working experience and intended to equip participants with the skills and motivation to succeed.

Communication

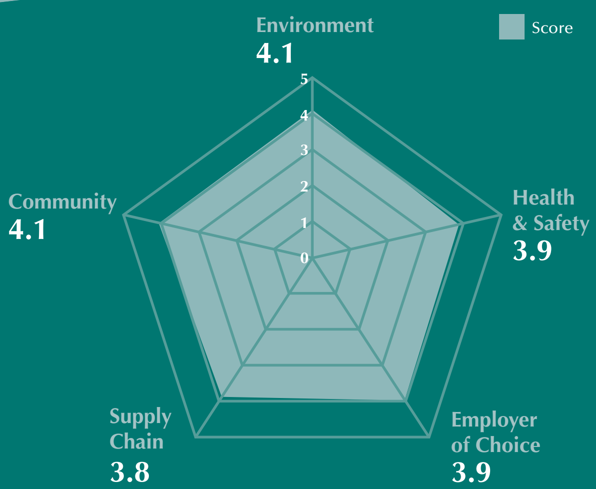
We want all our staff to understand our values and business goals and to feel valued and respected. Effective two-way communication is key to achieving this.

We communicate by intranet, newsletters and staff representative committees. Other methods of communication include HAESL's Storyboard Briefings and East Hotel's Feast Open Mic sessions. The HAESL briefings bring staff and management together in small groups to discuss business performance, future plans and issues of concern. The Open Mic sessions, so named because anyone can speak, are held monthly to give staff members a chance to meet the EAST hotel manager. A report is sent to all staff following each session, addressing the issues that were raised.

Sustainable Development Forum

We held our first sustainable development forum in November 2011. Representatives from business units in the Group made presentations on health and safety, carbon reduction and supply chain management. Representatives of the World Wide Fund for Nature and The Climate Group spoke.

Participants at the forum were invited to grade each aspect of the Group's sustainability performance by giving a score from one to five, with five representing a good performance. The average scores are shown in the chart below.



Sustainable Development Performance Feedback

Non-work Activities

We believe it is important for staff to socialise with colleagues and to engage in leisure activities and that there should be an appropriate balance between work and non-work activities.

The Swire Hong Kong Staff Association was established in 1949 and has been looking after its members' welfare ever since. Funded by the Group and run by employees, the association brings together staff and their families for regular opportunities to try new activities, socialise and build relationships.

Retirement

We encourage retired staff to maintain their links with us. In 2011, Dragonair started a programme under which some cabin crew who have reached normal retirement age stay on as full time mentors or part time employees.

The HAECO Veterans' Club has 1,800 members. From its premises in Yuen Long, the popular club organises social activities and provides a place for ex-colleagues to spend time together.

Recognition

Without our staff, we would not have a business. We are immensely proud of our employees and recognise their skills, their diligence and their commitment.

Cathay Pacific – People and Service Campaign

Staff based in Hong Kong and most of our major outports were given the opportunity to create their own Cathay Pacific advertisement using the "People & Service" campaign. This gives them a chance to appear in their own advertisement and highlight what "Service Straight from the Heart" means to them. The campaign proved immensely popular, and a total of 5,500 staff took part.

Aim for 2012

- To implement an online training programme on how to deal effectively with employee issues.

Community Involvement

We have a long history of community involvement. We believe that, when the communities in which we operate prosper, so do we. We cannot help everyone, so we concentrate on projects where we can make a difference. Our emphasis has been and continues to be on arts and culture, education and the environment. We support projects with money, products and services and the time and energy of our staff.

In 2011:

- The Swire Group Charitable Trust (“Swire Trust”) allocated 10% of its annual funding to our operating companies for their corporate social responsibility programmes.
- Philanthropic activities in Mainland China were expanded. Grants worth over HK$26 million were committed in Mainland China. Use was made of the technical expertise of our employees in community work.
- Dragonair started to accept applications from the general public to join its aviation certification programme.

Giving

In 2011:

- We gave HK$64 million in cash and HK$11 million in kind to over 180 community organisations, HK$37 million of it through Swire Trust.
- Employee volunteer hours totalled over 30,460 compared with 25,820 in 2010.

Swire Trust

Swire Trust was established in 1983. Swire Trust receives income from Swire group companies (including Swire Pacific) and disburses it for charitable

purposes. Its charitable activities are overseen by a Philanthropy Council chaired by an executive officer of Swire Pacific.

Swire Trust's principal focus is arts and culture, education and the environment. Some of the entities and projects supported in 2011 include the Hong Kong Philharmonic Orchestra, Arts with the Disabled Association of Hong Kong, children's education in rural areas of Mainland China (including – a new initiative in 2011 – making a grant to Right To Play China, which provides early childhood and primary school education in Yunnan Province), postgraduate students at Hong Kong universities, the World Wide Fund for Nature's climate change awareness programme in primary schools in Hong Kong and scientific research at the Swire Institute of Marine Science.

Community Ambassadors

Swire Properties Community Ambassadors volunteer to support the elderly, the disabled, children and disadvantaged families. Ten years ago there were 40 ambassadors. Now there are over 1,000. They have logged over 45,000 volunteer hours and have received several volunteer awards, including a corporate volunteer award from the Hong Kong Agency for Volunteer Services.

To celebrate the 10th anniversary of the programme, the ambassadors organised a Charity Bazaar in 2011, raising over HK$1 million for five Hong Kong charities.

Overseas

Cathay Pacific and its staff helped to raise donations in cash and in kind worth more than HK$13 million for victims of the 2011 earthquake and tsunami in Japan. Of this amount HK$10 million (including HK$1 million from the Swire Trust) was donated to the Hong Kong Red Cross. Cathay Pacific provided and transported relief items (such as blankets, socks and towels), sponsored tickets (such items and tickets being worth HK$1.3 million) and made a HK$1.9 million donation from the "Change for Good" fund.

Aims for 2012

- To provide greater support for environmental projects.
- To further develop our own philanthropic work.

Working with Others

We deal with a lot of other people – suppliers, contractors, customers and others. We can influence them. We should use our influence in order to encourage them to adopt sustainable practices.

In 2011:

- We monitored our contractors' responses to the introduction of a minimum wage in Hong Kong.
- We introduced a sustainable food policy.
- We purchased more appropriately certified products.

Supplier Corporate Social Responsibility ("CSR") Code of Conduct

Our supplier CSR code of conduct was finalised in 2010 and has been adopted by all divisions. The code sets out the standards required of suppliers, covering environmental, labour and health and safety issues.

Making suppliers aware of the supplier CSR code of conduct is not sufficient. It must be enforced. To check compliance, we intend to identify high-risk suppliers and their contraventions and to visit them if necessary.

Certified Products

Purchasing appropriately certified products can help to ensure that our own products and services are environmentally responsible. All paper used in our offices is FSC (Forest Stewardship Council – www.fsc.org) certified, representing an important sustainability achievement. In 2011 we introduced a sustainable food policy.

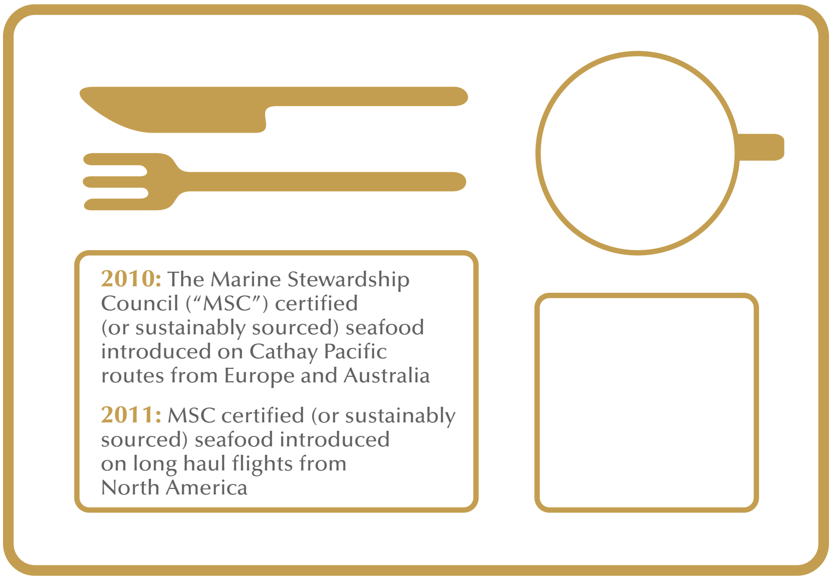
Business Relationships

We have business relationships with other leading companies. These relationships provide opportunities for sharing best practices and cooperation on sustainability matters.

Others

It is our policy to encourage sustainable practices by others, including the responsible use of products and services. We work with others to this end. Swire Properties offers energy audits to its tenants. We encourage recycling and the use of

Sustainable Seafood Advocacy



environmentally friendly packaging. In 2011, we exchanged information about sustainability with Li & Fung Trading. We provided them with our supplier CSR code of conduct, in the hope it would assist them to assess their own supply chain.

Pig-nose Turtle Repatriation Project

In 2011, Cathay Pacific contributed to a pig-nosed turtle repatriation project. 609 pig-nosed turtles illegally imported into Hong Kong were transported to the Maro river in Indonesian Papua, where they had not been seen for the last 30 years. Other participants in the project included the Agriculture, Fisheries and Conservation Department of the Hong Kong government, Kadoorie Farm & Botanic Garden of Hong Kong, the Ministry of Forestry of the Republic of Indonesia, International Animal Rescue (Indonesia), Wildlife Conservation Society Indonesia and villagers from Bupul near the Maro River.

Raising Awareness

We want to raise awareness of environmental issues. In 2011, the Beverages Division introduced the better water better life competition, which will be held annually. Student teams were invited to submit proposals for improved water management. Semi-finalists visited some of our Beverages Division's bottling plants in Mainland China to learn about their environmental practices. The winning team was given funds to implement its proposal. The judges were from the Beverages Division, Students in Free Enterprise, government and academia.

Aims for 2012

- To develop a database containing information about compliance by suppliers with our supplier code of conduct.
- To extend the purchasing of sustainable seafood and other certified products to all our businesses.
- To continue to identify areas where progress is needed in the support of sustainable seafood sourcing.
- To develop relationships with other organisations which have sustainability goals which are similar to ours.

Financial Review

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally reverse the impact of HKAS 40 on investment properties and the amended HKAS 12 on deferred tax. Further analysis compares the impact of other significant items in the current and prior years.

Underlying profit	Note	2011 HK$M	2010 HK$M
Profit attributable to the Company's shareholders per accounts		**32,210**	38,252
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(23,491)**	(23,237)
Deferred tax on revaluation movements	(b)	**523**	852
Realised profit on sale of investment properties	(c)	**7,977**	211
Depreciation of investment properties occupied by the Group	(d)	**27**	23
Non-controlling interests' share of revaluation movements less deferred tax		**46**	42
Underlying profit attributable to the Company's shareholders		**17,292**	16,143
Other significant items:			
Gain on remeasurement of previously held interest in HAECO		**–**	(2,547)
Profit on sale of interest in Hactl		**–**	(825)
Profit on sale of interest in CROWN Beverage Cans group		**–**	(771)
Gains on remeasurement and profit on sale of shareholdings in PCCW Tower		**–**	(342)
Profit on sale of interest in Festival Walk		**(8,615)**	–
Profit on sale of investment properties		**–**	(576)
Profit on sale of interest in PUMA		**(148)**	–
Profit on sale of property, plant and equipment and other investments		**(91)**	(40)
Net impairment of property, plant and equipment, leasehold land and intangible assets		**290**	57
Adjusted underlying profit		**8,728**	11,099

Underlying equity	Note	2011 HK$M	2010 HK$M
Equity attributable to the Company's shareholders per accounts		**227,559**	204,452
Deferred tax on revaluation of investment properties		**3,284**	2,766
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**912**	535
Revaluation of investment properties occupied by the Group		**997**	833
Cumulative depreciation of investment properties occupied by the Group		**63**	63
Underlying equity attributable to the Company's shareholders		**232,815**	208,649
Underlying non-controlling interests		**4,961**	4,637
Underlying equity		**237,776**	213,286

Notes:

(a) This represents the net revaluation movements as shown in the consolidated income statement plus the Group's share of net revaluation movements of jointly controlled and associated companies.

(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies. In accordance with the provisions of the amended HKAS 12, deferred tax is no longer provided on net revaluation movements in respect of investment properties in Hong Kong. However, deferred tax continues to be provided on net revaluation movements in respect of investment properties in Mainland China at the corporate income tax rate of 25%.

(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated income statement.

(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

(e) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those wholly-owned or jointly controlled hotel properties held for the long-term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated income statement.

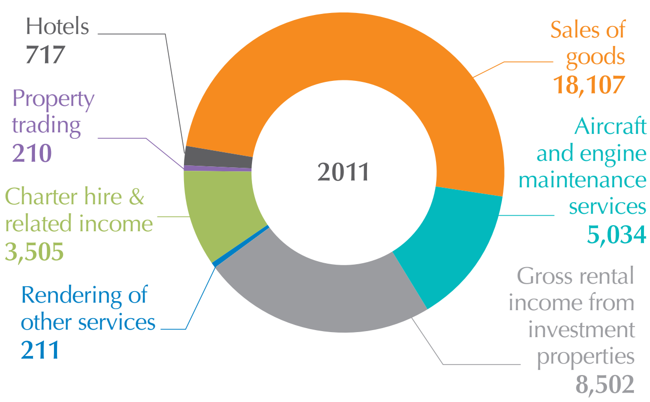
Commentary and Analysis on Major Balances and Year on Year Variances in the Accounts

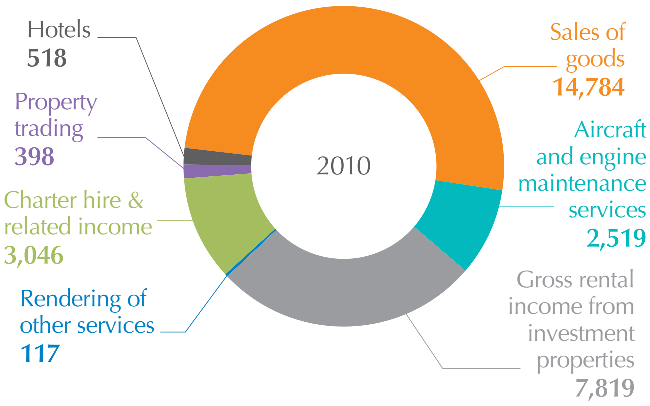
Consolidated Income Statement

	Accounting Policy	Notes to the Accounts	**2011 HK$M**	2010 HK$M	Change HK$M	Change %
Turnover	22	4	**36,286**	29,201	7,085	24%
Cost of sales			**(21,359)**	(15,958)	(5,401)	34%
Expenses			**(7,293)**	(6,254)	(1,039)	17%
Net gains		5,6	**1,019**	5,638	(4,619)	-82%
Change in fair value of investment properties	6		**22,771**	21,344	1,427	7%
Operating profit			**31,424**	33,971	(2,547)	-7%
Net finance charges	19	10	**(1,610)**	(1,259)	(351)	28%
Share of profits less losses of jointly controlled companies	4		**1,801**	2,263	(462)	-20%
Share of profits less losses of associated companies	4		**2,570**	5,552	(2,982)	-54%
Taxation		11	**(1,630)**	(1,638)	8	0%
Profit for the year			**32,555**	38,889	(6,334)	-16%
Profit attributable to the Company's shareholders		36	**32,210**	38,252	(6,042)	-16%

Turnover by Category

(HK$M)





The increase in turnover of HK$7,085 million compared to 2010 was due to improvements from all divisions, the Property Division (HK$709 million), the Aviation Division (HK$2,597 million), the Beverages Division (HK$669 million), the Marine Services Division (HK$459 million) and the Trading & Industrial Division (HK$2,650 million).

In the Property Division, gross rental income from property investment increased by HK$683 million, principally reflecting positive rental reversions and higher turnover rent in Hong Kong, increases in base rents and higher occupancy at Sanlitun Village and the opening of TaiKoo Hui in the latter part of 2011. This was partially offset by the absence of turnover from Festival Walk, following its sale in August 2011. Turnover from property trading, which comprised the sale of completed apartments at Island Lodge in Hong Kong and at the ASIA development in Miami, Florida, decreased by HK$188 million compared to 2010. Turnover from the Group's owned and managed hotels in Hong Kong and Mainland China increased by HK$199 million reflecting significantly better occupancy rates and room rates.

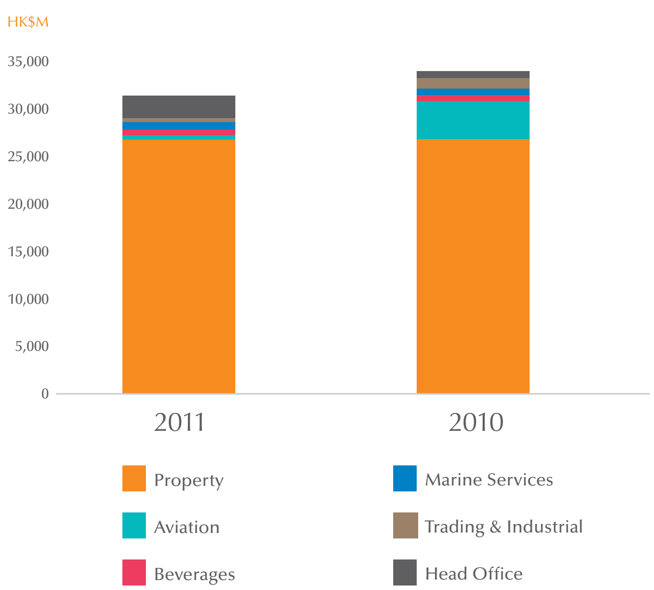
In the Aviation Division, the increase in turnover was principally due to the inclusion of a full year of turnover from the HAECO group of HK$5,171 million (its contribution to turnover in 2010 only having started when it became a subsidiary company in June 2010). On a full year basis, the turnover of the HAECO group increased by 21% compared to 2010, reflecting higher manhours sold for heavy maintenance and higher demand for line maintenance services.

In the Beverages Division, turnover increased in all regions. The rate of increase was higher in Mainland China than in other regions, with strong sales growth in both sparkling and still beverages, higher prices and an improvement in the sales mix.

In the Marine Services Division, the increase in turnover at SPO was due to higher fleet utilisation and charter hire rates. The addition of eight new vessels during the year also contributed to the increased turnover, with the increase being partially offset by the sale of seven older vessels.

In the Trading & Industrial Division, Taikoo Motors' turnover increased by HK$1,748 million, reflecting a 43% increase in the number of cars and commercial vehicles sold. The overall turnover from Swire Resources increased by HK$779 million. The increase in Swire Resources' turnover reflected a buoyant trading environment in Hong Kong, strong demand from visitors from Mainland China and the beneficial effect on apparel sales of prolonged cold weather in the first half of 2011.

Operating Profit by Division



The decrease in operating profit of HK$2,547 million compared to 2010 reflected decreases in operating profit from the Property Division (HK$45 million), the Aviation Division (HK$3,504 million), the Beverages Division (HK$85 million) and the Trading & Industrial Division (HK$640 million), which more than offset increases in operating profit from the Marine Services Division (HK$87 million) and Head Office (HK$1,640 million).

In the Property Division, net valuation gains on investment properties were HK$202 million lower than in 2010. Income from property investment (disregarding a profit on sale of Festival Walk of HK$638 million in 2011 and a profit on sale of investment properties of HK$544 million in 2010) increased by HK$134 million. Profit from property trading decreased by HK$122 million, due to the absence of profits from the sale of residential units at 5 Star Street in Hong Kong in 2010 and sales and marketing expenses incurred on the AZURA project in Hong Kong. The wholly-owned and managed hotels recorded reduced losses of HK$93 million, due to significantly better occupancy rates and room rates, partially offset by impairment losses on hotels in the UK.

In the Aviation Division, the lower operating profit was due to the absence in 2011 of a remeasurement gain on the previously held interest in HAECO of HK$2,547 million and the profit on the sale of the Group's interest in Hactl of HK$1,238 million, which both arose in 2010. This was partially offset by the inclusion of a full year of operating profit from the HAECO group of HK$532 million.

Disregarding the profit of HK$40 million on disposal of long-term investments in 2010, the operating profit of the Beverages Division decreased by HK$45 million. The decrease mainly reflected higher raw material costs in Hong Kong, Taiwan and the USA, which were only partially offset by price increases and improvements in the sales mix. Taiwan was also affected by a restructuring charge of HK$24 million.

In the Marine Services Division, the increase in operating profit at SPO reflected higher utilisation rates, higher charter hire rates and an additional contribution from eight new vessels delivered during the year, which were partially offset by an increase in manning costs and the cost of chartering vessels from external parties. There was also a profit on disposal of seven vessels of HK$79 million.

Excluding the profit on disposal of its interests in PUMA of HK$148 million in 2011 and CROWN Beverage Cans of HK$771 million in 2010, the operating profit of the Trading & Industrial Division decreased by HK$17 million. The decrease mainly reflected additional expenditure incurred in acquiring and developing new businesses at Swire Resources and Taikoo Motors.

In the Head Office, valuation gains on investment properties were HK$1,629 million higher than in 2010. This was mainly attributable to the valuation gain at the OPUS HONG KONG residential development at 53 Stubbs Road, which was completed in the fourth quarter of 2011.

Net Finance Charges

The increase in net finance charges mainly reflects a higher fair value loss of HK$271 million on a put option in relation to the non-controlling interest in Sanlitun Village, in Mainland China. There were also higher borrowings during the year. Additional borrowings were principally incurred to finance the acquisition of an additional 2% interest in Cathay Pacific and capital expenditure in the Property and Marine Services Divisions. The effect of this was partially offset by the proceeds from the sale of Festival Walk and the PUMA associate.

Share of Profits Less Losses of Jointly Controlled Companies

In the Property Division, valuation gains recorded on investment properties held by jointly controlled companies decreased by HK$759 million compared to 2010, mainly due to lower valuation gains in Mainland China. This was partially offset by higher rental income from investment properties owned by jointly controlled companies in Hong Kong.

In the Aviation Division, a full year contribution from jointly controlled companies of the HAECO group was included for the first time. This increased profits from jointly controlled companies.

In the Beverages Division, there was an increase in contribution from jointly controlled companies of Swire Beverages in Mainland China. This reflected strong sales growth in both sparkling and still beverages and improved margins as a better sales mix and higher prices more than offset the adverse effect of higher raw material costs. A loss of HK$60 million was incurred by the Campbell Swire joint venture in its first year of operation.

In the Trading & Industrial Division, the share of profits from jointly controlled companies fell as a result of the absence of a contribution from the interest in CROWN Beverage Cans following the sale of this interest in September 2010. The adverse effect of this was partially offset by higher profits from Akzo Nobel Swire Paints.

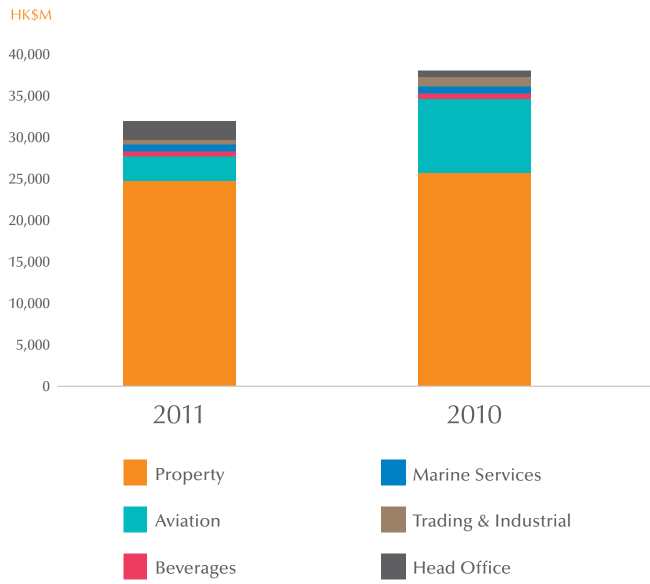
Share of Profits Less Losses of Associated Companies

The Cathay Pacific group contributed a profit of HK$2,405 million in 2011 compared to the profit of HK$5,079 million in 2010. The reduction principally reflects slower growth in passenger traffic, weak demand for air cargo services, particularly for shipments of cargo from Hong Kong and Mainland China, and high fuel prices. Profit from Cathay Pacific's associate company, Air China, which is taken three months in arrear, was 12.2% lower in 2011. The report of the auditors of Cathay Pacific Airways Limited contained a qualification relating to the inclusion of the results of Air China. Refer to the Abridged Financial Statements of Cathay Pacific on pages 225 to 229 for further details. The absence of a share of profit from HAECO and Hactl amounted to HK$178 million, reflecting HAECO's becoming a subsidiary of the Group in June 2010 and the disposal of the interests in Hactl in May 2010.

In the Property Division, the three associate hotels at Pacific Place performed strongly in 2011 and contributed higher profits. The valuation gains recorded on investment properties held by associated companies decreased by HK$74 million, reflecting PCCW Tower in Hong Kong being reclassified as a jointly controlled company in November 2010.

There was no contribution from the Trading & Industrial Division following the disposal of the interest in PUMA in January 2011.

Profit Attributable to the Company's Shareholders by Division

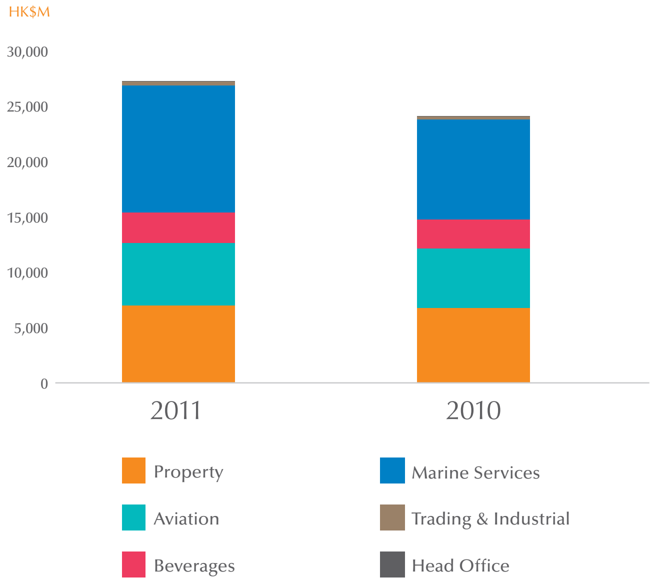


The decrease in profit attributable to the Company's shareholders is mainly due to a lower contribution from the Cathay Pacific group, lower valuation gains on investment properties in Mainland China, higher finance charges and the absence of the remeasurement gain on the previously held interest in HAECO and the profits on the sales of the Group's interest in Hactl and CROWN Beverage Cans, all of which contributed to the 2010 results.

Consolidated Statement of Financial Position

	Accounting Policy	Notes to the Accounts	2011 HK$M	2010 HK$M	Change HK$M	Change %
Property, plant and equipment	7	15	**27,288**	24,125	3,163	13%
Investment properties	6	16	**191,805**	180,418	11,387	6%
Intangible assets	8	18	**4,270**	4,435	(165)	-4%
Jointly controlled companies	4	21	**18,866**	16,567	2,299	14%
Associated companies	4	22	**27,145**	25,486	1,659	7%
Trade and other receivables	15	28	**6,275**	4,499	1,776	39%
Properties for sale	14	26	**6,810**	5,517	1,293	23%
Bank balances and short-term deposits	16	29	**3,922**	4,180	(258)	-6%
Other assets			**6,282**	5,348	934	17%
Total assets			**292,663**	270,575	22,088	8%
Trade and other payables	17	30	**14,179**	10,156	4,023	40%
Bank overdrafts and short-term loans	18	32	**1,333**	5,283	(3,950)	-75%
Long-term loans, bonds and perpetual capital securities	18	31, 32	**38,318**	40,171	(1,853)	-5%
Deferred tax liabilities	21	33	**5,050**	4,605	445	10%
Other liabilities			**1,307**	1,309	(2)	0%
Total liabilities			**60,187**	61,524	(1,337)	-2%
Net assets			**232,476**	209,051	23,425	11%
Equity attributable to the Company's shareholders		35, 36	**227,559**	204,452	23,107	11%
Non-controlling interest		37	**4,917**	4,599	318	7%
Total equity			**232,476**	209,051	23,425	11%

Property, Plant and Equipment by Division



The increase in property, plant and equipment in 2011 primarily represents the acquisition of new vessels by SPO and the cost of construction of the Mandarin Oriental Hotel at TaiKoo Hui, TAECO's hangar six and a warehouse in the USA belonging to the Beverages Division. There were also purchases of equipment by the Beverages Division and the HAECO group.

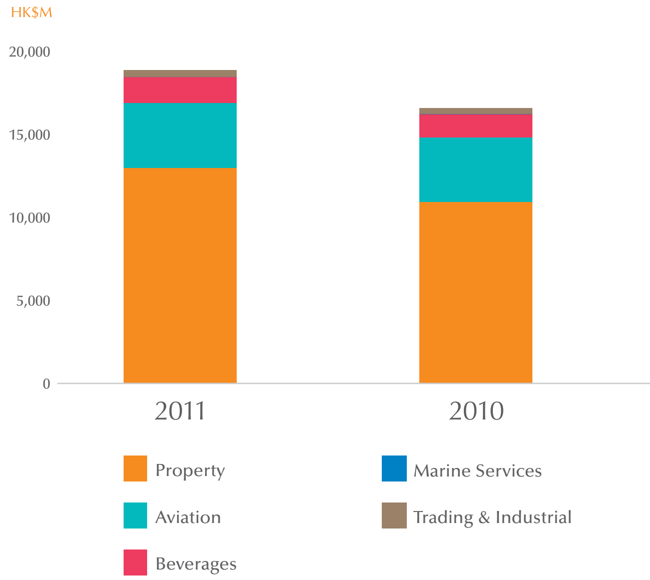
Investment Properties

The increase in investment properties mainly reflects net valuation gains of HK$22,771 million during the year. The increase also reflected the acquisition of new investment properties in Hong Kong, construction costs incurred on new investment properties, the transfer of land from property held for development and renovation costs incurred on existing investment properties. These increases were partially offset by the disposal of Festival Walk.

Intangible Assets

The decrease in intangible assets principally represents the goodwill no longer recognised following the disposal of Festival Walk.

Investments in Jointly Controlled Companies by Division



The increase in investments in jointly controlled companies primarily reflects loans advanced to fund property development projects at Daci Temple, Dazhongli and INDIGO, in Mainland China. There were also increases in retained profits in the Property Division as a result of valuation gains in Hong Kong, and an increased contribution from the Beverages Division in Mainland China.

Investment in Associated Companies

The increase in investment in associated companies principally reflects the cost of acquiring an additional 2% interest in Cathay Pacific (HK$1,236 million) and an increase in retained profits of the Cathay Pacific group, partially offset by the disposal of the Group's interest in PUMA in January 2011.

Trade and Other Receivables

The increase in trade and other receivables principally reflects higher trade receivables due to increased turnover, prepayment of agency fees for pre-sale units at AZURA and deposits received for pre-sale units at AZURA held in escrow accounts.

Properties for Sale

The increase in properties for sale is principally due to construction costs incurred during the year on the AZURA, Sai Wan Terrace and ARGENTA residential projects in Hong Kong, acquisition of a site at Cheung Sha on Lantau Island, Hong Kong, and the transfer of land at Brickell CitiCentre in the USA from property held for development to property for sale, partially offset by the sale of completed trading properties at ASIA in Miami and Island Lodge in Hong Kong.

Trade and Other Payables

The increase in trade and other payables principally reflects higher trade payables due to increased cost of sales and higher expenditure on residential projects in Hong Kong, deposits received for pre-sale units at the AZURA residential project in Hong Kong, reservation fees received for the future charter hire of wind farm installation vessels, the increase in the fair value loss on the put option in relation to the non-controlling interest in Sanlitun Village in Mainland China and higher accrued expenses mainly relating to the spin-off and listing of shares in Swire Properties Limited.

Bank Overdrafts and Short-term Loans

The decrease in bank overdrafts and short-term loans reflects the refinancing of short-term loans by long-term loans.

Loans, Bonds and Perpetual Capital Securities

The decrease in long-term loans and bonds reflects repayment of loans with the proceeds of HK$19,213 million from the sale of Festival Walk and the PUMA associate, partially offset by funding required to finance the Group's property developments, the purchase of new vessels and other fixed assets and the acquisition of additional shares in Cathay Pacific.

Deferred Tax Liabilities

The increase in deferred tax liabilities is principally attributable to increased deferred tax on the valuation gains on investment properties held by the Group in Mainland China.

Equity Attributable to the Company's Shareholders

In each year, the movement in equity attributable to the Company's shareholders represents the total comprehensive income for the year attributable to the Company's shareholders (HK$33,142 million in 2011) less dividends paid to shareholders.

Consolidated Statement of Cash Flows

	Notes to the Accounts	2011 HK$M	2010 HK$M	Change HK$M	Change %
Cash generated from operations	42(a)	**9,204**	7,627	1,577	21%
Net interest paid		**(1,602)**	(1,447)	(155)	11%
Tax paid		**(913)**	(682)	(231)	34%
Dividends received		**2,859**	1,705	1,154	68%
Investing activities					
Purchase of property, plant and equipment	42(b)	**(4,735)**	(2,586)	(2,149)	83%
Additions of investment properties		**(4,993)**	(4,366)	(627)	14%
Net cash inflow from sale of interest in Festival Walk	42(c)	**18,305**	–	18,305	N/A
Proceeds from disposal of investment properties		**–**	1,194	(1,194)	-100%
Purchase of shares in jointly controlled companies		**(77)**	(306)	229	-75%
Purchase of shares in associated companies		**(1,299)**	(994)	(305)	31%
Proceeds from disposal of interest in PUMA		**413**	–	413	N/A
Others		**(1,194)**	(3,146)	1,952	-62%
Net cash generated from/(used in) businesses and investments		**15,968**	(3,001)	18,969	N/A
Dividends paid	36, 42(d)	**(10,151)**	(5,305)	(4,846)	91%
Loans drawn and refinancing		**6,998**	13,302	(6,304)	-47%
Repayment of loans and bonds		**(13,078)**	(3,717)	(9,361)	252%
Capital contributions from non-controlling interests	37	**24**	13	11	85%
Security deposits uplifted		**170**	169	1	1%
Cash (paid to)/received from shareholders and net (repayment of)/funding by external debt		**(16,037)**	4,462	(20,499)	N/A
(Decrease)/increase in cash and cash equivalents		**(69)**	1,461	(1,530)	N/A

Cash Generated from Operations

The increase in cash generated from operations is mainly due to the increase in trade and other payables, partially offset by the increase in trade and other receivables, properties for sale and stocks and work in progress.

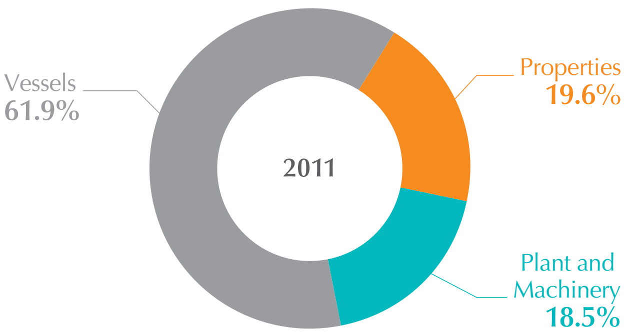
Net Interest Paid

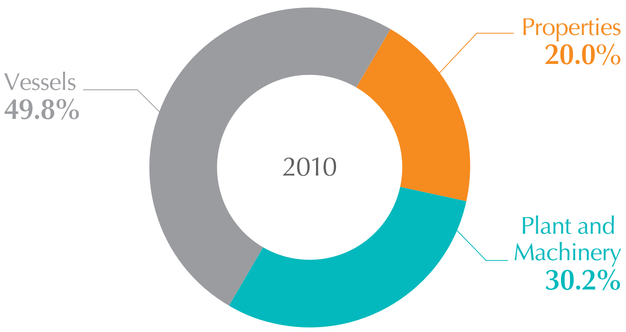
The increase in net interest paid is attributable to higher borrowings incurred to finance the acquisition of an additional 2% interest in Cathay Pacific and capital expenditure in the Property and Marine Services Divisions. This was partially offset by the proceeds from the sale of Festival Walk and PUMA.

Dividends Received

The increase in dividends principally reflects the receipt of a higher 2010 final dividend from Cathay Pacific.

Purchase of Property, Plant and Equipment by Category





The increase in purchases of property, plant and equipment in 2011 is mainly due to the acquisition of vessels by SPO.

Additions of Investment Properties

The additions of investment properties in 2011 include the construction costs at TaiKoo Hui, OPUS HONG KONG, 28 Hennessy Road, 8 Queen's Road East and the renovation costs incurred at The Mall at Pacific Place. They also include the costs of acquiring miscellaneous investment properties for future development.

Purchase of Shares in Jointly Controlled Companies

In 2011, the Group purchased interests in the Campbell Swire joint venture (HK$63 million), and Shanghai Taikoo Aircraft Engineering Services (HK$14 million), a line maintenance provider in Shanghai.

Purchase of Shares in Associated Companies

In 2011, the Group purchased an additional 2% interest in Cathay Pacific (HK$1,236 million) and an additional interest in Coca-Cola Bottlers Manufacturing Holdings (HK$63 million), a manufacturing company supplying still beverages to Coca-Cola franchises in Mainland China.

Loans Drawn and Refinancing

In 2011, loans drawn and refinancing comprised new financing from banks by way of drawdowns of existing financing. Refer to the Financing section on page 101 for further details.

Repayment of Loans and Bonds

In 2011, loans were repaid with the proceeds from the sale of Festival Walk and PUMA. Refer to the Financing section on page 101 for further details

Investment Appraisal and Performance Review

	Net assets employed		Capital commitments*	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Property investment				
– at cost	**68,917**	73,506	**16,590**	10,487
– valuation surplus	**130,552**	118,006	**–**	–
– deferred taxation	**(4,667)**	(4,273)	**–**	–
– other net liabilities	**(4,121)**	(4,679)	**–**	–
	190,681	182,560	**16,590**	10,487
Property trading	**6,581**	6,295	**–**	–
Hotels	**6,421**	5,797	**1,090**	1,005
Property – overall	**203,683**	194,652	**17,680**	11,492
Aviation	**40,384**	38,003	**701**	1,006
Beverages	**5,510**	4,978	**238**	507
Marine Services	**11,269**	8,901	**13,537**	3,727
Trading & Industrial	**1,643**	1,034	**–**	–
Head Office	**5,666**	2,664	**39**	508
Total net assets employed	**268,155**	250,232	**32,195**	17,240
Less net debt	**(35,679)**	(41,181)		
Less non-controlling interests	**(4,917)**	(4,599)		
Equity attributable to the Company's shareholders	**227,559**	204,452		

	Equity attributable to the Company's shareholders		Return on average equity attributable to the Company's shareholders	
	2011 HK$M	2010 HK$M	**2011**	2010
Property investment	**168,301**	150,415	**15.7%**	18.9%
Property trading	**1,248**	1,783	**0.5%**	5.4%
Hotels	**5,903**	5,268	**-0.6%**	-2.3%
Property – overall	**175,452**	157,466	**15.0%**	18.0%
Aviation	**33,806**	31,549	**9.2%**	20.8%#
– including gain on remeasurement of previously held interest in HAECO on acquiring control	**2,547**	2,547		
Beverages	**4,140**	3,798	**14.8%**	19.1%
Marine Services	**9,875**	9,073	**9.1%**	9.0%
Trading & Industrial	**1,908**	1,690	**18.8%##**	23.5%#
Head Office	**(169)**	(1,671)		
Total	**227,559**	204,452	**14.9%**	20.5%

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies.

\# Excluding the gain on remeasurement of previously held interest in HAECO and the profit on sale of Hactl in the Aviation Division and the profit on sale of CROWN Beverage Cans in the Trading & Industrial Division.

\## Excluding the profit on sale of the PUMA associate in the Trading & Industrial Division.

Swire Pacific focuses on the long-term development of businesses where it can add value through its industry-specific expertise and particular knowledge of the Greater China region. The Group endeavours to create value for shareholders by making investments which exceed the target rate of return appropriate for each of its businesses.

The tables on page 99 show where the Group's net assets are employed, capital commitments by division and changes in returns on equity attributable to the Company's shareholders.

Property Division
Net assets employed in property investment increased by HK$8,121 million (4.4%) during the year, principally due to revaluation gains on investment properties in Hong Kong, continued investment in property projects in Mainland China and acquisition of new investment properties in Hong Kong, partially offset by the disposal of Festival Walk.

Capital commitments at the year-end include the Group's share of the capital commitments of the companies undertaking the property projects in Mainland China.

The return on average equity from property investment decreased from 18.9% in 2010 to 15.7% in 2011, reflecting the 3.6% decrease in attributable profit, which in turn principally reflected lower property valuation gains.

The increase in net assets employed in property trading was principally due to the costs of constructing residential projects in Hong Kong, partly offset by unit closings at ASIA in the USA and Island Lodge in Hong Kong.

The increase in net assets employed in hotels was principally due to the costs of constructing the Mandarin Oriental Hotel at TaiKoo Hui.

Aviation Division
Net assets employed in the aviation division increased by HK$2,381 million (6.3%). The increase principally reflects the acquisition of an additional 2% interest in Cathay Pacific and movements in the retained profit of the Cathay Pacific group and the HAECO group.

Excluding the gain on remeasurement of the previously held interest in HAECO and the profit on disposal of Hactl in 2010, the return on average equity decreased from 20.8% in 2010 to 9.2% in 2011. The decrease reflected lower profits from the Cathay Pacific group.

Beverages Division
Net assets employed increased by HK$532 million (10.7%), principally as a result of investments in Coca-Cola Bottlers Manufacturing Holdings and the Campbell Swire joint venture and movements in retained profits.

The return on average equity decreased from 19.1% to 14.8%, reflecting the 15.9% decrease in attributable profit.

Marine Services Division
Net assets employed increased by HK$2,368 million (26.6%) principally due to the purchase of eight new vessels by SPO, partially offset by the disposal of seven older vessels.

The return on average equity was marginally higher at 9.1% in 2011. This principally reflected the increase in attributable profit during the year.

Trading & Industrial Division
Net assets employed increased by HK$609 million primarily as a result of an increase in working capital at Taikoo Motors, partially offset by the disposal of the PUMA associate.

The return on average equity, excluding the effect of the profit on sale of PUMA in 2011 and the profit on disposal of CROWN Beverage Cans in 2010, decreased from 23.5% in 2010 to 18.8% in 2011. This principally reflected the 20.6% decrease in attributable profit.

Financing

- Capital Structure
- Changes in Financing
- Sources of Finance
  - Loans and Bonds
  - Perpetual Capital Securities
  - Bank Balances and Short-term Deposits
- Maturity Profile and Refinancing
- Currency Profile
- Finance Charges
- Interest Cover and Gearing Ratios
- Covenants and Credit Triggers
- Capital Management
- Key Credit Ratios
- Attributable Net Debt
- Debt in Jointly Controlled and Associated Companies
- Attributable Profit Correlation

Capital Structure

The Group aims to maintain a capital structure that is appropriate for long-term credit ratings of A3 to A1 on Moody's scale, A- to A+ on Standard & Poor's scale, and A- to A+ on Fitch's scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 31st December 2011 the Company's long-term credit ratings were A3 from Moody's, A- from Standard & Poor's, and A from Fitch.

Changes in Financing

Analysis of changes in financing during the year

Audited Financial Information

	2011 HK$M	2010 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**45,435**	34,502
Loans drawn and refinancing	**6,998**	13,302
Repayment of loans and bonds	**(13,078)**	(3,717)
Changes in composition of Group	**–**	1,324
Other non-cash movements	**295**	24
	39,650	45,435
Overdrafts	**1**	19
At 31st December	**39,651**	45,454

During the year, the Group raised HK$10,493 million. This comprised:

- a five-year club loan facility of HK$9,000 million, which comprised a HK$4,500 million term loan and a HK$4,500 million revolving credit facility
- an increase (of RMB300 million to RMB2,700 million) on the refinancing of a three-year syndicated loan facility
- two three-year term loan facilities totalling RMB100 million
- a three-year USD and HKD dual currency term and revolving credit facility equivalent to HK$400 million
- a three-year term and revolving credit facility of HK$300 million
- a three-year USD and HKD dual currency revolving credit facility equivalent to HK$300 million

Significant debt repayments during the year included:

- a HK$3,900 million bilateral term loan facility
- HK$3,000 million of a HK$3,500 million syndicated loan facility
- prepayment of bilateral term loan facilities aggregating HK$2,900 million

Sources of Finance

At 31st December 2011, committed loan facilities and debt securities amounted to HK$54,581 million, of which HK$16,459 million (30%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$6,373 million. Sources of funds at 31st December 2011 comprised:

Audited Financial Information

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	16,527	16,527	–	–
Bank loans, overdrafts and other loans	35,723	19,264	4,465	11,994
Perpetual capital securities	2,331	2,331	–	–
Total committed facilities	54,581	38,122	4,465	11,994
Uncommitted facilities				
Bank loans, overdrafts and other loans	8,059	1,686	6,373	–
Total	62,640	39,808	10,838	11,994

i) Loans and Bonds

For accounting purposes, the loans and bonds are classified as follows:

Audited Financial Information

	2011			2010		
Group	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M
Bank overdrafts and short-term loans – unsecured	1,333	–	1,333	5,290	(7)	5,283
Long-term loans and bonds at amortised cost	36,144	(157)	35,987	38,007	(168)	37,839
Less: amount due within one year included under current liabilities	(8,759)	9	(8,750)	(9,106)	5	(9,101)
	27,385	(148)	27,237	28,901	(163)	28,738

Company	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M
Bank overdrafts and short-term loans – unsecured	–	–	–	3,900	(7)	3,893

ii) Perpetual Capital Securities

Audited Financial Information

Perpetual capital securities, amounting to US$300 million and bearing cumulative interest at 8.84% per annum, were issued by a wholly-owned subsidiary (the "Issuer") on 13th May 1997. This issue has no scheduled maturity but is redeemable at the option of the Company or the Issuer either (i) at any time on or after 13th May 2017 or (ii) at any time upon amendment or imposition of certain taxes and, in any case, becomes due in the event of the Company's or the Issuer's winding up. The perpetual capital securities are unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company.

The perpetual capital securities are recorded in the statement of financial position at amortised cost. At 31st December 2011 the fair value was HK$2,471 million (2010: HK$2,565 million). The perpetual capital securities are listed on the Luxembourg Stock Exchange.

iii) Bank Balances and Short-term Deposits

The Group had bank balances and short-term deposits of HK$3,880 million at 31st December 2011, excluding security deposits, compared to HK$4,010 million at 31st December 2010.

Maturity Profile and Refinancing

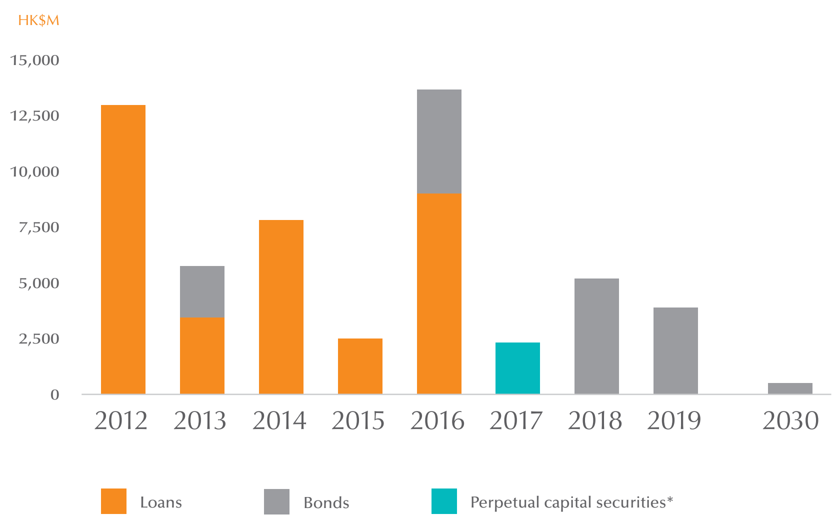
Bank loans and other borrowings are repayable on various dates up to 2030 (2010: up to 2030).

The weighted average term and cost of the Group's debt is:

	2011	2010
Weighted average term of debt	**3.5 years**	3.4 years
Weighted average term of debt (excluding perpetuals)	**3.4 years**	3.3 years
Weighted average cost of debt	**4.2%**	4.0%
Weighted average cost of debt (excluding perpetuals)	**3.9%**	3.7%

The maturity profile of the Group's available committed facilities is set out below:

Total Available Committed Facilities by Maturity at 31st December 2011



* The perpetual capital securities have no fixed maturity date. In the above graph their maturity has been presented as their first call date, 13th May 2017.

The maturity of long-term loans and bonds is as follows:

Audited Financial Information

	2011 HK$M	2010 HK$M
Bank loans (secured):		
Repayable within one year	**42**	170
Repayable between one and two years	**–**	42
Bank loans (unsecured):		
Repayable within one year	**8,708**	8,218
Repayable between one and two years	**296**	8,897
Repayable between two and five years	**10,456**	3,315
Other borrowings (unsecured):		
Repayable within one year	**–**	713
Repayable between one and two years	**2,299**	–
Repayable between two and five years	**4,653**	2,298
Repayable after five years	**9,533**	14,186
	35,987	37,839
Amount due within one year included under current liabilities	**(8,750)**	(9,101)
	27,237	28,738

Currency Profile

An analysis of the carrying amounts of gross borrowings by currency (after cross-currency swaps) is shown below:

Audited Financial Information

	2011		2010	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**30,143**	**76%**	37,481	82%
United States dollar	**2,253**	**6%**	2,268	5%
Renminbi	**7,039**	**18%**	5,521	12%
New Taiwan dollar	**156**	**–**	124	1%
Others	**60**	**–**	60	–
Total	**39,651**	**100%**	45,454	100%

Finance Charges

At 31st December 2011, 59% of the Group's gross borrowings were on a fixed rate basis and 41% were on a floating rate basis (2010: 56% and 44% respectively).

The exposure of the Group's loans and bonds to interest rate changes (after interest rate swaps) can be illustrated as follows:

Audited Financial Information

		Fixed interest rate maturing in:			
	Floating interest rate HK$M	1 year or less HK$M	1 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31st December 2011	**16,097**	**5,039**	**6,652**	**9,532**	**37,320**
At 31st December 2010	20,138	1,269	7,529	14,186	43,122

Interest charged and earned during the year was as follows:

Audited Financial Information

	2011		2010	
	HK$M	HK$M	HK$M	HK$M
Interest charged on:				
Bank loans and overdrafts		**(566)**		(392)
Other loans, bonds and perpetual capital securities:				
Wholly repayable within five years	**(391)**		(134)	
Not wholly repayable within five years	**(743)**		(985)	
		(1,134)		(1,119)
Fair value (losses)/gains on derivative instruments:				
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**(5)**		(12)	
Interest rate swaps: fair value hedges	**(3)**		5	
		(8)		(7)
Adjustments to financial liabilities – fair value hedges		**13**		13
Amortised loan fees – loans at amortised cost		**(66)**		(56)
Fair value loss on put option over non-controlling interest in Sanlitun Village		**(259)**		–
Other financing costs		**(58)**		(55)
Capitalised on:				
Investment properties	**197**		180	
Properties for sale	**155**		101	
Hotel and other properties	**24**		18	
Vessels	**15**		–	
		391		299
		(1,687)		(1,317)
Interest income on:				
Short-term deposits and bank balances	**40**		22	
Other loans	**37**		24	
Fair value gain on put option over non-controlling interest in Sanlitun Village	**–**		12	
		77		58
Net finance charges		**(1,610)**		(1,259)

The capitalised interest rates used on funds both borrowed generally and used for the development of investment properties and properties for sale were between 3.65% and 6.20% per annum (2010: 3.68% and 5.60% per annum).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$1,695 million (2010: HK$1,505 million).

The interest rates per annum, before swaps, at the year-end date were as follows:

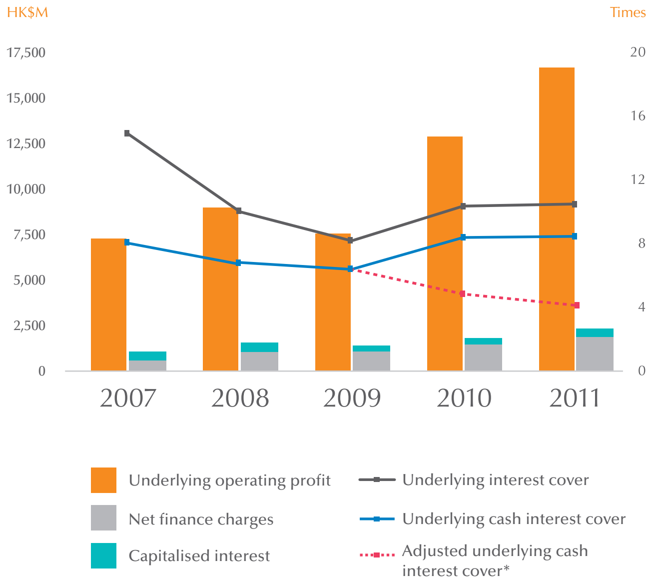
Audited Financial Information

	2011				2010			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Bank overdrafts and short-term loans	**2.17-3.90**	**2.82**	**3.14-7.93**	**0.75-0.85**	0.60-2.66	1.24-3.31	3.02-5.10	0.56-0.65
Long-term loans and bonds	**0.53-5.05**	**0.64-6.25**	**5.18-7.87**	**2.05**	0.49-5.05	1.11-6.25	4.37-5.94	1.89
Perpetual capital securities	**–**	**8.84**	**–**	**–**	–	8.84	–	–

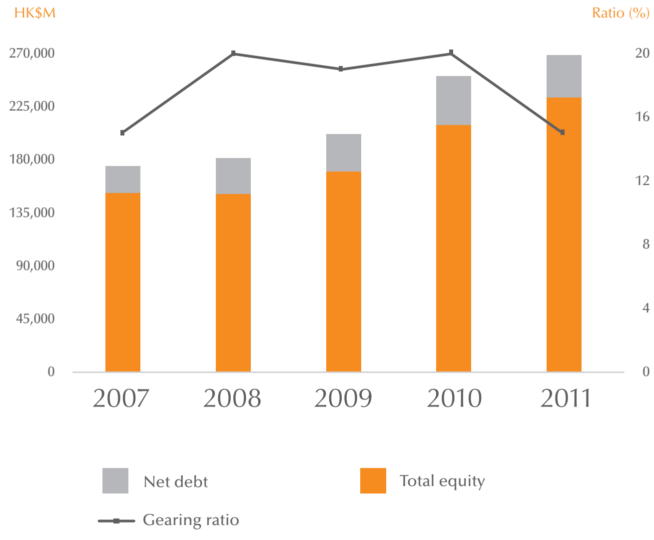
Interest Cover and Gearing Ratios

The following graphs illustrate the underlying interest cover and the gearing ratios for each of the last five years:

Underlying Interest Cover



Gearing Ratio



* Calculated using adjusted underlying operating profit which excludes the effect of capital profits less impairments in 2010 and 2011.

	2011	2010
Gearing ratio		
Per accounts	**15.4%**	19.7%
Underlying	**15.0%**	19.3%
Interest cover – times		
Per accounts	**19.5**	27.0
Underlying	**10.4**	10.2
Cash interest cover – times		
Per accounts	**15.7**	21.8
Underlying	**8.3**	8.3

Covenants and Credit Triggers

Audited Financial Information

There are no specific covenants given by the Group for its debt facilities which would require debt repayment or termination of a facility should its credit rating be revised by the credit rating agencies.

The Company has entered into financial covenants in respect of gearing limits and maintenance of minimum consolidated net worth, to secure funding for itself and its subsidiaries. These covenants are set out below:

	Covenant limits	**2011**	2010
Gearing			
Consolidated borrowed money/adjusted consolidated net worth	≤ 200%	**15.4%**	19.7%
Secured consolidated borrowed money/adjusted consolidated net worth	≤ 100%	**0.02%**	0.1%
	HK$M	**HK$M**	HK$M
Maintenance of minimum adjusted consolidated tangible net worth			
Adjusted consolidated tangible net worth	≥ 20,000	**228,206**	204,616

These financial covenants, together with the long-term credit rating objective establish the framework within which the capital structure of the Group is determined.

To date, none of the covenants have been breached.

Capital Management

Audited Financial Information

The Group's primary objectives when managing capital are to safeguard the Group's ability to operate as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and to secure access to finance at a reasonable cost.

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its various investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings (comprising borrowings net of security deposits plus perpetual capital securities issued by the Group) less short-term deposits and bank balances and certain available-for-sale investments. Capital comprises total equity, as shown in the consolidated statement of financial position.

In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2011 and 31st December 2010 were as follows:

	2011 HK$M	2010 HK$M
Perpetual capital securities	**2,331**	2,332
Borrowings net of security deposits	**37,278**	42,910
Total borrowings	**39,609**	45,242
Less:		
Short-term deposits and bank balances (excluding security deposits)	**(3,880)**	(4,010)
Certain available-for-sale investments	**(50)**	(51)
	(3,930)	(4,061)
Net debt	**35,679**	41,181
Total equity	**232,476**	209,051
Gearing ratio	**15.4%**	19.7%

The decrease in the gearing ratio during 2011 principally reflects the decrease in net debt following the sale of Festival Walk and the increase in total equity as a result of movements in attributable profits.

Key Credit Ratios

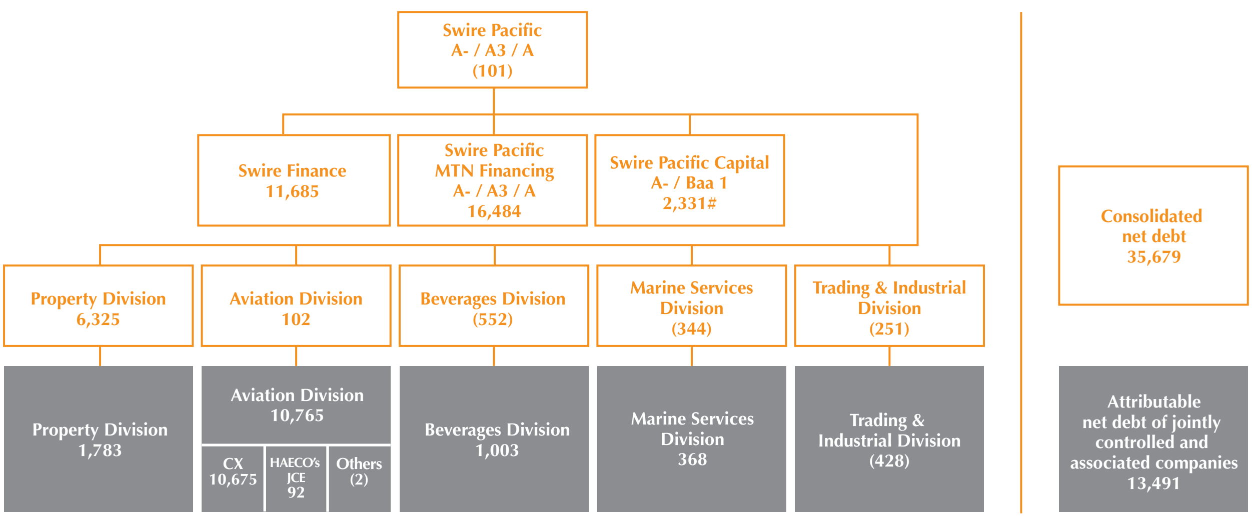
The table below sets out those credit ratios of the Group which are commonly assessed when determining credit ratings:

	Note	2007	2008	2009	2010	**2011**
Operating margin	2					
– per accounts		126.7%	40.4%	90.9%	120.9%	**91.2%**
– underlying		37.1%	39.7%	34.0%	48.6%	**50.5%**
EBIT/net interest expenses	1, 2					
– per accounts		31.5	8.2	18.7	22.8	**17.2**
– underlying		10.2	8.1	7.0	9.3	**9.8**
FFO + net finance charges/ net interest expenses	1					
– per accounts		10.0	8.2	7.2	6.1	**5.7**
FFO/net debt						
– per accounts		38.3%	33.2%	24.4%	19.9%	**27.5%**
Net debt/total equity plus net debt						
– per accounts		12.9%	16.8%	15.7%	16.5%	**13.3%**
Property rental income/ net interest expenses	1	5.0	4.1	5.0	4.1	**3.5**

Notes:
1. Net interest expenses include capitalised interest.
2. Underlying credit ratios are calculated by adjusting for the impact of HKAS 40 on investment properties and the amended HKAS 12 on deferred tax.

Attributable Net Debt

The chart below illustrates, by entity, the Group's attributable net debt and undertakings given to third parties (in HK$M):



Represents US$300 million perpetual capital securities.

Debt in Jointly Controlled and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its jointly controlled and associated companies. These companies had the following net debt positions at the end of 2011 and 2010:

	Total net debt/(cash) of jointly controlled and associated companies		Portion of net debt/(cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M
Property Division	**3,018**	2,463	**1,783**	1,282	**474**	481
Aviation Division						
Cathay Pacific group	**23,739**	15,436	**10,675**	6,633	**–**	–
HAECO group	**558**	403	**92**	86	**55**	–
Other Aviation Division companies	**(4)**	5	**(2)**	2	**–**	–
Beverages Division	**2,847**	2,521	**1,003**	944	**–**	–
Marine Services Division	**736**	659	**368**	329	**500**	500
Trading & Industrial Division	**(1,324)**	(1,792)	**(428)**	(677)	**–**	–
	29,570	19,695	**13,491**	8,599	**1,029**	981

If the attributable portion of the net debt in jointly controlled and associated companies were to be added to the Group's net debt, gearing would rise to 21.2% and underlying gearing would rise to 20.7%.

Attributable Profit Correlation

Swire Pacific's attributable profits comprise earnings from a diverse range of businesses. An analysis of the degree of correlation between these earnings over the last ten years has been carried out. The correlation table below illustrates that most of the attributable profits received from different businesses are not strongly correlated. This demonstrates the relative stability of the earnings for the Group as a whole.

	Property Division	Aviation Division	Marine Services Division	Beverages and Trading & Industrial Divisions	Divisions combined, excluding Property Division
Underlying attributable profit 2011* (HK$M)	**12,673**	**2,999**	**863**	**927**	**4,789**
Correlation coefficient:					
Property Division	**1.000**	**0.220**	**-0.045**	**0.238**	**0.244**
Aviation Division	**0.220**	**1.000**	**-0.472**	**0.214**	**0.966**
Marine Services Division	**-0.045**	**-0.472**	**1.000**	**0.458**	**-0.238**
Beverages and Trading & Industrial Divisions	**0.238**	**0.214**	**0.458**	**1.000**	**0.417**
Divisions combined, excluding Property Division	**0.244**	**0.966**	**-0.238**	**0.417**	**1.000**

* The underlying attributable profit has been adjusted to remove the impact of disposals of interests in subsidiary and jointly controlled companies.

Correlation key: 1 Highly correlated; 0 Uncorrelated; -1 Highly negatively correlated.

Corporate Governance

Governance Culture

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Swire Pacific believes that shareholder wealth will be maximised in the long-term and that employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its strategies are fulfilled. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders
- that the interests of stakeholders are safeguarded
- that overall business risk is understood and managed appropriately
- the delivery of high-quality products and services to the satisfaction of customers and
- that high standards of ethics are maintained

Corporate Governance Statement

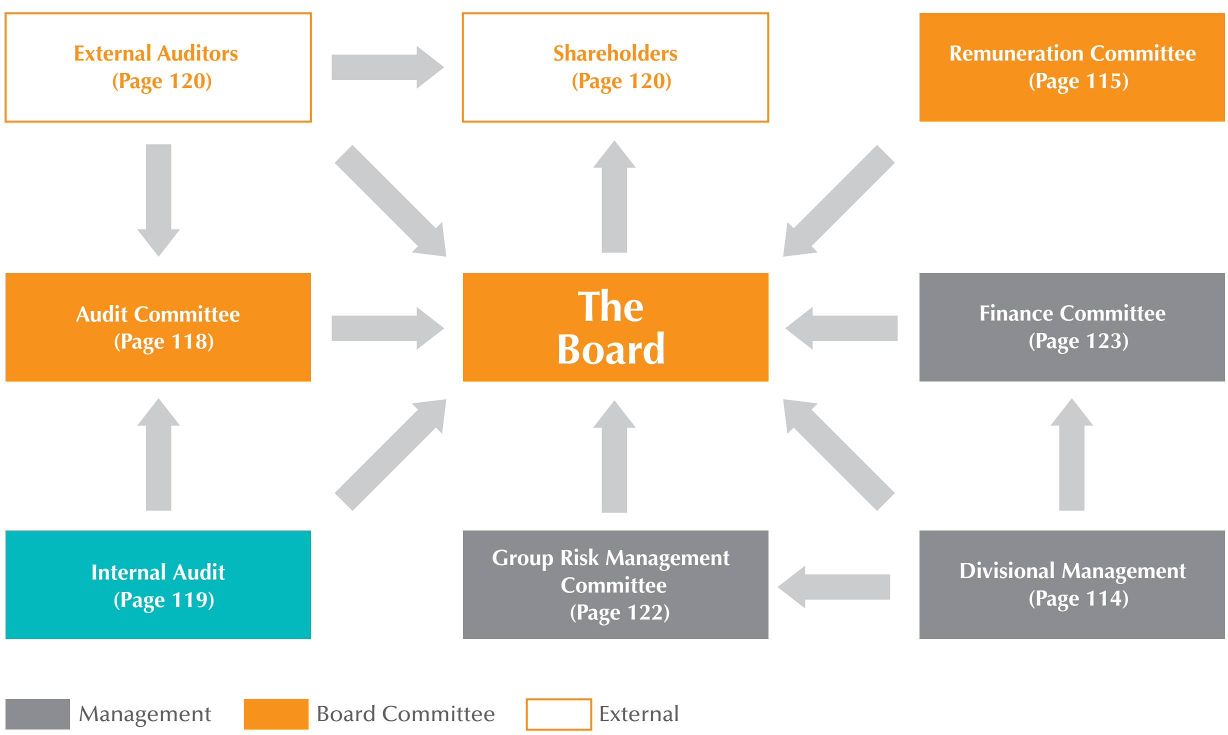
The Code on Corporate Governance Practices (the "CG Code") as published by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:

- Code Provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
- Recommended Best Practices, with which issuers are encouraged to comply, but which are provided for guidance only

Swire Pacific supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Swire Pacific has adopted its own code on corporate governance practices which is available on its website www.swirepacific.com.

Corporate governance does not stand still; it evolves with each business and its operating environment. Swire Pacific is always ready to learn and adopt best practice. As part of

Governance Structure



its commitment to enhance corporate governance standards within the region, Swire Pacific is a member of the Asian Corporate Governance Association.

Swire Pacific has complied throughout the year with all the Code Provisions of the CG Code applicable during the year as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Additionally it has considered the Recommended Best Practices applicable during the year and complied with all of them with the following exceptions which it believes do not benefit shareholders:

- **Section C.1.4 of the CG Code, recommending the production of quarterly statements.** The Company has chosen not to comply with this recommended reporting practice because it is its judgement that, as a matter of principle and practice, quarterly reports would not bring net overall benefits to shareholders.

- **Section A.4.4 of the CG Code recommending the establishment of a nomination committee.** The Board has considered the merits of establishing a nomination committee as recommended but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by both the potential Director and the Board as to suitability for the role.

The Board of Directors

Role of the Board

Swire Pacific is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the broad range of stakeholder interests.

Responsibility for delivering Swire Pacific's objectives and running the business on a day-to-day basis is delegated to divisional management. The Board exercises a number of reserved powers which include:

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including accounts
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy
- approving appointments to the Board
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of internal control and risk management, including the adequacy of the resources, qualifications and experience of the staff responsible for the Company's accounting and financial reporting, and their training programmes and budgets

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see page 118) and the Remuneration Committee (see page 115).

Chairman and Chief Executive

The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is clear division of responsibilities between the running of the Board and the executives who run the business.

The Chairman is responsible for:

- leadership of the Board
- setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
- facilitating effective contributions from and dialogue with all Directors and constructive relations between them
- ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information
- obtaining consensus amongst the Directors
- ensuring, through the Board, that good corporate governance practices and procedures are followed

Each division of the Group has one or more Executive Directors or Officers who are responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's individual businesses (see page 114). These executives are:

M Cubbon (Property), J R Slosar and Augustus Tang (Aviation), G L Cundle (Beverages) and J B Rae-Smith (Marine Services and Trading & Industrial).

Throughout the year there was a clear division of responsibilities between the Chairman and the management executives named above.

Board Composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

The Board currently comprises the Chairman, six other Executive Directors and ten Non-Executive Directors. Their biographical details are set out on pages 126 and 127 of this report and are posted on the Company's website.

The Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit and Remuneration Committees of the Board are comprised only of Non-Executive Directors.

The Board considers that six of the ten Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. T G Freshwater is a Director of Goldman Sachs (Asia) L.L.C. ("GS"), M Leung and M M T Yang are Directors of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). GS and HSBC (together with BOCI Asia Limited and Morgan Stanley Asia Limited) were engaged by the Company and Swire Properties Limited as joint sponsors in respect of the spin-off and listing of shares in Swire Properties Limited which took place on 18th January 2012. T G Freshwater, M Leung and M M T Yang had no personal involvement in the engagement. In these circumstances, the Board does not consider the fact that T G Freshwater, M Leung and M M T Yang are Directors of companies which were so engaged to be sufficiently material to affect their independence. C K M Kwok, C Lee and M M T Yang have served as Non-Executive Directors for more than nine years. The Directors are of the opinion that they remain independent, notwithstanding their length of tenure. C K M Kwok, C Lee and M M T Yang continue to demonstrate the attributes of an Independent Non-Executive Director noted above and there is no evidence that their tenure has had any impact on their independence. The Board believes that their detailed knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company, and that they maintain an independent view of its affairs.

Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules. In their confirmations T G Freshwater, M Leung and M M T Yang have noted the directorships referred to above.

The Independent Non-Executive Directors:

- provide open and objective challenge of management and the Board members
- raise intelligent questions and challenge constructively and with vigour
- bring outside knowledge of the businesses and markets in which the Group operates, providing informed insight and responses to management

The number of Independent Non-Executive Directors represented the recommended proportion (at least one-third) of the Board of Directors.

Appointment and Re-election

Potential new Directors are identified and considered for appointment by the Board. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment and all Directors are subject to re-election by shareholders every three years.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

Full details of changes in the Board during the year and to the date of this report are provided in the Directors' Report on page 130.

Responsibilities of Directors

On appointment, the Directors receive information about the Group including:

- the role of the Board and the matters reserved for its attention
- the roles and terms of Board Committees
- the Group's corporate governance practices and procedures
- the powers delegated to management and
- the latest financial information

Directors update their skills, knowledge and familiarity with the Group through their ongoing participation at meetings of the Board and its committees and through regular meetings with management at the head office and in the divisions. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

Through the Company Secretary, Directors are able to obtain appropriate professional training and advice.

Each Director ensures that he can give sufficient time and attention to the affairs of the Group. All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated regularly.

Details of Directors' other appointments are shown in their biographies on pages 126 and 127.

Board Processes

All committees of the Board follow the same processes as the full Board.

The dates of the 2011 Board meetings were determined in 2010 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met six times in 2011. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 114. Average attendance at Board meetings was 94%. All Directors attended Board meetings in person during the year.

Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before Board and committee meetings.

The Chairman takes the lead to ensure that the Board acts in the best interests of Swire Pacific, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole.

Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

Minutes of Board meetings are taken by the Company Secretary and, together with any supporting papers, are available to all Directors. The minutes record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and record respectively.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings.

A typical Board meeting would consist of:
- review of a report by each Executive Director or Officer on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
- the raising of new initiatives and ideas
- presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for Directors' consideration
- any declarations of interest

The executive management of individual businesses within the Group provide the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. One such meeting was held in 2011.

The Chairman meets at least annually with the Non-Executive Directors without the Executive Directors being present.

Directors	Board	Audit Committee	Remuneration Committee	2011 Annual General Meeting
	Meetings Attended/Held			
Executive Directors				
C D Pratt – Chairman	6/6			✔
M Cubbon	6/6			✔
G L Cundle (appointed on 1st August 2011)	3/3			N/A
P A Kilgour	6/6			✔
J R Slosar	5/6			✔
I S C Shiu	6/6			✔
A K W Tang (appointed on 1st August 2011)	3/3			N/A
A N Tyler (resigned on 31st March 2011)	2/2			N/A
Non-Executive Directors				
Baroness Dunn	4/6			✗
J W J Hughes-Hallett	6/6			✔
P A Johansen	6/6	3/3	2/2	✔
M B Swire	5/6			✔
Independent Non-Executive Directors				
C K M Kwok	6/6	3/3	2/2	✔
C Lee	6/6	3/3	2/2	✔
M C C Sze	6/6			✔
M M T Yang	5/6			✔
M Leung	6/6			✔
T G Freshwater	5/6			✔
Average attendance	94%	100%	100%	93%

Directors' and Officers' Insurance

Swire Pacific has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Conflicts of Interest

If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstains from voting. The matter is considered at a Board meeting and voted on by Directors who have no material interest in the transaction.

Delegation by the Board

Responsibility for delivering Swire Pacific's strategies and objectives, as established by the Board, and for day-to-day management is delegated to the Executive Director or Officer at the head of each business unit. These individuals have been given clear guidelines and directions as to their powers and, in particular, the circumstances under which they should report back to, and obtain prior approval from, the Board before making commitments on behalf of Swire Pacific.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

- detailed monthly management accounts consisting of income statements and statements of financial position and cash flows compared to budget together with forecasts
- internal and external audit reports
- significant control breakdowns
- feedback from external parties such as customers, those with whom the Group does business, trade associations and service providers

Securities Transactions

The Company has adopted a code of conduct (the "Securities Code") regarding securities transactions by Directors and Officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. These rules are available on the Company's website.

A copy of the Securities Code is sent to each Director of the Company first on his appointment and thereafter twice annually, immediately before the two financial period ends, with a reminder that the Director cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors and senior executives of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Directors' interests as at 31st December 2011 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 132 and 133. In addition, an Executive Officer of the Company, J B Rae-Smith, is interested personally in 17,500 'B' shares of the Company and 73,066 ordinary shares and 18,821 preference shares of John Swire & Sons Limited, an associated corporation of the Company, and is also interested as one of the beneficiaries of trusts which hold 5,000 'A' shares of the Company and 157,659 ordinary shares and 9,628 preference shares of John Swire & Sons Limited.

Remuneration Committee

Full details of the remuneration of the Directors and an Executive Officer are provided in note 9 to the accounts.

The Remuneration Committee comprises three Non-Executive Directors, two of whom – C K M Kwok and C Lee – are Independent Non-Executive Directors. The Committee is chaired by P A Johansen.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code and are posted on the Company's website.

A Services Agreement exists between the Company and John Swire & Sons (H.K.) Limited, a wholly-owned subsidiary of John Swire & Sons Limited, which is the parent company of the Swire group. This agreement has been considered in detail and approved by the Independent Non-Executive Directors of the Company. Under the terms of the agreement, staff at various levels, including Executive Directors and an Executive Officer, are seconded to the Company. These staff report to and take instructions from the Board of the Company but remain employees of the Swire group. As a substantial shareholder of Swire Pacific, it is in the best interest of the Swire group to ensure that executives of high quality are seconded to and retained within the Swire Pacific Group.

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave-passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire group, of which the predominant element is derived from the Swire Pacific Group.

Although the remuneration of these executives is not entirely linked to the profits of the businesses in which they are working, it is considered that, given the different profitability of businesses within the Group, these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre senior management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors and an Executive Officer at its meeting in November 2011. At this meeting the Committee considered a report prepared for it by Mercer Limited ("Mercer"), an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors and an Executive Officer, as disclosed in note 9 to the accounts was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

The following fee levels were approved by the Board:

Fee	2011 HK$	2012 HK$
Director's Fee	**690,000**	690,000
Fee for Audit Committee Chairman	**240,000**	240,000
Fee for Audit Committee Member	**180,000**	180,000
Fee for Remuneration Committee Chairman	**75,000**	75,000
Fee for Remuneration Committee Member	**58,000**	58,000

Sustainability Governance

The Swire Pacific Group has many sustainability matters to consider. Each business unit is required to deal with its own sustainability matters, but the principles governing the way in which this is done are the same in all business units.

The Role of Each Business Unit

Management of each business unit must assess sustainability matters, formulate and implement strategies and review, audit and report on performance.

The Role of Swire Pacific

Through its Sustainable Development Office, Swire Pacific sets policy and monitors its implementation by the business units. The Sustainable Development Office also assists business units with planning and with the measurement of results. Policy is set in the light of key sustainability trends, the risks to which the Group is subject and the opportunities in sustainability available to the Group.

Stakeholder Engagement

In 2011, a five year stakeholder engagement plan was developed. Feedback on sustainability matters is being obtained (principally by using focus groups and individual interviews) from employees, investors and other groups. Stakeholders are also encouraged to provide their views and suggestions on sustainable development via the Swire Pacific website or email to sd@swirepacific.com.

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

- the proper stewardship of the Company's affairs, to ensure the integrity of financial information
- preparing annual and interim accounts and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate

Internal Controls

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's system of internal controls with a view to ensuring that shareholders' investments and the Company's assets are safeguarded. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 118 and 119.

The foundation of a strong system of internal control is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

Since profits are, in part, the reward for successful risk taking in business, the purpose of internal controls is to help manage and control, rather than eliminate, risk. Consequently internal controls can only provide reasonable, and not absolute, assurance against misstatement or loss.

The key components of the Group's control structure are as follows:

Culture: The Board believes that good governance reflects the culture of an organisation. This is more significant than any written procedures.

Swire Pacific aims at all times to act ethically and with integrity and to instil this behaviour in all its employees by example from the Board down. The Code of Conduct is posted on the internal intranet site.

Swire Pacific is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Company's philosophy.

Channels of communication are clearly established, allowing employees a means of communicating their views upwards with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Company's Code of Conduct employees are encouraged and instructed on how to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Risk Assessment: The Board of Directors and the management each have responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated.

There are two key management committees which monitor risk processes throughout the Group; the Group Risk Management Committee ("GRMC") and the Finance Committee. These primarily comprise senior management and both are chaired by the Group Finance Director, who reports to the Board on matters of significance that arise.

The GRMC, discussed further on pages 122 and 123, focuses on business, operational, safety, security, legal and reputational risks. The Finance Committee, discussed further on page 123, focuses on broad financial and treasury risks.

Management Structure: The Group has a clear organisational structure that, to the extent required, delegates the day-to-day responsibility for the design, documentation and implementation of procedures and ongoing monitoring of risk. Individuals appreciate where they will be held accountable in this process.

A control self assessment process requires the management in each material business unit to assess, through the use of detailed questionnaires, the adequacy and effectiveness of controls over the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This process and its results are reviewed by Internal Audit and form part of the Audit Committee's annual assessment of control effectiveness.

Controls and Review: The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasions, be some overlap between them. The typical control activities adopted by Group companies include:

- analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors

- direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
- information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports
- physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
- performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse

Swire Pacific has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

Internal Audit: Independent of management, the Internal Audit department reports directly to the Chairman and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 119 and 120.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, C K M Kwok, C Lee and P A Johansen, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, C K M Kwok, is Chairman. All the members served for the whole of 2011.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website.

The Audit Committee met three times in 2011. Regular attendees at the Audit Committee meetings are the Group Finance Director, the Head of Internal Audit and the external auditors. The Audit Committee meets at least twice a year with the external auditors without the presence of management. Each meeting receives written reports from the Group Risk Management Committee, the external auditors and Internal Audit. Other attendees during the year included the independent property valuers, the Deputy Finance Director and the Group Finance Manager.

The work of the Committee during 2011 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2010 annual and 2011 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's internal controls and risk management systems and its compliance with the CG Code
- the Group's risk management processes
- the approval of the 2012 annual Internal Audit programme and review of progress on the 2011 programme
- periodic reports from Internal Audit and progress in resolving any matters identified in them
- significant accounting and audit issues
- the Company's policy regarding connected transactions and the nature of such transactions
- the relationship with the external auditors as discussed on page 120

In 2012, the Committee has reviewed, and recommended to the Board for approval, the 2011 accounts.

Assessing the Effectiveness of Internal Controls

On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's systems of internal controls dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

- the scope and quality of management's monitoring of risks and of the systems of internal control, the work of Internal Audit and the assurances provided by the Group Finance Director
- the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or position
- the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
- areas of risk identified by management
- significant risks reported by Internal Audit and the Group Risk Management Committee
- work programmes proposed by both Internal Audit and the external auditors
- significant issues arising from internal and external audit reports
- the results of management's control self assessment exercise

As a result of the above review, the Board confirms that the Group's internal control systems are adequate and effective and have complied with the CG Code provisions on internal control throughout the year and up to the date of this annual report.

Internal Audit Department

The Swire group has had an Internal Audit department ("IA") in place for 16 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 19 audit professionals and conducts audits of the Group and certain associates. The 19 professionals include a team based in Mainland China which reports to IA in Hong Kong.

IA reports directly to the Chairman of the Board and, without the need to consult with management, to the Chairman of the Audit Committee and via him to the Board. IA has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work.

The annual IA work plan and resources are reviewed and agreed with the Audit Committee.

Scope of Work

Business unit audits are designed to provide assurance that the internal control systems of Swire Pacific are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the Group Risk Management Committee and management's views. Each business is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 49 assignments were conducted for Swire Pacific in 2011.

IA specifically assists the Audit Committee in assessing the effectiveness of the Group's internal controls through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

IA conducts ad-hoc projects and investigative work as may be required by management or the Audit Committee.

Audit Conclusion and Response

Copies of IA reports are sent to the Chairman of the Board, the Group Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

Management is called upon to present action plans in response to IA's recommendations. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the "auditors"). The auditors have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual accounts
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity is not, and is not seen to be, compromised
- approval of audit and non-audit fees

Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of the International Federation of Accountants Code of Ethics and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work) at a meeting of the Committee.

Provision of Non-audit Services

In deciding whether the auditors should provide non-audit services the following key principles are considered:

- the auditors should not audit their own firm's work
- the auditors should not make management decisions
- the auditors' independence should not be impaired
- quality of service

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

Fees paid to the auditors are disclosed in note 7 to the accounts.

Shareholders

Communication with Shareholders and Investors

The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company.

The principal methods used to communicate with shareholders include the following:

- The Group Finance Director makes himself available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In 2011 the Group Finance Director held 19 meetings with analysts and investors in Hong Kong, conducted three analyst briefings, one investor group briefing, three overseas roadshows and spoke at three investor conferences.
- Through the Company's website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses
- Through publication of interim and annual reports
- Through the AGM as discussed below

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 19th May 2011. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 114.

At the Annual General Meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

- receiving the report of the Directors and the audited accounts for the year ended 31st December 2010
- declaration of final dividends
- re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share repurchases
- a general mandate authorising the Directors to allot and issue shares up to 20% of the then issued share capital, provided that the aggregate nominal amount of the shares of any class so allotted wholly for cash would not exceed 5% of the aggregate nominal amount of the shares then in issue
- approval of Directors' fees

Minutes of the meeting together with voting results are available on the Company's website.

Other Information for Shareholders

Key shareholder dates for 2012 are set out on page 248 of this report and in the Financial Calendar on the Company's website.

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital is held by the public. Details of the shareholder profile of the Company are included in the Directors' Report on page 134.

Risk Management

The Board of Directors and the management of each division are responsible for identifying and analysing the risks underlying the achievement of business objectives, and for determining how such risks should be managed and mitigated.

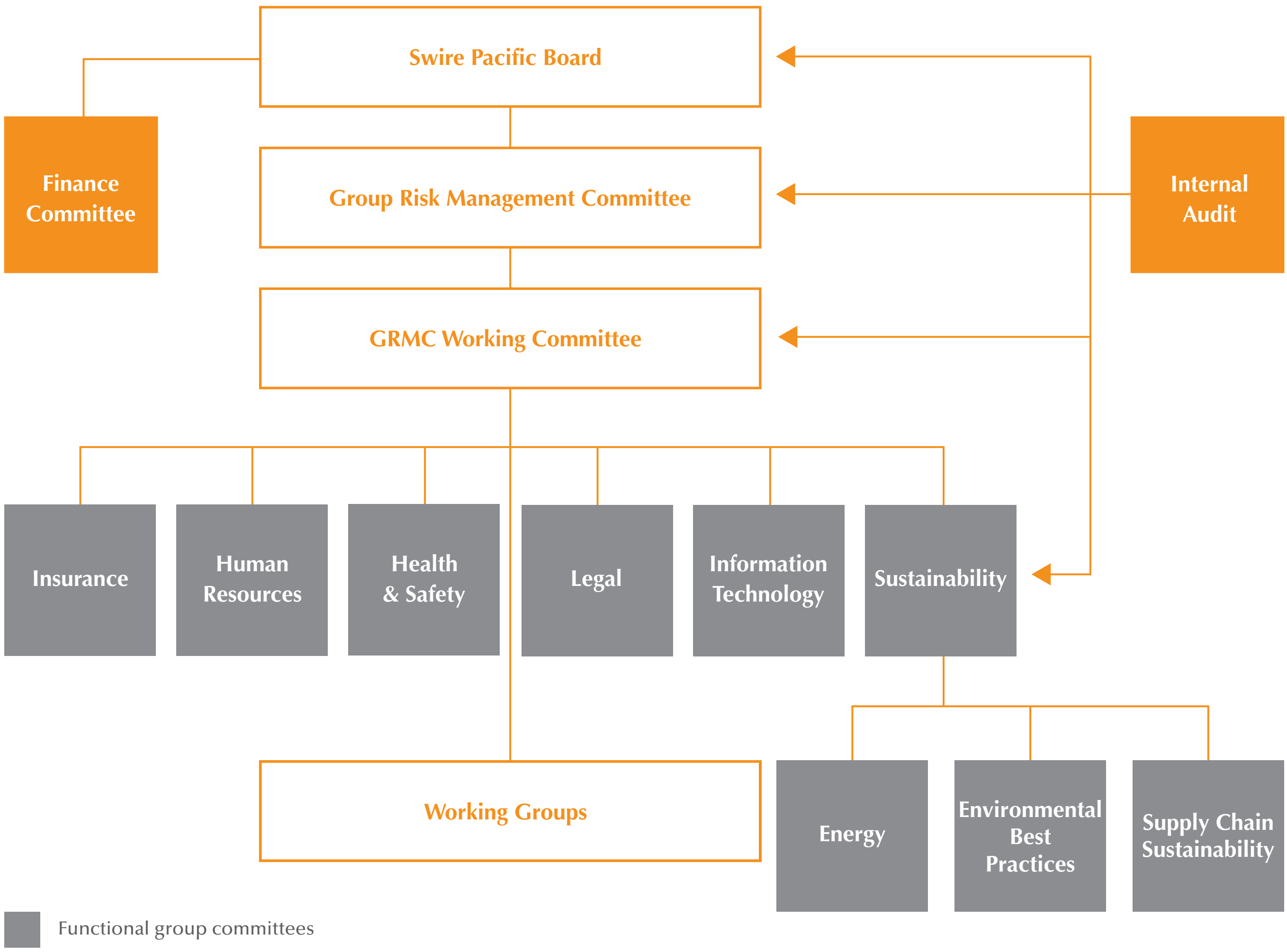
There are two key management committees which seek to monitor the full spectrum of risks to which the Group is subject; the Group Risk Management Committee ("GRMC") and the Finance Committee. These are made up of members of senior management and both are chaired by the Group Finance Director, who reports to the Board on matters of significance that arise.

Group Risk Management Committee

The GRMC provides oversight of all the risks to which the Group is subject (except for those expressly covered by the Finance Committee) including setting risk management policies and strategies. The GRMC reports directly to the Board. It comprises the Group Finance Director and the Executive Directors and Officer in charge of the operating divisions. It is chaired by the Group Finance Director.

The GRMC oversees a number of committees and working groups. These cover the following areas: Insurance, Human Resources, Health & Safety, Legal, Information Technology, Sustainability, Environmental Best Practices, Supply Chain

Risk Governance Structure



Sustainability, Energy and Enterprise Risk Management. The GRMC's oversight role includes those areas which can be collectively categorised as Sustainable Development.

In 2011, the GRMC met three times and its functional group committees and working groups met a total of 28 times.

The members of the functional group committees and working groups are specialists in their respective areas and each committee is chaired by a member of the GRMC Working Committee. This working committee has been established to monitor the activities of each of the functional group committees and working groups and to submit consolidated proposals on key risk issues to the GRMC.

The role of the functional group committees and working groups is to identify risks and opportunities which fall within their respective functional areas and to draw up policy recommendations for GRMC review and approval. The policies approved by the GRMC apply to all companies in which Swire Pacific has a controlling interest. The boards of these operating companies are required to adopt these policies and to establish procedures to ensure compliance with them.

Jointly controlled and associated companies are encouraged to adopt Group policies.

The management of the full spectrum of risks is subject to audit by the Group's Internal Audit department, with support from specialist external consultants where necessary.

Finance Committee

The role of the Finance Committee is to provide oversight of the Group's financial risks, including setting the Group's financial risk management policies and procedures. These are implemented within both the Group's central financial reporting function and the divisional finance functions.

The Finance Committee consists of the Group Finance Director, five Divisional Finance Directors, the General Manager Corporate Finance, the Treasury Manager, the Group Finance Manager and the Group Taxation Manager. In 2011, the Finance Committee met four times.

The Group's approach to financial risk management is discussed below.

Financial Risk Management

Audited Financial Information

The following disclosures on financial risk management are audited financial information.

Structure and Policies

In the normal course of business the Group is exposed to financial risks attributable to interest rates, currency, credit and liquidity.

The Finance Committee maintains and develops the Group's financial risk management policies and procedures. These policies and procedures are implemented by the Head Office Treasury Department, within an agreed framework authorised by the Board.

The Treasury department manages the majority of the Group's funding needs, as well as resulting interest rate, currency, credit and liquidity risks. Operating subsidiaries manage currency and credit exposures that are specific to their trading transactions.

It is the Group's policy not to enter into derivative transactions for speculative purposes. Derivatives are used solely for management of an underlying risk and the Group minimises its exposure to market risk since gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. Accounting for derivative financial instruments and hedging activities is discussed on pages 197 and 198.

Financial Risk Management (continued)

Audited Financial Information (continued)

The Group's listed associated companies and its non-listed jointly controlled and associated companies arrange their financial and treasury affairs on a stand-alone basis. The Company may provide financial support by way of guarantees to its non-listed jointly controlled and associated companies in cases where significant cost savings are available and risks are acceptable.

Interest Rate Exposure

The Group's interest rate risk arises primarily from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group earns interest income on cash deposits.

The Group maintains a significant proportion of debt on a fixed rate basis with a view to increasing certainty of funding costs. The level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and the expected cash flows of the Group's businesses and investments. The Group uses interest rate swaps to manage its long-term interest rate exposure. The Group Finance Director approves all interest rate hedges prior to implementation.

On a quarterly basis, the Treasury department calculates the effect of the Group's exposure to interest rate fluctuations on forecast earnings and cash flows by performing sensitivity testing which varies forecast interest rates. The Treasury department reports the results of this testing to the Finance Committee. Refer to page 147 for details of the sensitivity testing performed at 31st December 2011.

Currency Exposure

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations.

The Group's policy is to hedge in full all highly probable transactions in each major currency where their value or time to execution gives rise to a significant currency exposure, provided that the cost of the foreign exchange forward or derivative contract is not prohibitively expensive having regard to the underlying exposure.

Exposure to movements in exchange rates on transactions other than borrowings is minimised by using forward foreign exchange contracts where active markets for the relevant currencies exist. At 31st December 2011, the Group had hedged its significant foreign currency funding exposures.

Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

Foreign currency funding and deposit exposure is monitored by the Treasury department on a continuous basis and hedging proposals are presented to the Finance Committee. On a quarterly basis, the Treasury department performs sensitivity testing by varying forecast foreign exchange rates. The results of this testing are used to assess whether positions should remain unhedged. Refer to page 148 for details of the sensitivity testing performed at 31st December 2011.

Audited Financial Information (continued)

Credit Exposure

The Group's credit risk is primarily attributable to trade and other receivables with wholesale customers, derivative financial instruments and cash and deposits with banks and financial institutions. Individual operating entities are responsible for setting credit terms appropriate to their industry and assessing the credit profile of individual customers.

Standard settlement terms within the Beverages Division and SPO are 30 days from the date of invoice. In accordance with the provisions of Swire Properties' standard tenancy agreements, rentals and other charges are due on the first day of each calendar month. Typically sales to retail customers within Swire Resources are made by cash or major credit cards. The Group has no significant credit risk with any one customer.

When depositing surplus funds or entering into derivative contracts, the Group controls its exposure to non-performance by counterparties by dealing with investment grade counterparties, setting approved counterparty limits and applying monitoring procedures. Counterparty credit exposure limits for financial institutions are proposed by the Treasury department and approved by the Group Finance Director. The Treasury department monitors the counterparties' credit ratings and issues an approved list of counterparties with their limits on a quarterly basis to all subsidiaries. Group companies require prior approval from the Treasury Manager to deal with banks not on the approved list.

The Group is not required by its counterparties to provide collateral or any other form of security against any change in the market value of derivatives. There are no specific conditions that would require the termination of derivative contracts should the credit rating of Swire Pacific be downgraded.

The maximum credit risk in respect of contingencies is disclosed in note 39 to the accounts.

Liquidity Risk

The Group takes liquidity risk into consideration when deciding its sources of funds and their tenors, so as to avoid over reliance on funds from any one source and to prevent substantial refinancing in any one period. The Group maintains significant undrawn committed revolving credit facilities and cash deposits in order to reduce liquidity risk further and to allow for flexibility in meeting funding requirements.

The Group aims to maintain immediate access to committed funds to meet its refinancing and capital commitments for the following 12 months on a rolling basis, excluding its onshore Renminbi debt funding, where forward commitments are not readily available.

The Treasury department produces a forecast funding plan for the Group on a quarterly basis and a summary forecast on a monthly basis, in order to assess committed and probable funding requirements. The plan includes an analysis of debt refinancing by year and by source of funds. The Treasury Manager presents the forecast funding plan together with funding proposals to the Group Finance Director on a regular basis, and to the Finance Committee. Refer to pages 148 and 149 for details of the Group's contractual obligations at 31st December 2011.

Price Risk

The Group is exposed to price risk in relation to listed equity securities held as available-for-sale investments. Management regularly reviews the expected returns from holding such investments, on an individual basis.

Directors and Officers

Executive Directors

* **Pratt, Christopher Dale, CBE**, aged 55, has been a Director and the Chairman of the Company since February 2006. He is also Chairman of Cathay Pacific Airways Limited, Hong Kong Aircraft Engineering Company Limited, John Swire & Sons (H.K.) Limited and Swire Properties Limited and a Director of Swire Beverages Limited. He is also a Director of Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. He joined the Swire group in 1978 and has worked with the group in Hong Kong, Australia and Papua New Guinea.

* **Cubbon, Martin**, aged 54, has been a Director of the Company since September 1998. He is also a Director and Chief Executive of Swire Properties Limited. He joined the Swire group in 1986.

* **Cundle, Geoffrey Leslie**, aged 55, has been a Director of the Company since August 2011. He is also Executive Director of the Beverages Division. He joined the Swire group in 1979 and has worked with the group in Hong Kong, Australia, Korea, Japan and Papua New Guinea.

* **Kilgour, Peter Alan**, aged 56, has been Finance Director of the Company since April 2009. He is also a Director of Cathay Pacific Airways Limited, Swire Properties Limited and Swire Beverages Limited. He joined the Swire group in 1983.

* **Shiu, Ian Sai Cheung**, aged 57, has been a Director of the Company since August 2010. He is also a Director of Cathay Pacific Airways Limited and Hong Kong Dragon Airlines Limited. He is also a Director of Air China Limited. He joined Cathay Pacific Airways Limited in 1978 and has worked with the group in Hong Kong, the Netherlands, Singapore and the United Kingdom.

* **Slosar, John Robert**, aged 55, has been a Director of the Company since May 2006. He is also a Director and Chief Executive of Cathay Pacific Airways Limited, Chairman of Hong Kong Dragon Airlines Limited, and Chairman of Swire Beverages Limited. He joined the Swire group in 1980 and has worked with the group in Hong Kong, the United States and Thailand.

* **Tang, Kin Wing Augustus**, aged 53, has been a Director of the Company since August 2011. He is also a Director and Chief Executive Officer of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1982 and has worked with Cathay Pacific Airways Limited in Hong Kong, Malaysia and Japan.

Non-Executive Directors

Baroness Dunn, Lydia Selina, DBE, aged 72, has been a Director of the Company since February 1981 and, until January 1996, had responsibility for the Trading Division. She is also a Director of John Swire & Sons Limited. She joined the Swire group in 1963 and has worked with the group in Hong Kong and London.

Hughes-Hallett, James Wyndham John, SBS, aged 62, has been a Director of the Company since January 1994 and was appointed Deputy Chairman in March 1998 and Chairman in June 1999. He stepped down as Chairman in December 2004 to become Chairman of John Swire & Sons Limited. He is also a Director of Cathay Pacific Airways Limited, Swire Properties Limited, Steamships Trading Company Limited and HSBC Holdings plc. He joined the Swire group in 1976 and has worked with the group in Hong Kong, Taiwan, Japan, Australia and London.

+# **Johansen, Peter André**, aged 69, has been a Director of the Company since January 1983 and was Finance Director until April 1997. He joined the Swire group in 1973 and worked in Hong Kong, Japan and the United Kingdom before retiring from John Swire & Sons Limited on 31st December 2008. He is also a Director of Hong Kong Aircraft Engineering Company Limited.

Swire, Merlin Bingham, aged 38, has been a Director of the Company since January 2009. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is a Director and shareholder of John Swire & Sons Limited, a Director of Cathay Pacific Airways Limited, Hong Kong Aircraft Engineering Company Limited and Swire Properties Limited and an Alternate Director of Steamships Trading Company Limited.

Independent Non-Executive Directors

Freshwater, Timothy George, aged 67, has been a Director of the Company since January 2008. He is Vice Chairman and a Director of Goldman Sachs (Asia) L.L.C., a Non-Executive Director of Chong Hing Bank Limited and Aquarius Platinum Limited, Chairman and Non-Executive Director of Grosvenor Asia Pacific Limited, and an Independent Non-Executive Director of Cosco Pacific Limited. He is also a Director of the Community Chest of Hong Kong.

+# **Kwok, King Man Clement**, aged 52, has been a Director of the Company since September 2002. He is Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited. He is also a Board member of the Faculty of Business and Economics of the University of Hong Kong and a member of the Harbourfront Commission.

+# **Lee, Chien**, aged 58, has been a Director of the Company since January 1993. He is a Director of Hysan Development Company Limited and an Independent Non-Executive Director of Television Broadcasts Limited. He is also a member of the Council of the Chinese University of Hong Kong and St. Paul's Co-educational College.

Leung, Margaret, aged 59, has been a Director of the Company since March 2008. She is Vice Chairman and Chief Executive of Hang Seng Bank Limited, and a Director of The Hongkong and Shanghai Banking Corporation Limited. She is also a Director of Hutchison Whampoa Limited. She is also a Director, First Vice President and Executive Committee Chairman of the Community Chest of Hong Kong.

Sze, Cho Cheung Michael, GBS, CBE, ISO, JP, aged 66, has been a Director of the Company since November 2004. He was a former Executive Director of the Hong Kong Trade Development Council, a position he held for eight years prior to his retirement on 1st May 2004. Before that, he worked for 25 years in various capacities in the Hong Kong Government. He is also a Consultant to the Board of Lee Kum Kee Co., Ltd., and an Independent Non-Executive Director of Yangtzekiang Garment Limited and YGM Trading Limited.

Yang, Mun Tak Marjorie, aged 59, has been a Director of the Company since October 2002. She is a member of the Executive Council of the Government of Hong Kong SAR. She is also Chairman of Esquel Group, and a Director of The Hongkong and Shanghai Banking Corporation Limited and Novartis AG. She sits on various advisory boards of educational institutions including Massachusetts Institute of Technology, Hong Kong University of Science and Technology and Tsinghua School of Economics and Management.

Executive Officer

* **Rae-Smith, John Bruce**, aged 48, has been Executive Director of Swire Pacific Offshore since January 2008 and Executive Director of the Trading & Industrial Division since January 2009. He joined the Swire group in 1985 and has worked with the group in Australia, Papua New Guinea, Japan, Taiwan, Hong Kong, the United States and Singapore.

Secretary

Fu, Yat Hung David, aged 48, has been Company Secretary since January 2006. He joined the Swire group in 1988.

Notes:
* These Directors and the Executive Officer are also Directors of John Swire & Sons (H.K.) Limited.
\+ These Directors are members of the Audit Committee.
\# These Directors are members of the Remuneration Committee.

All the Executive Directors, the Executive Officer, Baroness Dunn, J W J Hughes-Hallett and M B Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31st December 2011, which are set out on pages 139 to 212.

Principal Activities

The principal activity of Swire Pacific Limited (the "Company") is that of a holding company, and the principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 202 to 212. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 8 to the accounts.

Listing of Swire Properties Limited

On 7th October 2011, the Company submitted a spin-off proposal to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in relation to the proposed spin-off of Swire Properties Limited ("Swire Properties") by way of a separate listing of the ordinary shares of HK$1.00 each of Swire Properties ("Swire Properties Shares") on the Main Board of the Stock Exchange.

On 27th October 2011, Swire Properties submitted a listing application form (Form A1) to the Stock Exchange in order to apply for the listing of, and permission to deal in, the Swire Properties Shares on the Main Board of the Stock Exchange. The listing of the Swire Properties Shares would be by way of introduction achieved by a distribution in specie by the Company of approximately 18% of the Swire Properties Shares.

On 21st December 2011, the Board declared conditional special interim dividends ("Conditional Dividend") for the year ended 31st December 2011 of 7 Swire Properties Shares for every 10 'A' shares held in the Company and 7 Swire Properties Shares for every 50 'B' Shares held in the Company to shareholders on the register of members as at the close of business on 6th January 2012. Fractional entitlements were disregarded. The Conditional Dividend became unconditional upon the listing of the Swire Properties Shares under stock code 1972 on the Main Board of the Stock Exchange on 18th January 2012 and was satisfied wholly by way of a distribution in specie of an aggregate of 1,053,234,165 Swire Properties Shares, representing approximately 18% of the total of 5,850,000,000 Swire Properties Shares in issue, on 18th January 2012.

With effect from the listing of the Swire Properties shares on the Main Board of the Stock Exchange on 18th January 2012, the Company's shareholding in Swire Properties decreased from 100% to approximately 82%.

Dividends

During the year, first interim dividends of HK$1.15 per 'A' share and HK$0.23 per 'B' share and special interim dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share, were paid to shareholders on 4th October 2011. On 21st December 2011, the Board declared the Conditional Dividend, which became unconditional on 18th January 2012, and an aggregate of 1,053,234,165 Swire Properties Shares were distributed on 18th January 2012 to shareholders on the register of members as at 6th January 2012.

With effect from the year ended 31st December 2011, the Company intends to pay two interim dividends instead of interim dividends and final dividends. Second interim dividends will be in lieu of final dividends. The total amount of dividends paid to shareholders for a year will be the same with two interim dividends as it would have been with interim dividends and final dividends.

The Directors have declared second interim dividends for 2011 of HK$2.35 per 'A' share and HK$0.47 per 'B' share which, together with the first interim dividends of HK$1.15 per 'A' share and HK$0.23 per 'B' share and the special interim dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share paid on 4th October 2011, make total cash dividends for the year of HK$6.50 per 'A' share and HK$1.30 per 'B' share. This represents a total cash distribution for the year of HK$9,780 million. The second interim dividends will be paid on 4th May 2012 to shareholders registered at the close of business on the record date, being Friday, 13th April 2012. Shares of the Company will be traded ex-dividend as from Wednesday, 11th April 2012.

Closure of Register of Members

The register of members will be closed on Friday, 13th April 2012, 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, 12th April 2012.

To facilitate the processing of proxy voting for the Annual General Meeting to be held on 11th May 2012, the register of members will be closed from 8th May 2012 to 11th May 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the Annual General Meeting, 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 Monday, 7th May 2012.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 36 to the accounts.

Share Capital

During the year under review and up to the date of this report, the Company did not purchase, sell or redeem any of its shares and the Group has not adopted any share option scheme.

Accounting Policies

The principal accounting policies of the Group are set out on pages 192 to 201.

Auditors

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Financial Review

A review of the consolidated results, financial position and cash flows is shown on pages 90 to 100. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown on pages 6 to 8.

Corporate Governance

The Company has complied throughout the year with all the code provisions and most of the recommended best practices in the Code on Corporate Governance Practices as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with the exceptions of Section C.1.4, the production of quarterly statements, and Section A.4.4, the establishment of a nomination committee. Details of the Company's corporate governance practices are set out on pages 110 to 121.

Donations

During the year, the Group made donations for charitable purposes of HK$34 million and donations towards various scholarships of HK$3 million.

Fixed Assets

For details of movements in fixed assets refer to notes 15 and 16 to the accounts.

The annual valuation of the Group's investment property portfolio, whether complete or in the course of development, was carried out by professionally qualified valuers (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value at 31st December 2011. This valuation resulted in an increase of HK$22,771 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its jointly controlled and associated companies is given on pages 230 to 243.

Borrowings

For details of the Group's borrowings refer to pages 101 to 109.

Interest

Refer to page 105 for details of the amount of interest capitalised by the Group.

Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers and suppliers respectively.

Directors

The Directors of the Company as at the date of this report are listed on pages 126 and 127. With the exception of G L Cundle and A K W Tang, who were appointed as Executive Directors on 1st August 2011, all the Directors at the date of this report served throughout the calendar year 2011. During the year, A N Tyler served as an Executive Director until his resignation with effect from 31st March 2011.

Independence confirmation

The Company has received from all of its Independent Non-Executive Directors listed on pages 126 and 127 confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent. The confirmation from T G Freshwater refers to his directorship of Goldman Sachs (Asia) L.L.C. and the confirmations from M Leung and M M T Yang refer to their directorships of The Hongkong and Shanghai Banking Corporation Limited. These directorships are mentioned under "Directors and Officers – Independent Non-Executive Directors" on pages 126 and 127.

Term of appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third Annual General Meeting following their election by ordinary resolution. In accordance therewith, C D Pratt, J W J Hughes-Hallett, P A Kilgour, C K M Kwok, M B Swire and M M T Yang retire this year and, being eligible, offer themselves for re-election.

G L Cundle and A W K Tang, having been appointed to the Board under Article 91 since the last Annual General Meeting, also retire and offer themselves for election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Fees and emoluments

Full details of Directors' fees and emoluments are set out in note 9 to the accounts.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$4,676,000. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2011, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity: Beneficial interest		Capacity			
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Swire Pacific Limited						
'A' shares						
Baroness Dunn	100,000	–	–	100,000	0.0110	–
T G Freshwater	41,000	–	–	41,000	0.0045	–
P A Johansen	31,500	–	–	31,500	0.0035	–
P A Kilgour	5,000	–	–	5,000	0.0006	–
C D Pratt	51,000	–	–	51,000	0.0056	–
M B Swire	58,791	–	–	58,791	0.0065	–
M C C Sze	6,000	–	–	6,000	0.0007	–
'B' shares						
P A Johansen	200,000	–	–	200,000	0.0067	–
C Lee	800,000	–	21,605,000	22,405,000	0.7480	1
C D Pratt	100,000	–	–	100,000	0.0033	–
I S C Shiu	–	20,000	–	20,000	0.0007	–
M B Swire	2,241,483	–	3,938,554	6,180,037	0.2063	2

	Capacity: Beneficial interest		Capacity			
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	
M B Swire	3,140,523	–	19,222,920	22,363,443	22.36	2
8% Cum. Preference Shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	
M B Swire	846,476	–	5,655,441	6,501,917	21.67	2

	Capacity: Beneficial interest			
	Personal	Family	Total no. of shares	Percentage of issued capital (%)
Cathay Pacific Airways Limited				
Ordinary Shares				
I S C Shiu	1,000	–	1,000	0.00003

	Capacity			
	Beneficial interest			
	Personal	Family	Total no. of shares	Percentage of issued capital (%)
Hong Kong Aircraft Engineering Company Limited				
Ordinary Shares				
T G Freshwater	10,000	1,200	11,200	0.0067
I S C Shiu	1,600	–	1,600	0.0010
M C C Sze	12,800	–	12,800	0.0077

Notes:
1. All the Swire Pacific Limited 'B' shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
2. M B Swire is a trustee of trusts which held 10,766,080 ordinary shares and 3,121,716 preference shares in John Swire & Sons Limited and 3,037,822 'B' shares in Swire Pacific Limited included under "Trust interest" and does not have any beneficial interest in those shares.

Other than as stated above, no Director or chief executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of the Company.

At no time during the year did any Director, other than as stated in this report, have a beneficial interest, whether directly or indirectly, in a contract to which the Company or any of its associated corporations was a party, being a contract which was of significance and in which the Director's interest was material.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Competing Businesses

None of the Directors or their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Substantial Shareholders' and Other Interests

The register of interests in shares maintained under Section 336 of the SFO shows that as at 31st December 2011, the Company had been notified of the following interests in the Company's shares:

Long position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Substantial Shareholders					
John Swire & Sons Limited	234,699,520	25.92	2,045,353,745	68.29	1
Aberdeen Asset Management plc	91,162,651	10.07	359,164,162	11.99	2
JPMorgan Chase & Co.	45,285,910	5.00	–	–	3

Short position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
JPMorgan Chase & Co.	3,074,303	0.34	–	–	4

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 234,699,520 'A' shares and 2,045,353,745 'B' shares of the Company as at 31st December 2011, comprising:
   (a) 885,861 'A' shares and 7,187,925 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 168,058,500 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 5,390,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 8,152,500 'A' shares held by Waltham Limited.
2. Aberdeen Asset Management plc is interested in the 'A' shares and 'B' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested.
3. The shares held by JPMorgan Chase & Co. are held in the following capacities:

Capacity	No. of shares
Beneficial owner	4,544,515
Investment manager	1,440,520
Custodian Corporation/Lending agent	39,300,875

4. This short position is held in the capacity as beneficial owner, and includes holdings in the following categories of derivatives:

Categories of derivatives	No. of shares
Physically settled derivatives listed or traded on a Stock Exchange or traded on a Futures Exchange	88,088
Physically settled unlisted derivatives	1,965,825
Cash settled unlisted derivatives	220,390

At 31st December 2011, the Swire group owned interests in shares of the Company representing 42.79% of the issued capital and 58.45% of the voting rights.

Public Float

From information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public.

Continuing Connected Transactions

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and some of its subsidiary and associated companies advice and expertise of the directors and senior officers of the Swire group, 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 have been agreed from time to time, and procured for the Company and its subsidiary, jointly controlled and associated companies the use of relevant trademarks owned by Swire.

In return for these services, JSSHK received annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associated and jointly controlled companies of the Company, where there were no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The fees for each year were payable in cash in arrear 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 Company also reimbursed the Swire group at cost for all expenses incurred in the provision of the services.

The Services Agreements, which took effect from 1st January 2005 and were renewed on 1st October 2007, were renewed again on 1st October 2010 for a term of three years from 1st January 2011 to 31st December 2013. They are renewable for successive periods of three years thereafter unless either party to them gives to the other notice of termination of not less than three months expiring on any 31st December.

Under the Services Agreement between JSSHK and the Company, JSSHK is obliged to procure for the Company and its subsidiary, jointly controlled and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. This procuration obligation would fall away if the Services Agreement between JSSHK and the Company were terminated or not renewed.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2011 are given in note 41 to the accounts.

The Company and JSSHK entered into a Tenancy Framework Agreement ("the JSSHK Tenancy Framework Agreement") on 5th August 2010 to govern existing and future tenancy agreements between members of the Group and members of the JSSHK group for a term of six years from 1st January 2010 to 31st December 2015. Pursuant to the JSSHK Tenancy Framework Agreement, members of the Group will enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is renewable for successive periods of six 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.

Particulars of the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement for the year ended 31st December 2011 are given in note 41 to the accounts.

The Swire group owned approximately 42.79% of the issued capital of the Company and approximately 58.45% of voting rights attached to such issued share capital as at 31st December 2011. JSSHK, as a wholly-owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the Services Agreements and the JSSHK Tenancy Framework Agreement are continuing connected transactions in respect of which announcements were published dated 1st October 2010 and 5th August 2010 respectively.

As directors and employees of the Swire group, M Cubbon, G L Cundle, J W J Hughes-Hallett, P A Kilgour, C D Pratt, I S C Shiu, J R Slosar and A K W Tang are interested in the Services Agreements and the JSSHK Tenancy Framework Agreement. A N Tyler was interested as director and employee of the Swire group. Baroness Dunn and M B Swire are interested as shareholders, directors and employees of Swire.

The Independent Non-Executive Directors of the Company, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group in the ordinary and usual course of business, on normal commercial terms, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed these transactions and confirmed to the Board that these transactions have been approved by the Board of the Company and have been entered into in accordance with the relevant agreements governing the transactions; that they are in accordance with the pricing policies of the Group (if the transactions involve provision of goods or services by the Group); and that they have not exceeded the relevant annual caps disclosed in previous announcements.

Discloseable Transaction

On 28th July 2011, Swire Properties and its wholly-owned subsidiary, FWHL (BVI) Holdings Limited entered into a sale and purchase agreement with CM Assets Limited, a company owned by Mapletree Investments Pte. Limited, for the sale of the Company's entire attributable 100% interests in the shopping and commercial complex known as "Festival Walk" located at Kowloon Tong in Hong Kong for a total cash consideration of HK$18,800,000,000, subject to adjustment by reference to net current assets and liabilities at completion. The adjustment resulted in an additional receipt of approximately HK$116 million. The transaction was a discloseable transaction under the Listing Rules, in respect of which announcements dated 28th July 2011 and 18th August 2011 were published. The transaction was completed on 18th August 2011.

On behalf of the Board

Christopher Pratt
Chairman
Hong Kong, 15th March 2012

Financial Contents

Independent Auditor's Report

To the shareholders of Swire Pacific Limited
(incorporated in Hong Kong with limited liability)

We have audited the accounts of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 139 to 212, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Accounts

The directors of the Company are responsible for the preparation of accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15th March 2012

Consolidated Income Statement

For the year ended 31st December 2011

	Note	2011 HK$M	2010 HK$M
Turnover	4	**36,286**	29,201
Cost of sales		**(21,359)**	(15,958)
Gross profit		**14,927**	13,243
Distribution costs		**(3,959)**	(3,245)
Administrative expenses		**(3,084)**	(2,697)
Other operating expenses		**(250)**	(312)
Profit on sale of interests in associated and jointly controlled companies	5	**149**	2,008
Gain on remeasurement of previously held interest in HAECO on acquiring control		**–**	2,547
Other net gains	6	**870**	1,083
Change in fair value of investment properties		**22,771**	21,344
Operating profit		**31,424**	33,971
Finance charges		**(1,687)**	(1,317)
Finance income		**77**	58
Net finance charges	10	**(1,610)**	(1,259)
Share of profits less losses of jointly controlled companies		**1,801**	2,263
Share of profits less losses of associated companies		**2,570**	5,552
Profit before taxation		**34,185**	40,527
Taxation	11	**(1,630)**	(1,638)
Profit for the year		**32,555**	38,889
Profit for the year attributable to:			
The Company's shareholders	36	**32,210**	38,252
Non-controlling interests	37	**345**	637
		32,555	38,889
Dividends			
First Interim – paid		**1,730**	1,505
Special Interim – paid		**4,514**	–
Second Interim – declared/Final – paid		**3,536**	3,761
	13	**9,780**	5,266

	Note	HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	14		
'A' shares		**21.41**	25.42
'B' shares		**4.28**	5.08

The notes on pages 145 to 191 and the principal accounting policies on pages 192 to 201 form part of these accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

	2011 HK$M	2010 HK$M
Profit for the year	**32,555**	38,889
Other comprehensive income		
Cash flow hedges		
– gains recognised during the year	**88**	110
– transferred to net finance charges	**5**	12
– transferred to operating profit – exchange differences	**–**	(34)
– transferred to initial cost of non-financial assets	**1**	26
– deferred tax	**(46)**	(15)
Net fair value changes on available-for-sale assets		
– net losses recognised during the year	**(100)**	(30)
– net gains transferred to operating profit	**(3)**	(44)
Revaluation of property previously occupied by the Group		
– gain recognised during the year	**188**	1,462
Share of other comprehensive income of jointly controlled and associated companies	**208**	93
Net translation differences on foreign operations	**698**	615
Other comprehensive income for the year, net of tax	**1,039**	2,195
Total comprehensive income for the year	**33,594**	41,084
Total comprehensive income attributable to:		
The Company's shareholders	**33,142**	40,431
Non-controlling interests	**452**	653
	33,594	41,084

Note: Other than cash flow hedges as highlighted above, items shown within other comprehensive income have no tax effect.

The notes on pages 145 to 191 and the principal accounting policies on pages 192 to 201 form part of these accounts.

Consolidated Statement of Financial Position

At 31st December 2011

	Note	2011 HK$M	2010 HK$M
Assets and Liabilities			
Non-current assets			
Property, plant and equipment	15	27,288	24,125
Investment properties	16	191,805	180,418
Leasehold land and land use rights	17	969	928
Intangible assets	18	4,270	4,435
Properties held for development	19	124	443
Jointly controlled companies	21	18,866	16,567
Associated companies	22	27,145	25,486
Available-for-sale assets	24	188	302
Long-term receivables		6	7
Long-term security deposits		–	42
Derivative financial instruments	25	785	611
Deferred tax assets	33	305	327
Retirement benefit assets	34	600	548
		272,351	254,239
Current assets			
Properties for sale	26	6,810	5,517
Stocks and work in progress	27	3,287	2,104
Trade and other receivables	28	6,275	4,499
Derivative financial instruments	25	18	36
Cash and cash equivalents	29	3,707	3,809
Short-term deposits	29	215	371
		20,312	16,336
Current liabilities			
Trade and other payables	30	14,179	10,156
Taxation payable		557	595
Derivative financial instruments	25	207	11
Bank overdrafts and short-term loans	32	1,333	5,283
Long-term loans and bonds due within one year	32	8,750	9,101
		25,026	25,146
Net current liabilities		(4,714)	(8,810)
Total assets less current liabilities		267,637	245,429
Non-current liabilities			
Perpetual capital securities	31	2,331	2,332
Long-term loans and bonds	32	27,237	28,738
Receipt in advance from an associated company		58	69
Derivative financial instruments	25	119	204
Deferred tax liabilities	33	5,050	4,605
Deferred profit		108	128
Retirement benefit liabilities	34	258	302
		35,161	36,378
Net Assets		232,476	209,051
Equity			
Share capital	35	903	903
Reserves	36	226,656	203,549
Equity attributable to the Company's shareholders		227,559	204,452
Non-controlling interests	37	4,917	4,599
Total Equity		232,476	209,051

Christopher D Pratt
Peter A Kilgour
Clement K M Kwok
Directors
Hong Kong, 15th March 2012

The notes on pages 145 to 191 and the principal accounting policies on pages 192 to 201 form part of these accounts.

Company Statement of Financial Position

At 31st December 2011

	Note	2011 HK$M	2010 HK$M
Assets and Liabilities			
Non-current assets			
Property, plant and equipment	15	**10**	12
Investment properties	16	**5,266**	2,295
Subsidiary companies	20	**26,604**	19,979
Jointly controlled companies	21	**114**	114
Associated companies	22	**4,608**	3,372
Available-for-sale assets	24	**63**	126
Long-term receivables		**1**	1
Retirement benefit assets	34	**114**	111
		36,780	26,010
Current assets			
Trade and other receivables	28	**56**	50
Taxation receivable		**14**	14
Cash and cash equivalents	29	**24**	158
		94	222
Current liabilities			
Trade and other payables	30	**17,183**	9,345
Bank overdrafts and short-term loans	32	**–**	3,893
		17,183	13,238
Net current liabilities		**(17,089)**	(13,016)
Total assets less current liabilities		**19,691**	12,994
Non-current liabilities			
Deferred tax liabilities	33	**22**	3
Net Assets		**19,669**	12,991
Equity			
Equity attributable to the Company's shareholders			
Share capital	35	**903**	903
Reserves	36	**18,766**	12,088
Total Equity		**19,669**	12,991

Christopher D Pratt
Peter A Kilgour
Clement K M Kwok
Directors
Hong Kong, 15th March 2012

The notes on pages 145 to 191 and the principal accounting policies on pages 192 to 201 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31st December 2011

	Note	2011 HK$M	2010 HK$M
Operating activities			
Cash generated from operations	42(a)	9,204	7,627
Interest paid		(1,690)	(1,491)
Interest received		88	44
Tax paid		(913)	(682)
		6,689	5,498
Dividends received from jointly controlled and associated companies and available-for-sale assets		2,859	1,705
Net cash from operating activities		9,548	7,203
Investing activities			
Purchase of property, plant and equipment	42(b)	(4,735)	(2,586)
Additions of investment properties		(4,993)	(4,366)
Purchase of intangible assets		(28)	(22)
Proceeds from disposals of property, plant and equipment		84	69
Proceeds from disposals of vessels		86	3
Proceeds from disposals of investment properties		–	1,194
Purchase of shares in existing subsidiary companies		–	(201)
Net cash outflow on purchase of shares in new subsidiary companies		(39)	(208)
Net cash (outflow)/inflow on disposal of subsidiary companies		(6)	4
Net cash inflow from sale of interest in Festival Walk	42(c)	18,305	–
Purchase of shares in jointly controlled companies		(77)	(306)
Purchase of shares in associated companies		(1,299)	(994)
Net cash outflow on purchase of additional shares in HAECO		–	(4,531)
Purchase of available-for-sale assets		(3)	(5)
Purchase of shares in PCCW Tower		–	(1,824)
Proceeds from disposal of interests in jointly controlled companies		2	1,175
Proceeds from disposal of interest in an associated company – Hactl		–	1,339
Proceeds from disposal of interest in an associated company – PUMA		413	–
Proceeds from disposals of available-for-sale assets		22	65
Proceeds from disposals of shares in PCCW Tower		–	1,353
Loans to jointly controlled companies		(2,339)	(1,055)
Loan to associated companies		(26)	(1)
Repayment of loans by jointly controlled companies		1,169	431
Repayment of loans by associated companies		17	386
Loan from an associated company		24	–
Net decrease/(increase) in deposits maturing after more than three months		36	(2)
Initial leasing costs incurred		(193)	(122)
Net cash generated from/(used in) investing activities		6,420	(10,204)
Net cash inflow/(outflow) before financing		15,968	(3,001)
Financing activities			
Loans drawn and refinancing		6,998	13,302
Repayment of loans and bonds		(13,078)	(3,717)
	42(d)	(6,080)	9,585
Security deposits uplifted		170	169
Capital contribution from non-controlling interests	37	24	13
Dividends paid to the Company's shareholders	36	(10,005)	(4,815)
Dividends paid to non-controlling interests	42(d)	(146)	(490)
Net cash (used in)/generated from financing activities		(16,037)	4,462
(Decrease)/increase in cash and cash equivalents		(69)	1,461
Cash and cash equivalents at 1st January		3,790	2,322
Currency adjustment		(15)	7
Cash and cash equivalents at 31st December		3,706	3,790
Represented by:			
Bank balances and short-term deposits maturing within three months	29	3,707	3,809
Bank overdrafts		(1)	(19)
		3,706	3,790

The notes on pages 145 to 191 and the principal accounting policies on pages 192 to 201 form part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2011		**903**	**199,044**	**4,505**	**204,452**	**4,599**	**209,051**
Profit for the year		**–**	**32,210**	**–**	**32,210**	**345**	**32,555**
Other comprehensive income		**–**	**(10)**	**942**	**932**	**107**	**1,039**
Total comprehensive income for the year	36, 37	**–**	**32,200**	**942**	**33,142**	**452**	**33,594**
Change in tax treatment for retirement benefits		**–**	**(30)**	**–**	**(30)**	**(6)**	**(36)**
Dividends paid		**–**	**(10,005)**	**–**	**(10,005)**	**(146)**	**(10,151)**
Changes in composition of Group		**–**	**–**	**–**	**–**	**18**	**18**
At 31st December 2011		**903**	**221,209**	**5,447**	**227,559**	**4,917**	**232,476**

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2010		903	165,635	2,338	168,876	849	169,725
Profit for the year		–	38,252	–	38,252	637	38,889
Other comprehensive income		–	12	2,167	2,179	16	2,195
Total comprehensive income for the year	36, 37	–	38,264	2,167	40,431	653	41,084
Dividends paid		–	(4,815)	–	(4,815)	(525)	(5,340)
Changes in composition of Group		–	(40)	–	(40)	3,622	3,582
At 31st December 2010		903	199,044	4,505	204,452	4,599	209,051

The notes on pages 145 to 191 and the principal accounting policies on pages 192 to 201 form part of these accounts.

1. Changes in Accounting Standards

(a) The Group has adopted the following relevant revised Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations effective from 1st January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HKAS 24 (Revised)	Related Party Disclosures

The improvements to HKFRSs 2010 consist of amendments to existing standards. They have had no effect on the Group's annual accounts.

The amendment to HK(IFRIC)-Int 14 permits companies which make an early payment of contributions to cover minimum funding requirements to treat that payment as an asset. It has had no significant effect on the Group's annual accounts.

HKAS 24 (Revised) has clarified and simplified the definition of a related party. It has had no effect on the Group's annual accounts.

(b) In December 2010, the IASB/HKICPA amended IAS/HKAS 12, "Income taxes", to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The revised IAS/HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduced a rebuttable presumption that investment property measured at fair value is recovered entirely by sale. The presumption of recovery entirely by sale is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The effective date for the amendment is annual periods on or after 1st January 2012. As permitted, the Group has early adopted the amendment.

In Hong Kong, land leases can typically be renewed without a payment of a market-based premium, which is consistent with their reclassification as finance leases under the amendment to HKAS 17. Given this, it is difficult to assert with a high degree of confidence that the Group would consume substantially all of the economic benefits embodied in the investment property over time. Consequently, as required by the amendment, the Group re-measured the deferred tax relating to these investment properties based on the presumption that they are recovered entirely by sale as if this new policy had always been applied. The tax consequences in Hong Kong of a sale of the investment property and of the entity owning the investment property are not significantly different.

In Mainland China, the tax consequences of a sale of the investment property or of the entity owning the investment property may be different. The Group's business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has continued to recognise deferred taxes on the basis that the value of investment property in Mainland China is recovered through use.

(c) The following amended HKFRS and interpretations are effective but not relevant to the Group's operations:

HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 32 (Amendments)	Classification of Rights Issues

1. Changes in Accounting Standards (continued)

(d) The Group has not early adopted the following relevant new and revised standards and amendments that have been issued but are not yet effective:

HKAS 1 (Amendment)	Presentation of Financial Statements[2]
HKAS 19 (revised 2011)	Employee Benefits[2]
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures[2]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurements[2]

1 To be applied by the Group from 1st January 2012.
2 To be applied by the Group from 1st January 2013.
3 To be applied by the Group from 1st January 2015.

The amendment to HKAS 1 focuses on improving the presentation of components of other comprehensive items. It requires items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to the profit or loss account subsequently or not. It is not expected that this amendment will have a significant effect on the Group's annual accounts.

The amendment to HKAS 19 has eliminated the corridor approach and requires all actuarial gains and losses to be recognised in other comprehensive income as they occur. It also requires immediate recognition of all past service costs and has replaced interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group has yet to assess the full impact of the amendments.

HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. It is not expected that this amendment will have a significant effect on the Group's annual accounts.

HKFRS 7 (Amendment) introduces new disclosure requirements on transfers of financial assets. Disclosure is required (by class of asset) of the nature and carrying amount of, and a description of the risks and rewards of, financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be disclosed. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). It is not expected that this amendment will have a significant effect on the Group's annual accounts.

HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess the full impact of the new standard.

HKFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has yet to assess the full impact of the new standard.

1. Changes in Accounting Standards (continued)

HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group has yet to assess the full impact of the new standard.

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. It is not expected that this amendment will have a significant effect on the Group's annual accounts.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use in all relevant HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards in HKFRSs. It is not expected that this amendment will have a significant effect on the Group's annual accounts.

(e) The following revised standard and amendment have been issued which is not yet effective and is not relevant to the Group's operations:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
HKAS 27 (revised)	Separate Financial Statements

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 123 to 125.

Interest rate exposure

The impact on the Group's income statement and equity of a 100 basis-points increase or decrease in market interest rates from the rates applicable at 31st December, with all other variables held constant, would have been:

	100 basis-points increase in interest rates HK$M	**100 basis-points decrease in interest rates HK$M**
At 31st December 2011		
Impact on income statement: (loss)/gain	**(135)**	**135**
Impact on equity: gain/(loss)	**18**	**11**
At 31st December 2010		
Impact on income statement: (loss)/gain	(178)	178
Impact on equity: gain/(loss)	42	(11)

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments
- Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
- Changes in market interest rates affect the fair value of derivative financial instruments
- All other financial assets and liabilities are held constant

2. Financial Risk Management (continued)

Currency exposure

The impact on the Group's income statement and equity of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.77 (2010: 7.77), with all other variables held constant, would have been:

	Strengthening in HK$ to lower peg limit (7.75) HK$M	Weakening in HK$ to upper peg limit (7.85) HK$M
At 31st December 2011		
Impact on income statement: gain/(loss)	**42**	**(23)**
Impact on equity: (loss)/gain	**(42)**	**51**
At 31st December 2010		
Impact on income statement: gain/(loss)	50	(12)
Impact on equity: (loss)/gain	(55)	36

This analysis is based on a hypothetical situation, as in practice market exchange rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- All foreign currency cash flow hedges are expected to be highly effective
- Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the Company and its subsidiary companies

Liquidity risk

The tables below analyse the contractual undiscounted cash flows of the Group's and the Company's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group and the Company can be required to pay:

Group
At 31st December 2011

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	30	**3,576**	**3,576**	**3,576**	**–**	**–**	**–**
Amounts due to immediate holding company	30	**149**	**149**	**149**	**–**	**–**	**–**
Amounts due to jointly controlled companies	30	**81**	**81**	**81**	**–**	**–**	**–**
Amounts due to associated companies	30	**19**	**19**	**19**	**–**	**–**	**–**
Interest-bearing advances from jointly controlled companies	30	**244**	**244**	**244**	**–**	**–**	**–**
Interest-bearing advances from associated companies	30	**24**	**24**	**24**	**–**	**–**	**–**
Advances from non-controlling interests	30	**383**	**383**	**383**	**–**	**–**	**–**
Rental deposits from tenants	30	**1,780**	**1,907**	**379**	**380**	**809**	**339**
Put option over non-controlling interest in Sanlitun Village	30	**937**	**937**	**937**	**–**	**–**	**–**
Accruals and other payables	30	**6,986**	**6,986**	**6,712**	**274**	**–**	**–**
Borrowings (including interest obligations)	32	**37,320**	**44,530**	**11,601**	**3,998**	**18,081**	**10,850**
Derivative financial instruments	25	**326**	**326**	**207**	**89**	**30**	**–**
Financial guarantee contracts		**–**	**18**	**18**	**–**	**–**	**–**
		51,825	**59,180**	**24,330**	**4,741**	**18,920**	**11,189**

2. Financial Risk Management (continued)

Group

At 31st December 2010

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	30	1,850	1,850	1,850	–	–	–
Amounts due to immediate holding company	30	191	191	191	–	–	–
Amounts due to jointly controlled companies	30	48	48	48	–	–	–
Amounts due to associated companies	30	10	10	10	–	–	–
Interest-bearing advances from jointly controlled companies	30	17	17	17	–	–	–
Interest-bearing advances from associated companies	30	149	149	149	–	–	–
Advances from non-controlling interests	30	368	368	368	–	–	–
Rental deposits from tenants	30	1,810	1,912	441	349	842	280
Put option over non-controlling interest in Sanlitun Village	30	678	678	678	–	–	–
Accruals and other payables	30	5,035	5,035	4,955	80	–	–
Borrowings (including interest obligations)	32	43,122	50,878	15,662	10,124	8,784	16,308
Derivative financial instruments	25	215	215	11	204	–	–
Financial guarantee contracts		–	36	36	–	–	–
		53,493	61,387	24,416	10,757	9,626	16,588

Company

At 31st December 2011

	Note	**Carrying amount HK$M**	**Total contractual undiscounted cash flow HK$M**	**Within 1 year or on demand HK$M**	**More than 1 year but less than 2 years HK$M**	**More than 2 years but less than 5 years HK$M**	**More than 5 years HK$M**
Amounts due to immediate holding company	30	**25**	**25**	**25**	**–**	**–**	**–**
Amounts due to subsidiary companies	30	**7,616**	**7,616**	**7,616**	**–**	**–**	**–**
Interest-bearing advances from a subsidiary company	30	**9,374**	**9,374**	**9,374**	**–**	**–**	**–**
Borrowings (including interest obligations)	32	**–**	**–**	**–**	**–**	**–**	**–**
Accruals and other payables	30	**168**	**168**	**168**	**–**	**–**	**–**
Financial guarantee contracts		**–**	**18**	**18**	**–**	**–**	**–**
		17,183	**17,201**	**17,201**	**–**	**–**	**–**

At 31st December 2010

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	30	34	34	34	–	–	–
Amounts due to subsidiary companies	30	7,082	7,082	7,082	–	–	–
Interest-bearing advances from a subsidiary company	30	2,189	2,189	2,189	–	–	–
Borrowings (including interest obligations)	32	3,893	3,894	3,894	–	–	–
Accruals and other payables	30	40	40	40	–	–	–
Financial guarantee contracts		–	36	36	–	–	–
		13,238	13,275	13,275	–	–	–

3. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, seldom be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Estimates of fair value of investment properties
DTZ Debenham Tie Leung ("DTZ"), an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio as at 31st December 2011. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion".

DTZ has derived the valuation of the Group's completed investment property portfolio by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions as available in the relevant property market. The assumptions are principally in respect of open market rents and yields.

DTZ has derived the valuation of the Group's investment properties under construction by making reference to recent comparable sales transactions as available in the relevant property market (on the assumption that the property had already been completed at the valuation date), and has also taken into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project. Where the valuation is prepared based on the assumption that the property's title certificate has been received but this is not the case, the Group has made an estimate of the future land cost and deducted this from the valuation.

Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment property portfolio is reasonable.

(b) Impairment of assets
The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. These calculations require the use of estimates. Refer to note 18 for details of goodwill impairment testing.

Other assets, including land and properties not held at fair value, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined using fair value less costs to sell or value-in-use calculations as appropriate.

(c) Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the year in which the outcomes become known.

4. Turnover

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 202 to 212.

4. Turnover (continued)

Turnover represents sales by the Company and its subsidiary companies to external customers and comprises revenue from:

	Group	
	2011 HK$M	2010 HK$M
Gross rental income from investment properties	**8,502**	7,819
Property trading	**210**	398
Hotels	**717**	518
Aircraft and engine maintenance services	**5,034**	2,519
Sales of goods	**18,107**	14,784
Charter hire and related income	**3,505**	3,046
Rendering of other services	**211**	117
	36,286	29,201

5. Profit on Sale of Interests in Associated and Jointly Controlled Companies

2011:
In January 2011, the Group disposed of its 49% interest in an associated company, PUMA, for a total cash consideration of HK$413 million and recorded a profit of HK$148 million.

2010:
On 25th May 2010, Swire Aviation agreed to dispose of its 30% interest in Hactl to a consortium comprising the existing shareholders in Hactl (with the exception of Cathay Pacific) for a total cash consideration of HK$1,341 million. The transaction was completed on 31st May 2010 and Swire Aviation recorded a profit of HK$1,238 million, of which HK$825 million is attributable to the Group after deducting the portion attributable to the non-controlling interest in Swire Aviation.

On 7th September 2010, the Group agreed to dispose of its 44.57% interest in CROWN Beverage Cans Hong Kong Limited and its 37.37% interest in CROWN Beverage Cans Hanoi for a total cash consideration of HK$1,165 million. The transaction was completed on 15th September 2010 and the Group recorded a profit of HK$771 million.

6. Other Net Gains

Other net gains include the following:

	Group	
	2011 HK$M	2010 HK$M
Remeasurement gains and profit on disposal relating to the change of shareholding in PCCW Tower	**–**	342
Profit on sale of interest in Festival Walk*	**638**	–
Profit on sale of available-for-sale assets	**7**	45
Profit on sale of investment properties	**–**	544
Profit/(loss) on sale of property, plant and equipment	**82**	(5)
Net foreign exchange gains/(losses)	**32**	(9)
Fair value (losses)/gains on derivative instruments transferred from cash flow hedge reserve		
– cross-currency swaps	**(8)**	34
– forward foreign exchange contracts	**8**	–
Fair value gains on derivative instruments not qualifying as hedges		
– forward foreign exchange contracts	**2**	–
Dividend income on available-for-sale assets	**3**	8

* In July 2011, an agreement was entered into with an Independent Third Party for the disposal of the Group's entire interest in Festival Walk for a cash consideration of HK$18,800 million, subject to adjustment by reference to net current assets and liabilities at completion. The adjustment resulted in an additional receipt of approximately HK$116 million. Completion took place on 18th August 2011. The profit on the sale, which excludes gains on revaluation of the property previously credited to the income statement up to 30th June 2011 (of which HK$1,087 million arose in the six months ended on that date), is HK$638 million.

7. Expenses by Type

Expenses included in cost of sales, distribution costs, administrative expenses and other operating expenses are analysed as follows:

		Group	
	Note	**2011 HK$M**	2010 HK$M
Direct operating expenses of investment properties that			
– generated rental income		**1,471**	1,330
– did not generate rental income		**46**	92
Cost of stocks sold		**13,198**	10,143
Write-down of stocks and work in progress		**44**	51
Impairment losses recognised on:			
– properties	15	**99**	–
– plant and equipment	15	**24**	–
– vessels	15	**6**	57
– leasehold land and land use rights	17	**3**	–
– intangible assets	18	**8**	1
– trade receivables		**10**	–
Reversal of impairment losses on trade receivables		**–**	(34)
Reversal of impairment losses on properties held for development		**(8)**	–
Depreciation of property, plant and equipment	15	**1,527**	1,244
Amortisation of			
– leasehold land and land use rights	17	**27**	16
– intangible assets	18	**48**	31
– initial leasing costs		**65**	34
– others		**–**	3
Staff costs		**6,506**	4,929
Operating lease rentals			
– properties		**608**	373
– other equipment		**31**	37
Swire Properties' listing costs**		**252**	96
Auditors' remuneration			
– audit services		**27**	21
– tax services *		**7**	15
– other services **		**18**	20

* In 2010, HK$6 million relates to fees incurred in respect of tax restructuring work in the United States.

** HK$15 million relating to fees incurred in respect of the spin-off and listing of shares in Swire Properties Limited have been included in Auditors' remuneration, other services. In 2010, HK$17 million relating to a proposed spin-off, initial public offering and listing of shares in Swire Properties Limited that did not proceed were included in Auditors' remuneration, other services.

8. Segment Information

(a) Information about reportable segments

Analysis of Consolidated Income Statement

Year ended 31st December 2011

	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/credit HK$M	Profit for the year HK$M	Profit attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	8,591	60	6,781	(1,464)	24	123	–	(759)	4,705	4,695	(170)
Change in fair value of investment properties	–	–	20,179	–	–	676	1	(480)	20,376	20,330	–
Property trading	210	3	(50)	(5)	3	59	–	(3)	4	7	(9)
Hotels	717	–	(93)	(35)	–	(7)	155	(53)	(33)	(33)	(121)
	9,518	**63**	**26,817**	**(1,504)**	**27**	**851**	**156**	**(1,295)**	**25,052**	**24,999**	**(300)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	2,405	–	2,405	2,405	–
HAECO group	5,171	–	532	(25)	18	435	–	(84)	876	615	(419)
Others	–	–	(52)	–	–	4	–	–	(48)	(21)	(52)
	5,171	**–**	**480**	**(25)**	**18**	**439**	**2,405**	**(84)**	**3,233**	**2,999**	**(471)**
Beverages											
Mainland China	1,854	–	22	(48)	8	355	7	(43)	301	265	(95)
Hong Kong	2,045	1	197	–	–	–	–	(16)	181	164	(64)
Taiwan	1,600	–	28	(6)	–	–	–	(4)	18	18	(59)
USA	3,723	–	303	–	3	–	–	(83)	223	223	(136)
Central costs	–	–	(13)	–	–	–	–	–	(13)	(13)	–
Campbell Swire	–	–	(4)	(5)	–	(60)	–	–	(69)	(69)	–
	9,222	**1**	**533**	**(59)**	**11**	**295**	**7**	**(146)**	**641**	**588**	**(354)**
Marine Services											
Swire Pacific Offshore group	3,505	–	819	(5)	2	–	2	(26)	792	785	(481)
HUD group	–	–	–	–	–	78	–	–	78	78	–
	3,505	**–**	**819**	**(5)**	**2**	**78**	**2**	**(26)**	**870**	**863**	**(481)**
Trading & Industrial											
Swire Resources group	2,914	–	192	–	3	2	–	(50)	147	149	(20)
Taikoo Motors group	5,336	–	121	(2)	2	–	–	(28)	93	93	(38)
Taikoo Sugar	612	120	(2)	(1)	–	–	–	–	(3)	(3)	(1)
Akzo Nobel Swire Paints	–	–	–	–	–	136	–	(6)	130	130	–
Sale of interest in PUMA	–	–	148	–	–	–	–	–	148	148	–
Other activities	–	–	(29)	–	–	–	–	(1)	(30)	(30)	(1)
	8,862	**120**	**430**	**(3)**	**5**	**138**	**–**	**(85)**	**485**	**487**	**(60)**
Head Office											
Net income/(expenses)	8	40	(247)	(1,245)	1,168	–	–	6	(318)	(318)	(1)
Change in fair value of investment properties	–	–	2,592	–	–	–	–	–	2,592	2,592	–
	8	**40**	**2,345**	**(1,245)**	**1,168**	**–**	**–**	**6**	**2,274**	**2,274**	**(1)**
Inter-segment elimination	**–**	**(224)**	**–**	**1,154**	**(1,154)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**36,286**	**–**	**31,424**	**(1,687)**	**77**	**1,801**	**2,570**	**(1,630)**	**32,555**	**32,210**	**(1,667)**

Notes:
Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.
Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

8. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Income Statement

Year ended 31st December 2010

	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/credit HK$M	Profit for the year HK$M	Profit attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	7,893	60	6,553	(1,233)	24	19	18	(792)	4,589	4,582	(139)
Change in fair value of investment properties	–	–	20,381	–	–	1,435	75	(469)	21,422	21,380	–
Property trading *	398	2	72	(6)	3	30	–	(12)	87	87	–
Hotels	518	–	(144)	(25)	–	(23)	132	(49)	(109)	(109)	(120)
	8,809	**62**	**26,862**	**(1,264)**	**27**	**1,461**	**225**	**(1,322)**	**25,989**	**25,940**	**(259)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	5,079	–	5,079	5,079	–
HAECO group											
– as subsidiary company	2,574	–	229	(12)	5	243	–	(57)	408	290	(228)
– as associated company	–	–	–	–	–	–	152	–	152	152	–
Gain on remeasurement of previously held interest in HAECO	–	–	2,547	–	–	–	–	–	2,547	2,547	–
Hactl	–	–	–	–	–	–	26	–	26	18	–
Sale of interest in Hactl	–	–	1,238	–	–	–	–	–	1,238	825	–
Others	–	–	(30)	–	–	3	–	–	(27)	(10)	(30)
	2,574	**–**	**3,984**	**(12)**	**5**	**246**	**5,257**	**(57)**	**9,423**	**8,901**	**(258)**
Beverages											
Mainland China	1,523	–	(14)	(47)	7	291	42	(36)	243	203	(86)
Hong Kong	1,882	1	213	–	–	–	–	(21)	192	173	(60)
Taiwan	1,561	–	55	(1)	–	1	–	(6)	49	48	(58)
USA	3,587	–	339	–	–	–	–	(89)	250	250	(137)
Central costs	–	–	25	–	–	–	–	–	25	25	–
	8,553	**1**	**618**	**(48)**	**7**	**292**	**42**	**(152)**	**759**	**699**	**(341)**
Marine Services											
Swire Pacific Offshore group	3,046	–	732	(12)	13	–	–	(18)	715	709	(429)
HUD group	–	–	–	–	–	82	–	–	82	82	–
	3,046	**–**	**732**	**(12)**	**13**	**82**	**–**	**(18)**	**797**	**791**	**(429)**
Trading & Industrial											
Swire Resources group	2,135	–	183	–	2	7	28	(43)	177	177	(11)
Taikoo Motors group	3,588	–	125	(1)	1	–	–	(36)	89	89	(28)
Taikoo Sugar	485	109	5	–	–	–	–	–	5	5	(1)
Akzo Nobel Swire Paints	–	–	–	–	–	119	–	(5)	114	114	–
CROWN Beverage Cans group	–	–	–	–	–	56	–	–	56	56	–
Sale of interest in CROWN Beverage Cans group	–	–	771	–	–	–	–	–	771	771	–
Other activities	4	–	(14)	–	–	–	–	–	(14)	(14)	(1)
	6,212	**109**	**1,070**	**(1)**	**3**	**182**	**28**	**(84)**	**1,198**	**1,198**	**(41)**
Head Office											
Net income/(expenses) *	7	–	(258)	(1,237)	1,260	–	–	(5)	(240)	(240)	–
Change in fair value of investment properties	–	–	963	–	–	–	–	–	963	963	–
	7	**–**	**705**	**(1,237)**	**1,260**	**–**	**–**	**(5)**	**723**	**723**	**–**
Inter-segment elimination *	**–**	**(172)**	**–**	**1,257**	**(1,257)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**29,201**	**–**	**33,971**	**(1,317)**	**58**	**2,263**	**5,552**	**(1,638)**	**38,889**	**38,252**	**(1,328)**

* The 2010 comparative figures have been restated from those in the Group's 2010 statutory accounts to reflect certain adjustments made in preparing the listing document for Swire Properties Limited which was issued on 21st December 2011.

Notes:
Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.
Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

8. Segment Information (continued)

(a) Information about reportable segments (continued)
Analysis of total assets of the Group

At 31st December 2011

	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	190,072	11,303	55	1,003	202,433	5,117
Property trading and development	7,479	842	–	76	8,397	2
Hotels	5,165	855	584	101	6,705	586
	202,716	**13,000**	**639**	**1,180**	**217,535**	**5,705**
Aviation						
Cathay Pacific group	–	–	25,596	–	25,596	–
HAECO group	7,663	1,100	–	1,345	10,108	608
Others	4,778	2,817	–	–	7,595	–
	12,441	**3,917**	**25,596**	**1,345**	**43,299**	**608**
Beverages						
Swire Beverages	5,419	1,551	899	696	8,565	495
Campbell Swire	–	4	–	–	4	–
	5,419	**1,555**	**899**	**696**	**8,569**	**495**
Marine Services						
Swire Pacific Offshore group	12,597	–	11	386	12,994	2,968
HUD group	–	(2)	–	–	(2)	–
	12,597	**(2)**	**11**	**386**	**12,992**	**2,968**
Trading & Industrial						
Swire Resources group	854	15	–	188	1,057	53
Taikoo Motors group	2,057	–	–	17	2,074	158
Taikoo Sugar	160	–	–	41	201	3
Akzo Nobel Swire Paints	–	381	–	–	381	–
Other activities	6	–	–	18	24	2
	3,077	**396**	**–**	**264**	**3,737**	**216**
Head Office	**6,430**	**–**	**–**	**101**	**6,531**	**380**
	242,680	**18,866**	**27,145**	**3,972**	**292,663**	**10,372**

Note:
In this analysis, additions to non-current assets during the year exclude financial instruments (which include jointly controlled and associated companies), deferred tax assets and retirement benefit assets.

8. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2010

	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	181,581	9,964	53	960	192,558	4,623
Property trading and development	6,150	348	–	42	6,540	2
Hotels	4,759	627	652	40	6,078	236
	192,490	**10,939**	**705**	**1,042**	**205,176**	**4,861**
Aviation						
Cathay Pacific group	–	–	23,701	–	23,701	–
HAECO group	7,020	1,065	–	1,252	9,337	233
Others	4,831	2,813	–	–	7,644	–
	11,851	**3,878**	**23,701**	**1,252**	**40,682**	**233**
Beverages						
Swire Beverages	4,989	1,413	822	731	7,955	412
Campbell Swire	–	–	–	–	–	–
	4,989	**1,413**	**822**	**731**	**7,955**	**412**
Marine Services						
Swire Pacific Offshore group	9,878	–	–	381	10,259	1,705
HUD group	–	(18)	–	–	(18)	–
	9,878	**(18)**	**–**	**381**	**10,241**	**1,705**
Trading & Industrial						
Swire Resources group	472	15	258	152	897	13
Taikoo Motors group	1,087	–	–	463	1,550	74
Taikoo Sugar	89	–	–	19	108	2
Akzo Nobel Swire Paints	–	340	–	–	340	–
Other activities	12	–	–	–	12	1
	1,660	**355**	**258**	**634**	**2,907**	**90**
Head Office	**3,381**	**–**	**–**	**233**	**3,614**	**149**
	224,249	**16,567**	**25,486**	**4,273**	**270,575**	**7,450**

Note:
In this analysis, additions to non-current assets during the year exclude financial instruments (which include jointly controlled and associated companies), deferred tax assets and retirement benefit assets.

8. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total liabilities and non-controlling interests of the Group

At 31st December 2011

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	6,085	4,664	16,411	6,440	33,600	532
Property trading and development	1,721	19	5,003	406	7,149	–
Hotels	183	–	–	619	802	–
	7,989	**4,683**	**21,414**	**7,465**	**41,551**	**532**
Aviation						
HAECO group	**1,216**	**354**	**–**	**1,447**	**3,017**	**3,929**
Beverages						
Swire Beverages	**2,046**	**317**	**1,474**	**144**	**3,981**	**448**
Marine Services						
Swire Pacific Offshore group	**1,265**	**72**	**1,740**	**42**	**3,119**	**(2)**
Trading & Industrial						
Swire Resources group	714	17	(24)	–	707	10
Taikoo Motors group	964	26	–	13	1,003	–
Taikoo Sugar	80	–	–	–	80	–
Other activities	24	5	–	–	29	–
	1,782	**48**	**(24)**	**13**	**1,819**	**10**
Head Office	**631**	**133**	**(24,604)**	**30,540**	**6,700**	**–**
	14,929	**5,607**	**–**	**39,651**	**60,187**	**4,917**

At 31st December 2010

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	4,767	4,271	27,741	4,885	41,664	479
Property trading and development	196	7	4,405	149	4,757	–
Hotels	241	–	–	569	810	–
	5,204	**4,278**	**32,146**	**5,603**	**47,231**	**479**
Aviation						
HAECO group	**1,043**	**384**	**–**	**1,426**	**2,853**	**3,733**
Beverages						
Swire Beverages	**1,942**	**304**	**1,347**	**173**	**3,766**	**391**
Marine Services						
Swire Pacific Offshore group	**876**	**83**	**1**	**212**	**1,172**	**(4)**
Trading & Industrial						
Swire Resources group	476	39	(24)	–	491	–
Taikoo Motors group	603	25	–	–	628	–
Taikoo Sugar	58	–	–	2	60	–
Other activities	39	(1)	–	–	38	–
	1,176	**63**	**(24)**	**2**	**1,217**	**–**
Head Office	**629**	**88**	**(33,470)**	**38,038**	**5,285**	**–**
	10,870	**5,200**	**–**	**45,454**	**61,524**	**4,599**

8. Segment Information (continued)

(a) Information about reportable segments (continued)
The Swire Pacific Group is organised on a divisional basis: Property, Aviation, Beverages, Marine Services and Trading & Industrial.

The reportable segments within each of the five divisions are classified according to the nature of the business. The Head Office is also considered to be a reportable segment as discrete financial information is available for the Head Office activities.

Swire Beverages is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated income statement in note 8(a) presents the results of Swire Beverages by geographical location in order to provide further information to the user of the Annual Report.

(b) Information about geographical areas
The activities of the Group are principally based in Hong Kong. Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

An analysis of turnover and non-current assets of the Group by principal markets is outlined below:

	Turnover		**Non-current assets***	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Hong Kong	**15,794**	13,535	**181,374**	174,996
Asia (excluding Hong Kong)	**13,004**	8,906	**29,514**	24,524
United States of America	**3,872**	3,640	**1,555**	1,234
United Kingdom	**111**	74	**517**	538
Ship owning and operating activities	**3,505**	3,046	**11,496**	9,057
	36,286	29,201	**224,456**	210,349

* In this analysis, the total of non-current assets excludes financial instruments (which include jointly controlled and associated companies), deferred tax assets and retirement benefit assets.

9. Directors' and Executive Officers' Emoluments

(a) The total emoluments of Directors and Executive Officers in 2011 and 2010 are as follows:

	Cash			Non cash				
	Salary/fees (note i) HK$'000	Bonus (note ii) HK$'000	Allowances and benefits HK$'000	Retirement schemes contributions HK$'000	Bonus paid into retirement schemes (note ii) HK$'000	Housing benefits HK$'000	Total 2011 HK$'000	Total 2010 HK$'000
Executive Directors								
C D Pratt	7,471	5,627	445	2,150	1,739	4,697	**22,129**	17,710
M Cubbon	4,725	3,509	439	1,360	1,203	3,749	**14,985**	12,167
P A Kilgour	3,330	2,397	582	958	941	2,097	**10,305**	8,077
J R Slosar	805	585	59	232	208	476	**2,365**	1,549
I Shiu (from 1st August 2010)	983	323	645	52	–	–	**2,003**	512
G L Cundle (from 1st August 2011)	1,068	–	12	307	–	1,422	**2,809**	–
A K W Tang (from 1st August 2011)	1,235	–	475	66	–	–	**1,776**	–
A N Tyler (until 31st March 2011)	64	282	5	18	–	44	**413**	637
P N L Chen (until 1st July 2010)	–	2,899	–	–	–	–	**2,899**	7,350
D Ho (until 1st April 2010)	–	551	–	–	–	–	**551**	2,333
K G Kerr (until 14th May 2009)	–	–	–	–	–	–	**–**	1,916
Non-Executive Directors								
Baroness Dunn	–	–	–	–	–	–	**–**	–
J W J Hughes-Hallett	–	–	–	–	–	–	**–**	–
P A Johansen	945	–	–	–	–	–	**945**	815
M B Swire	–	–	–	–	–	–	**–**	–
Independent Non-Executive Directors								
T G Freshwater	690	–	–	–	–	–	**690**	600
C K M Kwok	988	–	–	–	–	–	**988**	850
C Lee	928	–	–	–	–	–	**928**	800
M Leung	690	–	–	–	–	–	**690**	600
M C C Sze	690	–	–	–	–	–	**690**	600
M M T Yang	690	–	–	–	–	–	**690**	600
Total 2011	**25,302**	**16,173**	**2,662**	**5,143**	**4,091**	**12,485**	**65,856**	
Total 2010	22,871	13,046	3,987	5,549	2,063	9,600		57,116
Executive Officers								
G L Cundle (until 31st July 2011)	1,496	2,289	245	430	959	2,057	**7,476**	7,948
J B Rae-Smith	1,627	951	386	468	553	2,463	**6,448**	5,164
A K W Tang (until 31st July 2011)	1,729	3,492	886	92	–	–	**6,199**	2,381
Total 2011	**4,852**	**6,732**	**1,517**	**990**	**1,512**	**4,520**	**20,123**	
Total 2010	5,527	1,771	1,335	1,527	890	4,443		15,493

i. Independent Non-Executive Directors and P A Johansen receive fees as members of the Board and its committees. Executive Directors and Officers receive salaries.

ii. Bonuses are not yet approved for 2011. The amounts disclosed above are related to services as Executive Directors or Officers for 2010 but paid and charged to the Group in 2011.

iii. Emoluments for the Executive Directors and Officers represent the amounts charged to the Group.

9. Directors' and Executive Officers' Emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2011 include four (2010: four) Executive Directors and Officers whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2010: one) individual during the year is as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**6,748**	7,906
Bonus	**2,133**	1,939
Retirement scheme contributions	**560**	539
	9,441	10,384

10. Net Finance Charges

Refer to pages 104 and 105 for details of the Group's net finance charges.

11. Taxation

		Group			
		2011		2010	
	Note	**HK$M**	**HK$M**	HK$M	HK$M
Current taxation:					
Hong Kong profits tax		**(711)**		(747)	
Overseas taxation		**(256)**		(251)	
Over-provisions in prior years		**23**		11	
			(944)		(987)
Deferred taxation:	33				
Changes in fair value of investment properties		**(384)**		(379)	
Origination and reversal of temporary differences		**(302)**		(272)	
			(686)		(651)
			(1,630)		(1,638)

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

In July 2011, the Inland Revenue Department in Hong Kong changed its practice regarding the tax treatment of defined benefit plans. The total net expenses charged in the income statement under defined benefit plans are no longer deductible when calculating the estimated assessable profits for the year. Instead, contributions paid will be allowable for deduction. The Group has considered the change in practice and reflected it in the Group's annual accounts. The change in practice has not had a significant effect on the Group's annual accounts.

11. Taxation (continued)

The tax charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate of the Company as follows:

	2011 HK$M	2010 HK$M
Profit before taxation	**34,185**	40,527
Calculated at a tax rate of 16.5% (2010: 16.5%)	**(5,641)**	(6,687)
Share of profits less losses of jointly controlled and associated companies	**721**	1,290
Effect of different tax rates in other countries	**(107)**	(163)
Income not subject to tax	**3,765**	4,141
Expenses not deductible for tax purposes	**(214)**	(85)
Unused tax losses not recognised	**(163)**	(56)
Utilisation of previously unrecognised tax losses	**23**	34
Deferred tax assets written off	**(63)**	(107)
Over-provisions in prior years	**23**	11
Recognition of previously unrecognised tax losses	**45**	–
Others	**(19)**	(16)
Tax charge	**(1,630)**	(1,638)

The Group's share of jointly controlled and associated companies' tax charges of HK$335 million (2010: HK$623 million) and HK$362 million (2010: HK$684 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

12. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$16,745 million (2010: HK$2,314 million) is dealt with in the accounts of the Company.

13. Dividends

	Company	
	2011 HK$M	2010 HK$M
First Interim dividend paid on 4th October 2011 of HK¢115.0 per 'A' share and HK¢23.0 per 'B' share (2010: HK¢100.0 and HK¢20.0)	**1,730**	1,505
Special interim dividend paid on 4th October 2011 of HK¢300.0 per 'A' share and HK¢60.0 per 'B' share (2010: nil)	**4,514**	–
Second interim dividend (in lieu of a final dividend) declared on 15th March 2012 of HK¢235.0 per 'A' share and HK¢47.0 per 'B' share (2010 actual final dividend paid: HK¢250.0 and HK¢50.0)	**3,536**	3,761
	9,780	5,266

The second interim dividend is not accounted for in 2011 because it had not been declared at the year end date. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2012.

14. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK$32,210 million (2010: HK$38,252 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2010 and 2011 in the proportion five to one.

15. Property, Plant and Equipment

	Note	Group					Company
	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M	Plant and machinery HK$M
Cost:							
At 1st January 2011		2,813	12,406	8,133	11,409	34,761	24
Translation differences		–	208	83	(6)	285	–
Change in composition of Group		(116)	(74)	(23)	–	(213)	–
Additions		–	970	1,031	2,907	4,908	1
Disposals		–	(4)	(361)	(322)	(687)	–
Transfer between categories		–	(38)	38	–	–	–
Net transfers to investment properties	16	(270)	49	–	–	(221)	–
Transfer to leasehold land and land use rights	17	–	(51)	–	–	(51)	–
Transfer to intangible assets	18	–	(18)	–	–	(18)	–
Other transfers		–	50	17	–	67	–
Revaluation surplus		188	–	–	–	188	–
At 31st December 2011		2,615	13,498	8,918	13,988	39,019	25
Accumulated depreciation and impairment:							
At 1st January 2011		74	2,717	5,311	2,534	10,636	12
Translation differences		–	57	34	(1)	90	–
Change in composition of Group		(11)	(11)	(26)	–	(48)	–
Charge for the year	7	24	368	699	436	1,527	3
Provision for impairment losses	7	–	99	24	6	129	–
Disposals		–	(1)	(280)	(316)	(597)	–
Transfer between categories		–	10	(10)	–	–	–
Net transfers to investment properties	16	(5)	(3)	–	–	(8)	–
Other transfers		–	–	2	–	2	–
At 31st December 2011		82	3,236	5,754	2,659	11,731	15
Net book value:							
At 31st December 2011		2,533	10,262	3,164	11,329	27,288	10

15. Property, Plant and Equipment (continued)

	Note	Group: Leasehold land held for own use under finance leases HK$M	Group: Property HK$M	Group: Plant and machinery HK$M	Group: Vessels HK$M	Group: Total HK$M	Company: Plant and machinery HK$M
Cost:							
At 1st January 2010		2,243	6,004	5,430	10,115	23,792	20
Translation differences		–	93	104	24	221	–
Change in composition of Group		–	5,992	2,189	–	8,181	–
Additions		–	426	686	1,665	2,777	13
Disposals		–	–	(420)	(395)	(815)	(9)
Net transfers to investment properties	16	(892)	35	–	–	(857)	–
Transfer between categories		–	(144)	144	–	–	–
Revaluation surplus		1,462	–	–	–	1,462	–
At 31st December 2010		2,813	12,406	8,133	11,409	34,761	24
Accumulated depreciation and impairment:							
At 1st January 2010		61	1,065	3,743	2,192	7,061	18
Translation differences		–	20	54	6	80	–
Change in composition of Group		–	1,425	1,263	–	2,688	–
Charge for the year	7	21	250	590	383	1,244	2
Provision for impairment losses	7	–	–	–	57	57	–
Disposals		–	–	(339)	(104)	(443)	(8)
Net transfers to investment properties	16	(8)	(43)	–	–	(51)	–
At 31st December 2010		74	2,717	5,311	2,534	10,636	12
Net book value:							
At 31st December 2010		2,739	9,689	2,822	8,875	24,125	12

At 31st December 2011 and 2010 none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

During the year properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from its carrying amount to its fair value at the date of transfer of HK$188 million has been recognised in other comprehensive income and the properties revaluation reserve.

Property, plant and equipment is reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors considered a number of hotels in the United Kingdom to be impaired at 31st December 2011 as a result of the current condition of the hotel property market in their locations. The carrying amount of these hotels have been written down by HK$105 million to their recoverable amount, which is their fair value less costs to sell, calculated using the income capitalisation approach. During the year, the carrying amount of some vessels and plant and machinery have been written down by HK$24 million to their recoverable amount, which is the fair value less costs to sell.

Property, plant and machinery and vessels include costs of HK$1,200 million (2010: HK$512 million), HK$70 million (2010: HK$14 million) and HK$3,286 million (2010: HK$2,381 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

16. Investment Properties

Refer to page 27 for details of the Group's and Company's investment properties.

17. Leasehold Land and Land Use Rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments, the net book value of which is analysed as follows:

	Note	Group	
		2011 **HK$M**	2010 HK$M
At 1st January		**928**	52
Translation differences		**18**	5
Change in composition of Group		**–**	887
Additions		**2**	–
Transfer from property, plant and equipment	15	**51**	–
Amortisation charge for the year	7	**(27)**	(16)
Provision for impairment losses	7	**(3)**	–
At 31st December		**969**	928
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		**21**	22
Held outside Hong Kong:			
On medium-term leases (10 to 50 years)		**948**	906
		969	928

18. Intangible Assets

	Note	Group			
		Goodwill HK$M	**Computer Software HK$M**	**Technical Licences HK$M**	**Total HK$M**
Cost:					
At 1st January 2011		**3,854**	**155**	**539**	**4,548**
Translation differences		**4**	**2**	**(3)**	**3**
Transfer from property, plant and equipment	15	**–**	**18**	**–**	**18**
Additions		**12**	**33**	**–**	**45**
Disposal		**(174)**	**–**	**–**	**(174)**
At 31st December 2011		**3,696**	**208**	**536**	**4,440**
Accumulated amortisation and impairment:					
At 1st January 2011		**1**	**95**	**17**	**113**
Translation differences		**–**	**–**	**1**	**1**
Amortisation for the year	7	**–**	**22**	**26**	**48**
Provision for impairment losses	7	**8**	**–**	**–**	**8**
At 31st December 2011		**9**	**117**	**44**	**170**
Net book value:					
At 31st December 2011		**3,687**	**91**	**492**	**4,270**

18. Intangible Assets (continued)

		Group			
	Note	Goodwill HK$M	Computer Software HK$M	Technical Licenses HK$M	Total HK$M
Cost:					
At 1st January 2010		337	108	–	445
Translation differences		8	–	15	23
Changes in composition of Group		30	26	524	580
Additions		3,479	22	–	3,501
Disposal		–	(1)	–	(1)
At 31st December 2010		3,854	155	539	4,548
Accumulated amortisation and impairment:					
At 1st January 2010		–	69	–	69
Changes in composition of Group		–	10	2	12
Amortisation for the year	7	–	16	15	31
Provision for impairment losses	7	1	–	–	1
At 31st December 2010		1	95	17	113
Net book value:					
At 31st December 2010		3,853	60	522	4,435

Amortisation of HK$48 million (2010: HK$31 million) is included in administrative expenses in the consolidated income statement.

Impairment test of goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified by divisional business segment and geographic location.

	2011 HK$M	2010 HK$M
HAECO – Hong Kong	**3,510**	3,510
Investment properties – Hong Kong	**–**	174
Beverage franchises – Hong Kong and Mainland China	**156**	160
Retail franchises – Hong Kong and Mainland China	**12**	–
Others	**9**	9
	3,687	3,853

Goodwill attributable to HAECO arose from its highly skilled workforce in the aircraft engineering and maintenance business. It also represents the premium paid over the traded market price to obtain control of the business.

Goodwill attributable to investment properties in Hong Kong arose where the fair value of net assets acquired was below the fair value of the consideration paid due to the recognition, required for accounting purposes, of deferred tax liabilities in respect of accelerated tax depreciation on the investment properties purchased. Consequently the related goodwill will only be impaired should the fair value of the investment property in future fall below its fair value at acquisition. The recoverable amount of goodwill attributable to this CGU is therefore assessed on a post-tax basis using fair value less costs to sell. In 2011 the decrease in goodwill attributable to investment properties in Hong Kong represents the goodwill no longer recognised following the disposal of Festival Walk.

The recoverable amount of goodwill attributable to other CGUs is determined based on value-in-use calculations. These calculations use financial budgets and plans covering periods between five and ten years. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. (In the case of HAECO, the average long-term growth rate of profitability is 10.0%). The discount rates used at 31st December 2011 were between 7.5% and 10.5% (2010: 7.5% and 10.5%). These discount rates are pre-tax and reflect the specific risks relating to the relevant CGU.

19. Properties Held for Development

Refer to page 30 for details of the Group's properties held for development.

20. Subsidiary Companies

	Company	
	2011 HK$M	2010 HK$M
Shares at cost less provisions		
– Listed in Hong Kong	**7,491**	7,491
– Unlisted	**13,074**	8,578
	20,565	16,069
Loans and other amounts due from subsidiary companies		
– Interest-free	**5,989**	3,860
– Interest-bearing at 0.23% to 4.0% (2010: 0.17% to 4.0%)	**50**	50
	26,604	19,979

Loans and other amounts due are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 202 to 212.

21. Jointly Controlled Companies

	Group		Company	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Unlisted shares at cost	**–**	–	**28**	28
Share of net assets, unlisted	**8,884**	7,653		
Goodwill	**2**	–		
	8,886	7,653		
Loans due from jointly controlled companies less provisions				
– Interest-free	**9,298**	8,464	**–**	–
– Interest-bearing at 1.71% to 6.56% (2010: 1.71% to 5.0%)	**682**	450	**86**	86
	18,866	16,567	**114**	114

The loans due from jointly controlled companies are unsecured and have no fixed terms of repayment.

The Group's share of assets and liabilities and results of jointly controlled companies is summarised below:

	Group	
	2011 HK$M	2010 HK$M
Non-current assets	**21,010**	19,333
Current assets	**7,613**	5,537
Current liabilities	**(10,753)**	(7,737)
Non-current liabilities	**(8,986)**	(9,480)
Net assets	**8,884**	7,653
Revenue	**16,693**	12,088
Expenses	**(14,557)**	(9,202)
Profit before taxation	**2,136**	2,886
Taxation	**(335)**	(623)
Profit for the year	**1,801**	2,263

The principal jointly controlled companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 202 to 212.

22. Associated Companies

	Group		Company	
	2011	2010	**2011**	2010
	HK$M	HK$M	**HK$M**	HK$M
Shares at cost				
– Listed in Hong Kong			**4,608**	3,372
Share of net assets				
– Listed in Hong Kong	**24,839**	23,039		
– Unlisted	**1,364**	1,566		
	26,203	24,605		
Goodwill	**757**	662		
	26,960	25,267		
Loans due from associated companies				
– Interest-free	**176**	219	**–**	–
– Interest-bearing at 6.0%	**9**	–		
	27,145	25,486	**4,608**	3,372

The loans due from associated companies are unsecured and have no fixed terms of repayment.

The market value of the shares in the listed associated company at 31st December 2011 was HK$23,563 million (2010: HK$36,258 million). Since the year-end, the share price has recovered so that the market value of the shares supports the carrying value of the net assets. The forecast cash flows of the company also indicate that no impairment exists.

The Group's share of the assets and liabilities and results of associated companies is summarised below:

	2011	2010
	HK$M	HK$M
Non-current assets	**52,823**	46,835
Current assets	**11,880**	11,841
Current liabilities	**(14,470)**	(12,874)
Non-current liabilities	**(23,970)**	(21,132)
Non-controlling interests	**(60)**	(65)
Net assets	**26,203**	24,605
Revenue	**47,972**	43,097
Profit for the year	**2,570**	5,552

The principal associated companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 202 to 212. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 225 to 229.

Acquisition of shares in Cathay Pacific Airways Limited ("Cathay Pacific")

Swire Pacific acquired an additional 2% shareholding in Cathay Pacific for a total cash consideration of HK$1,236 million (out of which stamp duty and professional fees amounting to HK$3 million have been recognised in the consolidated income statement). The goodwill on acquisition was HK$95 million.

23. Financial Instruments by Category

The accounting policies applied to financial instruments are shown below by line item:

Group	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position								
At 31st December 2011								
Available-for-sale assets	24	–	–	188	–	–	188	188
Long-term receivables		–	–	–	6	–	6	6
Derivative financial assets	25	8	795	–	–	–	803	803
Trade and other receivables excluding prepayments	28	–	–	–	5,744	–	5,744	5,744
Bank balances and short-term deposits	29	–	–	–	3,922	–	3,922	3,922
Total		8	795	188	9,672	–	10,663	10,663
At 31st December 2010								
Available-for-sale assets	24	–	–	302	–	–	302	302
Long-term receivables		–	–	–	7	–	7	7
Long-term security deposits		–	–	–	42	–	42	42
Derivative financial assets	25	1	646	–	–	–	647	647
Trade and other receivables excluding prepayments	28	–	–	–	4,121	–	4,121	4,121
Bank balances and short-term deposits	29	–	–	–	4,180	–	4,180	4,180
Total		1	646	302	8,350	–	9,299	9,299
Liabilities as per consolidated statement of financial position								
At 31st December 2011								
Trade and other payables	30	937	–	–	–	13,242	14,179	14,179
Derivative financial liabilities	25	14	312	–	–	–	326	326
Bank overdrafts and short-term loans	32	–	–	–	–	1,333	1,333	1,333
Long-term loans and bonds due within one year	32	–	–	–	–	8,750	8,750	8,700
Perpetual capital securities	31	–	–	–	–	2,331	2,331	2,471
Long-term loans and bonds due after one year	32	–	–	–	–	27,237	27,237	28,508
Total		951	312	–	–	52,893	54,156	55,517
At 31st December 2010								
Trade and other payables	30	678	–	–	–	9,478	10,156	10,156
Derivative financial liabilities	25	–	215	–	–	–	215	215
Bank overdrafts and short-term loans	32	–	–	–	–	5,283	5,283	5,283
Long-term loans and bonds due within one year	32	–	–	–	–	9,101	9,101	9,119
Perpetual capital securities	31	–	–	–	–	2,332	2,332	2,565
Long-term loans and bonds due after one year	32	–	–	–	–	28,738	28,738	29,791
Total		678	215	–	–	54,932	55,825	57,129

23. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

Company	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per statement of financial position								
At 31st December 2011								
Available-for-sale assets	24	–	–	63	–	–	63	63
Long-term receivables		–	–	–	1	–	1	1
Trade and other receivables excluding prepayments	28	–	–	–	54	–	54	54
Short-term deposits and bank balances	29	–	–	–	24	–	24	24
Total		–	–	63	79	–	142	142
At 31st December 2010								
Available-for-sale assets	24	–	–	126	–	–	126	126
Long-term receivables		–	–	–	1	–	1	1
Trade and other receivables excluding prepayments	28	–	–	–	49	–	49	49
Short-term deposits and bank balances	29	–	–	–	158	–	158	158
Total		–	–	126	208	–	334	334
Liabilities as per statement of financial position								
At 31st December 2011								
Trade and other payables	30	–	–	–	–	17,183	17,183	17,183
At 31st December 2010								
Trade and other payables	30	–	–	–	–	9,345	9,345	9,345
Bank overdrafts and short-term loans	32	–	–	–	–	3,893	3,893	3,893
Total		–	–	–	–	13,238	13,238	13,238

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

The fair values of short-term and non-current borrowings are determined by using valuation techniques such as estimated discounted cash flows which use assumptions sourced from the relevant financial institutions.

23. Financial Instruments by Category (continued)

Financial instruments that are measured at fair value are included in the following fair value hierarchy:

Group	Note	Level 1 HK$M	Level 2 HK$M	Total carrying amount HK$M
Assets as per consolidated statement of financial position				
At 31st December 2011				
Available-for-sale assets	24			
– Shares listed in Hong Kong		**63**	**–**	**63**
– Shares listed overseas		**113**	**–**	**113**
– Unlisted investments		**–**	**12**	**12**
Derivatives used for hedging	25	**–**	**803**	**803**
Total		**176**	**815**	**991**
At 31st December 2010				
Available-for-sale assets	24			
– Shares listed in Hong Kong		126	–	126
– Shares listed overseas		167	–	167
– Unlisted investments		–	9	9
Derivatives used for hedging	25	–	647	647
Total		293	656	949
Liabilities as per consolidated statement of financial position				
At 31st December 2011				
Derivatives used for hedging	25	**–**	**326**	**326**
Put option over non-controlling interest in Sanlitun Village	30	**–**	**937**	**937**
Total		**–**	**1,263**	**1,263**
At 31st December 2010				
Derivatives used for hedging	25	–	215	215
Put option over non-controlling interest in Sanlitun Village	30	–	678	678
Total		–	893	893

Company	Note	Level 1 HK$M	Level 2 HK$M	Total carrying amount HK$M
Assets as per statement of financial position				
At 31st December 2011				
Available-for-sale assets	24			
– Shares listed in Hong Kong		**63**	**–**	**63**
At 31st December 2010				
Available-for-sale assets	24			
– Shares listed in Hong Kong		126	–	126

Notes:
The levels in the hierarchy represent the following:
Level 1 – Financial instruments measured at fair value using quoted prices in active markets.
Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.

24. Available-for-sale Assets

	Group		Company	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Non-current assets				
Shares listed in Hong Kong	**63**	126	**63**	126
Shares listed overseas	**113**	167	**–**	–
Unlisted investments	**12**	9	**–**	–
	188	302	**63**	126

25. Derivative Financial Instruments

	Group			
	2011		2010	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges (a)	**765**	**–**	609	–
Interest rate swaps – cash flow hedges (b)	**–**	**109**	–	204
Interest rate swap – fair value hedge	**–**	**–**	13	–
Forward foreign exchange contracts				
– cash flow hedges (c)	**30**	**203**	24	11
– not qualifying as hedges	**8**	**1**	–	–
Commodity swaps – not qualifying as hedges	**–**	**13**	1	–
Total	**803**	**326**	647	215
Less non-current portion:				
Cross-currency swaps – cash flow hedges (a)	**765**	**–**	609	–
Interest rate swaps – cash flow hedges (b)	**–**	**–**	–	204
Forward foreign exchange contracts				
– cash flow hedges (c)	**17**	**118**	2	–
– not qualifying as hedges	**3**	**1**	–	–
	785	**119**	611	204
Current portion	**18**	**207**	36	11

(a) The cross-currency swaps hedge the foreign currency risk relating to US$ note issues and US$ perpetual capital securities. Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2011 are expected to affect the income statement in the years to redemption of the notes and perpetual capital securities (up to and including 2019).

(b) These interest rate swaps hedge the interest rate risk associated with floating rate loans. Gains and losses recognised in other comprehensive income on interest rate swaps at 31st December 2011 are expected to affect the income statement in the years to repayment of the loans (up to and including 2012).

(c) The forward foreign exchange contracts hedge the foreign currency exposure relating to contractual obligations. Gains and losses recognised in other comprehensive income on foreign exchange contracts at 31st December 2011 are expected to affect the income statement up to and including 2014.

At 31st December 2011, the fixed interest rates varied from 2.670% to 7.355% (2010: same) and the main floating rates were HIBOR (2010: same).

Interest rate swaps

The total notional principal amount of the outstanding interest rate swap contracts at 31st December 2011 was HK$5,000 million (2010: HK$5,500 million).

25. Derivative Financial Instruments (continued)

Forward foreign exchange contracts
The total notional principal amount of the outstanding foreign exchange contracts at 31st December 2011 was HK$5,659 million (2010: HK$1,458 million).

Cash flow hedges
For the years ended 31st December 2011 and 31st December 2010 all cash flow hedges were effective.

26. Properties for Sale

Refer to page 30 for details of the Group's properties for sale.

27. Stocks and Work in Progress

	Group	
	2011 HK$M	2010 HK$M
Goods for sale	**2,341**	1,178
Manufacturing materials	**199**	225
Production supplies	**567**	506
Work in progress	**180**	195
	3,287	2,104

28. Trade and Other Receivables

	Group		Company	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Trade debtors	**2,610**	2,108	**–**	–
Amounts due from fellow subsidiary companies	**4**	–	**–**	–
Amounts due from subsidiary companies	**–**	–	**22**	21
Amounts due from jointly controlled companies	**330**	179	**–**	–
Amounts due from associated companies	**185**	105	**–**	–
Prepayments and accrued income	**1,309**	971	**2**	1
Other receivables	**1,837**	1,136	**32**	28
	6,275	4,499	**56**	50

The amounts due from fellow subsidiary, subsidiary, jointly controlled and associated companies are unsecured and interest free. Except for amounts due from subsidiary companies which have no fixed terms of repayment, the balances are on normal trade credit terms.

The analysis of the age of trade debtors at year-end (based on the invoice date) is as follows:

	Group	
	2011 HK$M	2010 HK$M
Under three months	**2,488**	1,876
Between three and six months	**99**	105
Over six months	**23**	127
	2,610	2,108

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

28. Trade and Other Receivables (continued)

At 31st December 2011, trade debtors of HK$1,008 million (2010: HK$878 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	Group	
	2011 HK$M	2010 HK$M
Up to three months	**908**	688
Between three and six months	**77**	67
Over six months	**23**	123
	1,008	878

At 31st December 2011, trade debtors of HK$47 million (2010: HK$29 million) were impaired and provided for. The amount of the provision was HK$40 million at 31st December 2011 (2010: HK$19 million). It was assessed that a portion of the trade debtors is expected to be recovered. The analysis of the ageing of these impaired trade debtors is as follows:

	Group	
	2011 HK$M	2010 HK$M
Up to three months	**9**	9
Between three and six months	**11**	–
Over six months	**27**	20
	47	29

The maximum exposure to credit risk at 31st December 2011 and 31st December 2010 is the carrying value of trade debtors, amounts due from related parties and other receivables disclosed above. The value of rental deposits from tenants held as security against trade debtors at 31st December 2011 was HK$1,780 million (2010: HK$1,810 million).

29. Bank Balances and Short-term Deposits

	Group		Company	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Cash and cash equivalents	**3,707**	3,809	**24**	158
Short-term deposits maturing after more than three months	**173**	201	**–**	–
Security deposits in respect of loans repayable within one year	**42**	170	**–**	–
	215	371	**–**	–
	3,922	4,180	**24**	158

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 10.87% (2010: 0.01% to 4.58%); these deposits have a maturity from 3 to 215 days (2010: 3 to 243 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2011 and 31st December 2010 is the carrying value of the bank balances and short-term deposits disclosed above.

30. Trade and Other Payables

	Group		Company	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Trade creditors	**3,576**	1,850	**–**	–
Amounts due to immediate holding company	**149**	191	**25**	34
Amounts due to subsidiary companies	**–**	–	**7,616**	7,082
Amounts due to jointly controlled companies	**81**	48	**–**	–
Amounts due to associated companies	**19**	10	**–**	–
Interest-bearing advances from a subsidiary company at 0.24% (2010: 0.79%)	**–**	–	**9,374**	2,189
Interest-bearing advances from jointly controlled companies at 1.55% (2010: 2.66%)	**244**	17	**–**	–
Interest-bearing advances from associated companies at 1.83% (2010: 0.54%)	**24**	149	**–**	–
Advances from non-controlling interests	**383**	368	**–**	–
Rental deposits from tenants	**1,780**	1,810	**–**	–
Put option over non-controlling interest in Sanlitun Village	**937**	678	**–**	–
Accrued capital expenditure	**1,484**	1,318	**101**	–
Other accruals	**3,247**	2,604	**29**	10
Other payables	**2,255**	1,113	**38**	30
	14,179	10,156	**17,183**	9,345

The amounts due to and advances from immediate holding, subsidiary, jointly controlled and associated companies, and non-controlling interests are unsecured and have no fixed terms of repayment. Apart from certain amounts due to jointly controlled and associated companies, which are interest-bearing as specified above, the balances are interest free.

The analysis of the age of trade creditors at year-end is as follows:

	Group	
	2011 HK$M	2010 HK$M
Under three months	**3,161**	1,717
Between three and six months	**403**	113
Over six months	**12**	20
	3,576	1,850

31. Perpetual Capital Securities

Refer to page 103 for details of the Group’s perpetual capital securities.

32. Borrowings

Refer to pages 101 to 109 for details of the Group’s borrowings.

33. Deferred Taxation

The movement on the net deferred tax liabilities account is as follows:

		Group		Company	
	Note	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M
At 1st January		**4,278**	3,330	**3**	2
Translation differences		**109**	(7)	**–**	–
Change in tax treatment for retirement benefits		**36**	–	**14**	–
Change in composition of Group		**(410)**	289	**–**	–
Charged to income statement	11	**686**	651	**5**	1
Charged to other comprehensive income		**46**	15	**–**	–
At 31st December		**4,745**	4,278	**22**	3

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$2,296 million (2010: HK$1,855 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group Unrecognised tax losses	
	2011 HK$M	2010 HK$M
No expiry date	**1,099**	899
Expiring in 2012	**13**	12
Expiring in 2013	**111**	232
Expiring in 2014	**313**	357
Expiring in 2015	**352**	355
Expiring in 2016	**408**	–
	2,296	1,855

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M
At 1st January	**2,730**	2,290	**1,514**	1,129	**524**	431	**4,768**	3,850
Translation differences	**–**	–	**116**	2	**3**	1	**119**	3
Change in tax treatment for retirement benefits	**–**	–	**–**	–	**36**	–	**36**	–
Change in composition of Group	**(407)**	264	**–**	–	**(3)**	82	**(410)**	346
Charged to income statement	**194**	176	**384**	383	**87**	10	**665**	569
Credited to other comprehensive income	**–**	–	**–**	–	**(1)**	–	**(1)**	–
At 31st December	**2,517**	2,730	**2,014**	1,514	**646**	524	**5,177**	4,768

33. Deferred Taxation (continued)

Deferred tax liabilities (continued)

	Company					
	Accelerated tax depreciation		Others		Total	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M
At 1st January	**3**	2	**–**	–	**3**	2
Change in tax treatment for retirement benefits	**–**	–	**14**	–	**14**	–
Charged to income statement	**–**	1	**5**	–	**5**	1
At 31st December	**3**	3	**19**	–	**22**	3

Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M
At 1st January	**254**	179	**56**	94	**180**	247	**490**	520
Translation differences	**4**	4	**1**	6	**5**	–	**10**	10
Transfer between categories	**(22)**	–	**–**	–	**22**	–	**–**	–
Change in composition of Group	**–**	38	**–**	19	**–**	–	**–**	57
Credited/(charged) to income statement	**–**	33	**(25)**	(63)	**4**	(52)	**(21)**	(82)
Charged to other comprehensive income	**–**	–	**–**	–	**(47)**	(15)	**(47)**	(15)
At 31st December	**236**	254	**32**	56	**164**	180	**432**	490

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	Group		Company	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Deferred tax assets:				
– To be recovered after more than 12 months	**(216)**	(226)	**–**	–
– To be recovered within 12 months	**(89)**	(101)	**–**	–
	(305)	(327)	**–**	–
Deferred tax liabilities:				
– To be settled after more than 12 months	**5,035**	4,543	**22**	3
– To be settled within 12 months	**15**	62	**–**	–
	5,050	4,605	**22**	3
	4,745	4,278	**22**	3

34. Retirement Benefits

The Group operates various retirement benefit plans providing resignation and retirement benefits to staff on both a contributory and non-contributory basis. The assets of the plans are administered by trustees and are maintained independently of the Group's finances. The majority of the plans are of the defined benefit type and contributions to such plans are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The principal plans in Hong Kong are valued annually by qualified actuaries, Towers Watson, for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2011, the funding level was 126% (2010: 118%) of the accrued actuarial liabilities on an ongoing basis.

All new employees are offered the choice of joining the retirement benefit plans or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

Total retirement benefit costs recognised in the income statement for the year ended 31st December 2011 amounted to HK$273 million (2010: HK$159 million), including HK$119 million (2010: HK$71 million) in respect of defined contribution plans.

Defined benefit plans are valued using the projected unit credit method in accordance with HKAS 19. For the year ended 31st December 2010 and 2011, the HKAS 19 disclosures are based on valuations prepared by Towers Watson at 31st December 2009, which were updated at 31st December 2010 and 2011 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit plans. Plans in the United States and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment health care and life insurance benefit plan for certain retired employees in the United States, with accounting and frequency of valuations similar to those used for defined benefit plans.

(a) The amounts recognised in the statement of financial position are as follows:

	2011			
	Group			Company
	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M	Defined benefit plans HK$M
Present value of funded obligations	4,619	–	4,619	97
Fair value of plan assets	(4,076)	–	(4,076)	(169)
	543	–	543	(72)
Present value of unfunded obligations	–	50	50	–
Net unrecognised actuarial (losses)/gains	(937)	2	(935)	(42)
Net retirement benefit (assets)/liabilities	(394)	52	(342)	(114)
Represented by:				
Retirement benefit assets	(600)	–	(600)	(114)
Retirement benefit liabilities	206	52	258	–
	(394)	52	(342)	(114)

34. Retirement Benefits (continued)

(a) The amounts recognised in the statement of financial position are as follows: (continued)

	2010			
	Group			Company
	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M	Defined benefit plans HK$M
Present value of funded obligations	4,152	–	4,152	79
Fair value of plan assets	(4,358)	–	(4,358)	(182)
	(206)	–	(206)	(103)
Present value of unfunded obligations	–	44	44	–
Net unrecognised actuarial (losses)/gains	(91)	7	(84)	(8)
Net retirement benefit (assets)/liabilities	(297)	51	(246)	(111)
Represented by:				
Retirement benefit assets	(548)	–	(548)	(111)
Retirement benefit liabilities	251	51	302	–
	(297)	51	(246)	(111)

(b) Changes in the present value of the defined benefit obligation are as follows:

	Group				Company	
	Defined benefit plans		Other post-employment benefits		Defined benefit plans	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M
At 1st January	**4,152**	1,791	**44**	49	**79**	73
Translation differences	**6**	72	**–**	–	**–**	–
Change in composition of Group	**–**	2,076	**–**	–	**–**	–
Service cost	**230**	173	**1**	1	**7**	6
Interest cost	**175**	139	**2**	2	**3**	3
Actuarial losses/(gains)	**427**	121	**4**	(7)	**9**	3
Employees contribution	**2**	2	**1**	–	**–**	–
Benefits paid	**(322)**	(222)	**(2)**	(1)	**(1)**	(6)
Settlement on curtailments	**(51)**	–	**–**	–	**–**	–
At 31st December	**4,619**	4,152	**50**	44	**97**	79

Changes in the fair value of plan assets are as follows:

	Group		Company	
	Defined benefit plans		Defined benefit plans	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
At 1st January	**4,358**	1,554	**182**	170
Translation differences	**–**	6	**–**	–
Change in composition of Group	**–**	2,557	**–**	–
Expected return	**300**	250	**13**	13
Actuarial (losses)/gains	**(447)**	125	**(25)**	5
Contributions by employer	**196**	85	**–**	–
Employees contribution	**2**	2	**–**	–
Benefits paid	**(322)**	(221)	**(1)**	(6)
Settlement on curtailments	**(11)**	–	**–**	–
At 31st December	**4,076**	4,358	**169**	182

34. Retirement Benefits (continued)

(c) Net expenses recognised in the consolidated income statement are as follows:

	Group					
	2011			2010		
	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M
Current service cost	230	1	231	173	1	174
Interest cost	175	2	177	139	2	141
Expected return on plan assets – gain	(300)	–	(300)	(250)	–	(250)
Net actuarial losses/(gains) recognised	26	(2)	24	23	(2)	21
Gains on curtailments and settlements	22	–	22	2	–	2
	153	1	154	87	1	88

The above net expenses were mainly included in administrative expenses in the consolidated income statement.

The actual return on defined benefit plan assets was a loss of HK$147 million (2010: gain of HK$375 million).

(d) Plan assets comprise the following:

	Group			
	Defined benefit plans			
	2011		2010	
	HK$M	%	HK$M	%
Equities	1,989	49	3,071	70
Bonds	1,931	47	1,218	28
Deposits and cash	156	4	69	2
	4,076	100	4,358	100

(e) Amounts for the current and previous four periods are as follows:

	Group				
	2011 HK$M	2010 HK$M	2009 HK$M	2008 HK$M	2007 HK$M
Defined benefit plans					
– Defined benefit obligations	4,619	4,152	1,791	1,531	1,671
– Plan assets	(4,076)	(4,358)	(1,554)	(1,143)	(1,770)
– Deficit/(surplus)	543	(206)	237	388	(99)
– Experience adjustments on plan liabilities	25	17	72	(52)	44
– Experience adjustments on plan assets	447	(125)	(261)	719	(113)
Other post-employment benefits					
– Defined benefit obligations	50	44	49	43	44
– Experience adjustments on plan liabilities	4	(7)	3	(4)	(3)

34. Retirement Benefits (continued)

(f) The principal actuarial assumptions used are as follows:

	Group					
	Defined benefit plans				Other post-employment benefits	
	2011		2010		2011	2010
	HK %	Others %	HK %	Others %	USA %	USA %
Discount rate	3.96	1.75-4.46	4.4	1.75-5.57	4.21	5.57
Expected rate of return on plan assets	6.0-8.0	1.75-8.0	8.0	1.75-8.25	N/A	N/A
Expected rate of future salary increases	3.28-3.9	2.5-3.0	3.5-3.6	2.5-5.5	N/A	N/A
Expected rate of increase in cost of covered health care benefits	N/A	N/A	N/A	N/A	8.5	8.5

The expected return on plan assets reflects the portfolio mix of assets, which itself is determined by the Group's current investment policy. Expected returns on equities and bonds reflect long-term real rates of return in the respective markets.

35. Share Capital

	Company				
	'A' shares of HK$0.60 each	'B' shares of HK$0.12 each	'A' shares HK$M	'B' shares HK$M	Total HK$M
Authorised:					
At 31st December 2011 and 2010	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 31st December 2011 and 2010	905,578,500	2,995,220,000	543	360	903

During the year, the Company did not purchase, sell or redeem any of its shares.

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion five to one.

36. Reserves

Group	Revenue reserve HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Properties revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2010	165,635	342	49	–	711	(353)	1,589	167,973
Profit for the year	38,252	–	–	–	–	–	–	38,252
Other comprehensive income								
Cash flow hedges								
– recognised during the year	–	–	–	–	–	106	–	106
– transferred to net finance charges	–	–	–	–	–	12	–	12
– transferred to operating profit – exchange differences	–	–	–	–	–	(34)	–	(34)
– transferred to initial cost of non-financial assets	–	–	–	–	–	26	–	26
– deferred tax	–	–	–	–	–	(15)	–	(15)
Net fair value changes on available-for-sale assets								
– net losses recognised during the year	–	–	–	–	(30)	–	–	(30)
– net gains transferred to operating profit	–	–	–	–	(39)	–	–	(39)
Revaluation of property previously occupied by the Group								
– gain recognised during the year	–	–	–	1,462	–	–	–	1,462
Share of other comprehensive income of jointly controlled and associated companies	12	–	–	–	(7)	(197)	276	84
Net translation differences on foreign operations	–	–	–	–	–	–	607	607
Total comprehensive income for the year	38,264	–	–	1,462	(76)	(102)	883	40,431
2009 final dividend	(3,310)	–	–	–	–	–	–	(3,310)
2010 interim dividend (note 13)	(1,505)	–	–	–	–	–	–	(1,505)
Changes in composition of Group	(40)	–	–	–	–	–	–	(40)
At 31st December 2010	199,044	342	49	1,462	635	(455)	2,472	203,549

36. Reserves (continued)

Group	Revenue reserve HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Properties revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2011	199,044	342	49	1,462	635	(455)	2,472	203,549
Profit for the year	32,210	–	–	–	–	–	–	32,210
Other comprehensive income								
Cash flow hedges								
– recognised during the year	–	–	–	–	–	88	–	88
– transferred to net finance charges	–	–	–	–	–	5	–	5
– transferred to operating profit – exchange differences	–	–	–	–	–	4	–	4
– transferred to initial cost of non-financial assets	–	–	–	–	–	1	–	1
– deferred tax	–	–	–	–	–	(46)	–	(46)
Net fair value changes on available-for-sale assets								
– net losses recognised during the year	–	–	–	–	(100)	–	–	(100)
– net gains transferred to operating profit	–	–	–	–	(3)	–	–	(3)
Revaluation of property previously occupied by the Group								
– gain recognised during the year	–	–	–	188	–	–	–	188
Share of other comprehensive income of jointly controlled and associated companies	(10)	–	–	–	(97)	(303)	614	204
Net translation differences on foreign operations	–	–	–	–	–	–	591	591
Total comprehensive income for the year	32,200	–	–	188	(200)	(251)	1,205	33,142
Change in tax treatment for retirement benefits	(30)	–	–	–	–	–	–	(30)
2010 final dividend (note 13)	(3,761)	–	–	–	–	–	–	(3,761)
2011 first interim dividend (note 13)	(1,730)	–	–	–	–	–	–	(1,730)
2011 special interim dividend (note 13)	(4,514)	–	–	–	–	–	–	(4,514)
At 31st December 2011	221,209	342	49	1,650	435	(706)	3,677	226,656

36. Reserves (continued)

Company	Note	Revenue reserve HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
At 1st January 2010		14,174	342	49	(2)	14,563
Profit for the year	12	2,314	–	–	–	2,314
Other comprehensive income						
Net fair value changes on available-for-sale assets						
– net gains recognised during the year		–	–	–	26	26
Total comprehensive income for the year		2,314	–	–	26	2,340
2009 final dividend		(3,310)	–	–	–	(3,310)
2010 interim dividend	13	(1,505)	–	–	–	(1,505)
At 31st December 2010		11,673	342	49	24	12,088
At 1st January 2011		**11,673**	**342**	**49**	**24**	**12,088**
Profit for the year	12	**16,745**	**–**	**–**	**–**	**16,745**
Other comprehensive income						
Net fair value changes on available-for-sale assets						
– net losses recognised during the year		**–**	**–**	**–**	**(45)**	**(45)**
– transferred to operating profit – exchange differences		**–**	**–**	**–**	**(3)**	**(3)**
Total comprehensive income for the year		**16,745**	**–**	**–**	**(48)**	**16,697**
Change in tax treatment for retirement benefits		**(14)**	**–**	**–**	**–**	**(14)**
2010 final dividend	13	**(3,761)**	**–**	**–**	**–**	**(3,761)**
2011 first interim dividend	13	**(1,730)**	**–**	**–**	**–**	**(1,730)**
2011 special interim dividend	13	**(4,514)**	**–**	**–**	**–**	**(4,514)**
At 31st December 2011		**18,399**	**342**	**49**	**(24)**	**18,766**

(a) The Group revenue reserve includes retained revenue reserves from jointly controlled companies amounting to HK$1,346 million (2010: HK$505 million) and retained revenue reserves from associated companies amounting to HK$21,557 million (2010: HK$21,086 million).

(b) The Group and Company revenue reserves include HK$3,536 million (2010: proposed final dividend of HK$3,761 million) representing the declared second interim dividend for the year (note 13).

37. Non-controlling Interests

	Group 2011 HK$M	Group 2010 HK$M
At 1st January	**4,599**	849
Share of profits less losses for the year	**345**	637
Share of cash flow hedges transferred to operating profit – exchange differences	**(4)**	4
Share of fair value losses on available-for-sale assets	**–**	(5)
Share of other comprehensive income of jointly controlled companies and associated companies	**4**	9
Share of translation differences on foreign operations	**107**	8
Share of total comprehensive income	**452**	653
Change in tax treatment for retirement benefits	**(6)**	–
Dividends paid and payable	**(146)**	(525)
Additional non-controlling interests arising on consolidation of HAECO	**–**	3,720
Acquisition of non-controlling interests in subsidiary companies	**–**	(108)
Disposal of non-controlling interests in subsidiary companies	**(6)**	(3)
Capital contribution from non-controlling interests	**24**	13
At 31st December	**4,917**	4,599

38. Capital Commitments

	Group 2011 HK$M	Group 2010 HK$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**10,840**	3,983
Authorised by Directors but not contracted for	**4,462**	1,915
(b) Investment properties		
Contracted for	**1,433**	2,461
Authorised by Directors but not contracted for	**8,094**	1,576
The Group's share of capital commitments of jointly controlled companies at the year-end*		
Contracted for	**840**	1,894
Authorised by Directors but not contracted for	**6,526**	5,411
	7,366	7,305

* of which the Group is committed to funding HK$1,828 million (2010: HK$2,460 million).

The Company had commitments of HK$39 million in respect of investment properties at 31st December 2011 (2010: HK$508 million).

At 31st December 2011, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$162 million (2010: HK$146 million).

39. Contingencies

		Group		Company	
		2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
(a)	Guarantees provided in respect of bank loans and other liabilities of:				
	Subsidiary companies	**–**	–	**30,607**	34,166
	Jointly controlled companies	**1,030**	982	**974**	981
		1,030	982	**31,581**	35,147

The directors have assessed the fair value of the above guarantees and do not consider them to be material. They have therefore not been recognised in the company's statement of financial position.

(b) Contingent tax liability

Certain wholly-owned Group companies have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2003/04 inclusive as a consequence of queries raised by the Hong Kong Inland Revenue Department ("IRD"). These queries relate to the deductibility, in the assessment of profits tax, of interest on borrowings of those companies during the periods under review.

A number of discussions have taken place between the companies and the IRD to understand the precise nature of the IRD queries. However, at this stage there is insufficient information available to determine reliably the ultimate outcome of the IRD's review with an acceptable degree of certainty. Consequently no provision has been recognised in these accounts for any amounts that may fall due in regard to these queries.

The IRD has issued Notices of Assessment totalling HK$492 million in respect of their queries for the years under review. The companies involved have objected to these assessments and the IRD has agreed to unconditional holdover of the assessments. In addition, the estimated interest which would (assuming the relevant Group companies are found liable to pay the tax demanded) be payable in respect of the Notices of Assessment totalled HK$244 million at 31st December 2011 (2010: HK$206 million).

(c) Cathay Pacific Airways

Cathay Pacific Airways ("Cathay Pacific") is the subject of investigations and proceedings with regard to its air cargo operations by the competition authorities of various jurisdictions, including the European Union, Canada, Australia, Switzerland, Korea and New Zealand. Cathay Pacific has been cooperating with the authorities in their investigations and, where applicable, vigorously defending itself. The investigations and proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

In December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission ("NZCC") with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded. In May – June 2011, the first stage trial in this matter was heard in the Auckland High Court. In August 2011, the Auckland High Court issued its first stage decision, holding that it had jurisdiction over all claims brought by the NZCC.

In July 2009, Cathay Pacific received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

In May 2010, the Korean Fair Trade Commission ("KFTC") announced it will fine several airlines, including Cathay Pacific, for their air cargo pricing practices. In November 2010, KFTC issued a written decision and Cathay Pacific's fine was KRW 5.35 billion (equivalent to HK$36 million at the exchange rate current as of the date of the announcement). Cathay Pacific has filed an appeal in the Seoul High Court challenging the KFTC's decision in December 2010.

On 9th November 2010, the European Commission announced that it had issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57,120,000 (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on Cathay Pacific. Cathay Pacific has filed an appeal with the General Court of the European Union in January 2011.

39. Contingencies (continued)

(c) Cathay Pacific Airways (continued)

Cathay Pacific has been named as a defendant in a number of civil complaints, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, Korea, United Kingdom, the Netherlands and Australia alleging violations of applicable competition laws arising from its conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel and is defending those actions.

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the relevant accounting policy.

40. Operating Lease Arrangements

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out land and buildings and vessels under operating leases. The leases for land and buildings typically run for periods of three to six years. The retail turnover-related rental income received during the year amounted to HK$504 million (2010: HK$295 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew the lease after that date, at which time all terms are renegotiated.

At 31st December, the future aggregate minimum lease receipts under non-cancellable operating leases receivable by the Group and the Company were as follows:

	Group		Company	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Land and buildings:				
Not later than one year	**6,148**	5,987	**3**	2
Later than one year but not later than five years	**13,605**	12,529	**1**	1
Later than five years	**2,105**	2,315	**–**	–
	21,858	20,831	**4**	3
Vessels:				
Not later than one year	**1,633**	853		
Later than one year but not later than five years	**3,143**	1,160		
Later than five years	**1,735**	1,348		
	6,511	3,361		
	28,369	24,192		

Assets held for deployment on operating leases at 31st December were as follows:

	Group				Company	
	2011		2010		**2011**	2010
	Investment properties HK$M	**Vessels HK$M**	Investment properties HK$M	Vessels HK$M	**Investment properties HK$M**	Investment properties HK$M
Cost or fair value	**174,130**	**10,497**	160,763	8,865	**127**	117
Less: accumulated depreciation	**–**	**(2,659)**	–	(2,534)	**–**	–
Net book value	**174,130**	**7,838**	160,763	6,331	**127**	117
Depreciation for the year	**–**	**436**	–	383	**–**	–

40. Operating Lease Arrangements (continued)

(b) Lessee

The Group leases land and buildings, vessels and other equipment under operating leases. These leases typically run for an initial period of one to nine years with an option to renew the lease after that date, at which time all terms are renegotiated. The retail turnover-related rentals paid during the year amounted to HK$31 million (2010: HK$17 million).

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases payable by the Group and the Company were as follows:

	Group		Company	
	2011 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M
Land and buildings:				
Not later than one year	**449**	464	**8**	8
Later than one year but not later than five years	**929**	691	**3**	11
Later than five years	**2,551**	2,152	**–**	–
	3,929	3,307	**11**	19
Vessels:				
Not later than one year	**124**	70		
Later than one year but not later than five years	**879**	281		
Later than five years	**662**	400		
	1,665	751		
Other equipment:				
Not later than one year	**18**	18		
Later than one year but not later than five years	**–**	71		
	18	89		
	5,612	4,147		

41. Related Party Transactions

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from jointly controlled and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements, which commenced on 1st January 2011 and will last for three years until 31st December 2013. For the year ended 31st December 2011, service fees payable amounted to HK$215 million (2010: HK$203 million). Expenses of HK$164 million (2010: HK$131 million) were reimbursed at cost; in addition, HK$243 million (2010: HK$203 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between the Company and JSSHK dated 5th August 2010, members of the Group will enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the year ended 31st December 2011, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK$78 million (2010: HK$59 million).

41. Related Party Transactions (continued)

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the JSSHK Tenancy Framework Agreement), which were carried out in the normal course of the Group's business, in addition to those transactions disclosed elsewhere in the accounts. Transactions under the Services Agreements and the JSSHK Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

		Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Notes	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M
Revenue from	(a)								
– Sales of beverage drinks		**–**	–	**17**	17	**–**	–	**–**	–
– Rendering of services		**1**	1	**7**	4	**–**	–	**–**	–
– Aircraft and engine maintenance		**82**	44	**2,287**	1,151	**–**	–	**–**	–
Purchases of beverage drinks	(a)	**–**	–	**446**	439	**–**	–	**–**	–
Purchases of beverage cans	(a)	**–**	94	**–**	–	**–**	–	**–**	–
Purchases of other goods	(a)	**4**	3	**–**	35	**–**	–	**–**	–
Purchases of services	(a)	**8**	16	**39**	18	**32**	17	**–**	–
Rental revenue	(b)	**4**	4	**10**	8	**16**	13	**65**	50
Interest income	(c)	**16**	8	**22**	13	**–**	–	**–**	–
Interest charges	(c)	**2**	–	**–**	–	**–**	–	**–**	–

Notes:

(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.

(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.

(c) Loans advanced to jointly controlled and associated companies at 31st December 2011 are disclosed in notes 21 and 22 respectively. Advances from jointly controlled and associated companies are disclosed in note 30.

At 31st December 2011, Swire Coca-Cola Beverages Xiamen Ltd extended a loan facility of RMB40 million to Hangzhou BC Foods Co., Ltd. and entered a loan facility of RMB60 million to Swire Guangdong Coca-Cola Ltd. Xiamen Luquan Industries Co. Ltd. entered a loan facility of RMB20 million to Swire Coca-Cola Beverages Zhengzhou Ltd. These loans were not connected transactions which give rise to any disclosure or other obligations under Chapter 14A of the Listing Rules.

Amounts due to the immediate holding company at 31st December 2011 are disclosed in note 30. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management is disclosed in note 9.

42. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	Group	
	2011 HK$M	2010 HK$M
Operating profit	**31,424**	33,971
(Profit)/loss on sale of property, plant and equipment	**(82)**	5
Profit on sale of investment properties	**–**	(544)
Profit on sale of available-for-sale assets	**(7)**	(45)
Profit on sale of interest in Festival Walk	**(638)**	–
Profit on sale of interests in associated and jointly controlled companies	**(149)**	(2,008)
Remeasurement gains and profit on disposal relating to the change of shareholding in PCCW Tower	**–**	(342)
Gain on remeasurement of previously held interest in HAECO on acquiring control	**–**	(2,547)
Change in fair value of investment properties	**(22,771)**	(21,344)
Depreciation	**1,527**	1,244
Amortisation	**140**	84
Impairment losses recognised	**132**	58
Other items	**(103)**	(96)
Operating profit before working capital changes	**9,473**	8,436
Decrease in long-term receivables	**1**	2
Increase in properties for sale	**(1,227)**	(1,249)
Increase in stocks and work in progress	**(1,117)**	(285)
(Increase)/decrease in trade and other receivables	**(1,705)**	57
Increase in trade and other payables	**3,779**	666
Cash generated from operations	**9,204**	7,627

(b) Purchase of property, plant and equipment

	Group	
	2011 HK$M	2010 HK$M
Properties	**929**	518
Plant and machinery	**876**	781
Vessels	**2,930**	1,287
Total	**4,735**	2,586

The above figures do not include interest capitalised on property, plant and equipment.

42. Notes to the Consolidated Statement of Cash Flows (continued)

(c) Sale of interest in Festival Walk

	Group
	2011 **HK$M**
Net assets disposed:	
Property, plant and equipment	**168**
Investment properties	**18,090**
Stocks and work in progress	**4**
Trade and other receivables	**33**
Cash and cash equivalents	**495**
Trade and other payables	**(330)**
Taxation payable	**(68)**
Deferred tax	**(404)**
Goodwill on acquisition	**174**
	18,162
Profit on sale of interest in Festival Walk	**638**
	18,800
Satisfied by:	
Cash received (net of transaction costs)	**18,800**
Analysis of the net inflow from sale of interest in Festival Walk	
Net cash proceeds	**18,800**
Cash and cash equivalents	**(495)**
Net inflow of cash and cash equivalents per consolidated statement of cash flows	**18,305**

(d) Analysis of changes in financing during the year

	Group			
	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2011 **HK$M**	2010 HK$M	**2011** **HK$M**	2010 HK$M
At 1st January	**45,435**	34,502	**4,599**	849
Net cash (outflow)/inflow from financing	**(6,080)**	9,585	**24**	13
Changes in composition of Group	**–**	1,324	**–**	3,720
Acquisition of non-controlling interests in subsidiary companies	**–**	–	**–**	(108)
Disposal of non-controlling interests in subsidiary companies	**–**	–	**(6)**	(3)
Non-controlling interests' share of total comprehensive income	**–**	–	**452**	653
Dividends paid to non-controlling interests	**–**	–	**(146)**	(490)
Dividends payable to non-controlling interests	**–**	–	**–**	(35)
Change in tax treatment for retirement benefits	**–**	–	**(6)**	–
Other non-cash movements	**295**	24	**–**	–
At 31st December	**39,650**	45,435	**4,917**	4,599

43. Events After the Reporting Period

(a) In October 2011, the Group submitted a proposal to The Stock Exchange of Hong Kong Limited ("The Stock Exchange") for the spin-off and separate listing of shares in Swire Properties by way of introduction. The listing of Swire Properties shares, which took effect in January 2012, was achieved by a distribution in specie by Swire Pacific of approximately 18% of Swire Properties' shares. Qualifying Swire Pacific Shareholders were entitled to 7 Swire Properties Shares for every 10 'A' Shares held and 7 Swire Properties Shares for every 50 'B' Shares held as at the Record Date. Following completion of the proposed spin-off, Swire Pacific's percentage shareholding in Swire Properties was reduced by approximately 18%. Swire Properties remains a subsidiary of the Company and the Group continues to be engaged (through subsidiaries and associated companies) in its existing airline, aircraft engineering, beverages, marine services and trading and industrial businesses. Completion of the proposed spin-off did not affect the listing of Swire Pacific shares on the Main Board of the Stock Exchange.

(b) In January 2012, Swire Properties entered into an agreement with Sino-Ocean Land Limited to fund the whole of the remaining land premium (and associated taxes) payable in respect of the Daci Temple project and certain working capital requirements in an aggregate amount of US$230 million. Following this transaction, Swire Properties' interest in the project has increased to 81%, reflecting its contribution to the overall funding of the project. Sino-Ocean Land has a call option, exercisable for one year commencing from the date of the agreement, to purchase Swire Properties' additional interest in the project for an amount equal to one half of the additional funding plus interest at the rate of 10% per annum. Swire Properties has the right, exercisable for one year commencing one week before the end of the call option period, to require Sino-Ocean Land to purchase Swire Properties' additional interest in the project on the same terms as those described above. Until the rights described above are exercised or lapse, Swire Properties' additional interest in the project will be accounted for as a secured loan and Swire Properties' existing interest will continue to be accounted for as a 50% interest in a jointly controlled entity.

(c) In January 2012, the Cathay Pacific group entered into an agreement to purchase six Airbus A350-900 aircraft. The catalogue price of these aircraft is approximately HK$12,698 million. The actual purchase price of the aircraft, which was determined after arm's length negotiations between the parties, is lower than the catalogue price.

(d) In January 2012, the Swire Pacific Offshore group ("SPO") acquired a 70% controlling interest in Altus Logistics Pte. Ltd., a Singapore-based logistics group focused on the oil and gas industry. In February 2012, SPO completed the acquisition of a 100% interest in Seabed AS, a Norwegian company which specialises in providing inspection, maintenance and repair services to the offshore oil and gas industry. The accounting for these business combinations was incomplete at the date of the Group's results announcement.

(e) In February 2012, US$500 million 4.50 per cent Guaranteed Notes due in 2022 were issued under Swire Pacific MTN Financing Limited's US$3.5 billion Medium Term Note Programme, guaranteed by Swire Pacific Limited.

44. Immediate and Ultimate Holding Company

The immediate holding company is John Swire & Sons (H.K.) Limited, a company incorporated in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in England.

Principal Accounting Policies

1. Basis of Preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The accounts have been prepared under the historical cost convention as modified by the revaluation of certain investment properties, available-for-sale investments and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. Basis of Consolidation

The consolidated accounts incorporate the accounts of Swire Pacific Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in jointly controlled and associated companies.

3. Subsidiary Companies

Subsidiary companies are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiary companies are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary company acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, jointly controlled company or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the non-controlling interest, which is not part of a business combination, the Group records a financial liability for the present value of the redemption amount and eliminates the value of the non-controlling interest. Changes to the value of the financial liability are recognised in the income statement within finance income or finance costs.

In the Company's statement of financial position, its investments in subsidiary companies are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for by the Company on the basis of dividends received and receivable.

Long-term loans to subsidiary companies are considered to be quasi-equity in nature where there is no defined repayment terms and no historical repayment of the balances.

4. Jointly Controlled and Associated Companies

Jointly controlled companies are those companies held for the long-term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where none of the participating parties has unilateral control over the economic activity of the joint venture.

Associated companies are those companies over which the Group has significant influence but not control or joint control, over their management including participation in the financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in jointly controlled and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in jointly controlled and associated companies over the fair value of the Group's share of the identifiable net assets acquired represents goodwill. The Group's investments in jointly controlled and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

The Group's share of its jointly controlled and associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the jointly controlled or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled or associated company.

The Group recognises the disposal of an interest in a jointly controlled company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its jointly controlled and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its jointly controlled and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of jointly controlled and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognized in the consolidated income statement.

In the Company's statement of financial position, its investments in jointly controlled and associated companies are stated at cost less provision for any impairment losses. Income from jointly controlled and associated companies is recognised by the Company on the basis of dividends received and receivable.

Long-term loans to jointly controlled and associated companies are considered to be quasi-equity in nature where there is no defined repayment terms and no historical repayment of the balances.

5. Foreign Currency Translation

(a) Functional and presentation currency
Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any associated translation difference is also recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the income statement, any associated translation difference is also recognised in the income statement.

(c) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

6. Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises leasehold land and buildings held under finance leases. Land held under operating or finance leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties (including those under construction) are carried at fair value and are valued at least annually. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as under construction. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

7. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major renovation costs and modifications that extend the life or usefulness of vessels are capitalised and depreciated over the period until the next drydocking. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Leasehold land can be classified as held under finance lease and recorded as property, plant and equipment if the lessee is exposed to substantially all the risks and rewards of ownership of that price of land. Leasehold land is depreciated over the lease term.

On the transfer of owner occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'property revaluation reserve' to 'revenue reserve'.

With the exception of freehold land, all other property, plant and equipment are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Leasehold land	Over the lease term
Properties	2% to 5% per annum
Plant and machinery	7% to 34% per annum
Vessels	4% to 7% per annum
Drydocking costs	20% to 50% per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at each period-end date to take into account operational experience and changing circumstances.

Vessels under construction are not depreciated until they are completed.

At each period-end date, both internal and external sources of information are considered to assess whether there is any indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other net gains/(losses)' in the income statement. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

8. Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled and associated companies at the date of acquisition. Goodwill is treated as an asset of the entity acquired and where attributable to a foreign entity will be translated at the closing rate.

Goodwill on acquisition of a subsidiary company is included in intangible assets. Goodwill on acquisitions of associated and jointly controlled companies is included in investments in associated and jointly controlled companies respectively.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is performed annually. Impairment losses recognised on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are amortised over their estimated useful lives.

(c) Technical licences
Separately acquired technical licences are shown at historical cost. Technical licences acquired in a business combination are recognised at fair value at the acquisition date. Technical licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technical licences over their estimated useful life of twenty two years.

9. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation. These assets are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

10. Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the period-end date.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the period-end date where these are classified as non-current assets. See also policy for trade and other receivables (accounting policy note 15).

(c) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(d) Available-for-sale assets
Available-for-sale assets are non-derivative investments and other assets that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the period-end date.

Purchases and sales of financial assets are recognised on their trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale assets are recognised in other comprehensive income. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investments.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale investments) is based on quoted market prices at the period-end date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair value.

The Group assesses at each period-end date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

11. Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (2) hedges of highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings and foreign exchange risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance income or finance costs. The gain or loss relating to forward foreign exchange contracts, whether effective or ineffective, is recognised in the income statement within other net gains.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised through the income statement over the period to maturity.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the income statement within cost of sales. The gain or loss relating to the ineffective portion of interest rate swaps or forward foreign exchange contracts is recognised in the income statement within other net gains. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the period-end date.

12. Initial Leasing Costs

Expenditure incurred in leasing the Group's property during construction is deferred and amortised on a straight-line basis to the income statement upon occupation of the property over a period not exceeding the terms of the lease.

13. Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of finished goods and work in progress comprise direct material and labour costs and an appropriate proportion of production overhead expenses less provisions for foreseeable losses. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchase of raw materials or stocks.

14. Properties Held for Development and Properties for Sale

Properties held for development and properties for sale comprise freehold and leasehold land, construction costs and interest costs capitalised, less provisions for possible losses. Properties held for development are not expected to be sold within the Group's normal operating cycle and are classified as non-current assets. Properties for sale are available for immediate sale and are classified as current assets.

15. Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the statement of financial position are stated net of such provisions.

16. Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term highly liquid investments which were within three months of maturity when acquired, less bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

17. Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

18. Borrowings (including Perpetual Capital Securities)

Borrowings are recognised initially at fair value, net of transaction costs incurred for those not held at fair value through profit or loss. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated either at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method, or at fair value through profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

19. Borrowing Costs

Interest costs incurred are charged to the income statement except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

20. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessors) are recognised as income or expense in the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

21. Deferred Taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition has no impact on taxable nor accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, jointly controlled and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

22. Revenue Recognition

Provided the collectibility of the related receivable is reasonably assured, revenue is recognised as follows:

(a) Rental income is recognised on a straight-line basis over the shorter of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when earned.

(b) Sales of properties are recognised when effective control of ownership of the properties is transferred to the buyers.

(c) Sales of services, including aircraft maintenance services and services provided by hotel operations, are recognised when the services are rendered.

(d) Revenue from vessel charter hire services is recognised over the period of charter hire in accordance with the vessel charter hire agreements.

(e) Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership, for example insurance and service costs.

(f) Interest income is recognised on a time-proportion basis using the effective interest method.

23. Related Parties

Related parties are individuals and companies, including subsidiary, fellow subsidiary, jointly controlled and associated companies and key management (including close members of their families), where the individual, company or Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

24. Government Grants

Grants from the government are recognised where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to assets are deducted from the carrying amount of the asset.

25. Retirement Benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant Group companies and, in some cases, employees themselves, taking account of the recommendations of independent qualified actuaries.

A defined benefit plan is a retirement plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution schemes are charged to the income statement in the period to which the contributions relate.

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of employees. The retirement benefit obligation is measured as the present value of the estimated future cash outflows. Plan assets are measured at fair value. Cumulative unrecognised net actuarial gains and losses at the previous financial year-end, to the extent that the amount is in excess of 10% of the greater of the present value of the defined benefit obligations and the fair value of the plan assets, are recognised over the expected average remaining working lives of the employees participating in the plan. A subsidiary company may adopt any systematic method that results in faster recognition of actuarial gains and losses, provided the same basis is applied consistently from period to period. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

26. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

27. Guarantees

Financial guarantees are initially recognised in the accounts at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the income statement.

28. Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

29. Segment Reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting provided to the board of directors for making strategic decisions. For disclosure purposes, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics or single operating segments which are disclosable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2011

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Property Division					
Subsidiary companies:					
Incorporated in Hong Kong:					
53 Stubbs Road Development Co. Limited	100	–	100	5,000,000 shares of HK$1 each	Property development
53 Stubbs Road (Management) Limited	100	–	100	1 share of HK$10	Property management
Cathay Limited	100	–	100	807 shares of HK$10 each	Property investment
Citiluck Development Limited	100	–	100	1,000 shares of HK$1 each	Property investment
Cityplaza Holdings Limited	100	–	100	100 shares of HK$10 each	Property investment
Coventry Estates Limited	100	–	100	4 shares of HK$10 each	Property investment
Golden Tent Limited	100	–	100	1 share of HK$1	Hotel investment
Island Delight Limited	87.5	–	100	1 share of HK$1	Property trading
Keen Well Holdings Limited	80	–	100	1 share of HK$1	Property trading
One Island East Limited	100	–	100	2 shares of HK$1 each	Property investment
One Queen's Road East Limited	100	–	100	2 shares of HK$1 each	Property investment
Oriental Landscapes Limited	100	–	100	50,000 shares of HK$10 each	Landscaping services
Pacific Place Holdings Limited	100	–	100	2 shares of HK$1 each	Property investment
Redhill Properties Limited	100	–	100	250,000 shares of HK$1 each	Property investment
Super Gear Investment Limited	100	–	100	2 shares of HK$1 each	Property investment
Swire Properties (Finance) Limited	100	–	100	1,000,000 shares of HK$1 each	Provision of financial services
Swire Properties Limited	100	100	–	5,850,000,000 shares of HK$1 each	Holding company
Swire Properties Management Limited	100	–	100	2 shares of HK$10 each	Property management
Swire Properties Projects Limited	100	–	100	2 shares of HK$1 each	Project management
Swire Properties Real Estate Agency Limited	100	–	100	2 shares of HK$10 each	Real estate agency
Taikoo Place Holdings Limited	100	–	100	2 shares of HK$1 each	Property investment
Incorporated in Mainland China:					
(Domestic company)					
Beijing Tianlian Real Estate Company Limited ^ •	100	–	100	Registered capital of RMB865,000,000	Holding company
(Sino-foreign joint venture)					
TaiKoo Hui (Guangzhou) Development Company Limited ^	97	–	97	Registered capital of RMB2,650,000,000	Property investment

Notes:

1) This table lists the principal subsidiary, jointly controlled and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.

2) Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of ship owning and operating are international, and are not attributable to a principal country of operation.

3) * Group interest held through jointly controlled or associated companies.

4) • Companies not audited by PricewaterhouseCoopers. These companies account for approximately 11.2% of attributable net assets at 31st December 2011.

5) ^ Translated name.

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Property Division (continued)					
Subsidiary companies: (continued)					
Incorporated in Mainland China:					
(Wholly foreign owned enterprises)					
Beijing Sanlitun Hotel Management Company Limited ^	100	–	100	Registered capital of RMB400,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited ^	80	–	100	Registered capital of RMB1,392,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited ^	80	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	100	–	100	Registered capital of RMB195,000,000	Property investment
Swire Properties (China) Investment Company Limited ^	100	–	100	Registered capital of US$30,000,000	Holding company
Incorporated in the United States:					
Brickell CitiCentre East LLC	100	–	100	Limited Liability Company	Property investment and hotel
Brickell CitiCentre North LLC	100	–	100	Limited Liability Company	Property trading and investment
Brickell CitiCentre Plaza LLC	100	–	100	Limited Liability Company	Property investment
Brickell CitiCentre West LLC	100	–	100	Limited Liability Company	Property trading and investment
FTL/AD Ltd	75	–	75	Florida Partnership	Property trading
Swire Development Sales LLC	100	–	100	Limited Liability Company	Real estate agency
Swire Pacific Holdings Asia LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties Inc	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties US Inc	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	100	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands and operate in Hong Kong:					
Bao Wei Enterprises Limited	100	–	100	1 share of US$1	Property trading
Boom View Holdings Limited	100	–	100	2 shares of US$1 each	Property investment
Charming Grace Limited	100	–	100	1 share of US$1	Property development
Endeavour Technology Limited	87.5	–	87.5	1,000 shares of US$1 each	Holding company
Excel Free Limited	100	–	100	1 share of US$1	Property trading
Fine Grace International Limited	100	–	100	1 share of US$1	Property trading
Novel Ray Limited	100	–	100	1 share of US$1	Property investment
Peragore Limited	80	–	80	1,000 shares of US$1 each	Holding company
Sino Flagship Investments Limited	100	–	100	1 share of US$1	Property investment
Swire and Island Communication Developments Limited	60	–	60	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	100	–	100	1 share of US$1	Holding company
Wonder Cruise Group Limited	100	–	100	1 share of US$1	Property trading
Incorporated in the United Kingdom:					
New Light Hotels Limited	100	–	100	17,000,100 shares of GBP1 each	Hotel developer and operator

Showing proportion of capital owned at 31st December 2011

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Property Division (continued)					
Jointly controlled companies:					
Incorporated in Hong Kong:					
Hareton Limited	50	–	50	100 shares of HK$10 each	Property trading
Richly Leader Limited	50	–	50	1,000,000,000 shares of HK$1 each	Property investment
Sky Treasure Limited	50	–	50	2 shares of HK$1 each	Property investment
Incorporated in the United States:					
Swire Brickell Key Hotel, Ltd.	75	–	75	Florida Partnership	Hotel investment
Incorporated in the British Virgin Islands:					
Dazhongli Properties Limited *(operates in Mainland China)*	50	–	50	1,000 shares of US$1 each	Holding company
Great City China Holdings Limited *(operates in Mainland China)*	50	–	50	2 shares of US$1 each	Holding company
Island Land Development Limited *(operates in Hong Kong)*	50	–	50	100 shares of HK$10 each	Property investment
Newfoundworld Investment Holdings Limited *(operates in Hong Kong)*	20	–	20	5 shares of US$1 each	Holding company
Incorporated in Mainland China					
(Domestic company)					
Beijing Linlian Real Estate Company Limited ^	50	–	50	Registered capital of RMB400,000,000	Property investment
(Sino-foreign joint venture)					
Chengdu Qianhao Real Estate Company Limited	49.5	–	*	Registered capital of US$329,000,000	Property investment
(Wholly foreign owned enterprises)					
Guan Feng (Shanghai) Real Estate Development Company Limited ^	50	–	*	Registered capital of US$500,000,000	Property investment
Pei Feng (Shanghai) Real Estate Development Company Limited ^	50	–	*	Registered capital of US$60,000,000	Property investment
Ying Feng (Shanghai) Real Estate Development Company Limited ^	50	–	*	Registered capital of US$336,500,000	Property investment
Associated companies:					
Incorporated in Hong Kong:					
Greenroll Limited •	20	–	20	45,441,000 shares of HK$10 each	Hotel investment
Queensway Hotel Limited •	20	–	*	100,000 shares of HK$10 each	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	20	–	20	5,000 shares of HK$1 each and 10,000,000 non-voting deferred shares of HK$1 each	Hotel investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Aviation Division					
Subsidiary companies:					
Incorporated in Hong Kong:					
HAECO ATE Component Service Limited	74.99	–	100	2,000,000 shares of HK$1 each	Aircraft component repair services
Hong Kong Aircraft Engineering Company Limited	74.99	74.99	*	166,324,850 shares of HK$1 each	Aircraft overhaul and maintenance
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Taikoo Engine Services (Xiamen) Company Limited	65.54	–	85.01 &*	Registered capital of US$63,000,000	Commercial aero engine overhaul services
Taikoo (Xiamen) Aircraft Engineering Company Limited	47.99	–	58.55 &*	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	45.89	–	60 &*	Registered capital of US$13,890,000	Landing gear repair and overhaul
Incorporated in Singapore:					
Singapore HAECO Pte. Limited	74.99	–	100	Registered capital of SGD1	Line maintenance
Jointly controlled companies:					
Incorporated in Hong Kong:					
Goodrich Asia-Pacific Limited	36.75	–	49	9,200,000 shares of HK$1 each	Carbon brake machining and wheel hub overhaul
Hong Kong Aero Engine Services Limited •	33.75	–	45	20 shares of HK$10 each	Commercial aero engine overhaul services
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	25.32	–	37	Registered capital of US$5,000,000	Tyre services for commercial aircraft
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited •	16.80	–	35	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs
Honeywell TAECO Aerospace (Xiamen) Company Limited	23.55	–	35	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Shanghai Taikoo Aircraft Engineering Services Company Limited ^ •	32.70	–	49	Registered capital of US$3,700,000	Line maintenance
Taikoo (Shandong) Aircraft Engineering Company Limited •	27.30	–	40	Registered capital of RMB200,000,000	Airframe maintenance services for narrow-body aircraft
Taikoo Sichuan Aircraft Engineering Services Company Limited •	34.32	–	49	Registered capital of RMB60,000,000	Line maintenance and aircraft maintenance
Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited	38.96	–	52.56 &*	Registered capital of US$11,663,163	Composite material aeronautic parts/ systems repair, manufacturing and sales
Incorporated in Singapore:					
Singapore Aero Engine Services Private Limited •	6.75	–	*	54,000,000 shares of US$1 each	Commercial aero engine overhaul services

Showing proportion of capital owned at 31st December 2011

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Aviation Division (continued)					
Associated companies:					
Incorporated in Hong Kong:					
Abacus Distribution Systems (Hong Kong) Limited •	24.02	–	*	15,600,000 shares of HK$1 each	Computerised reservation systems and related services
AHK Air Hong Kong Limited •	26.98	–	*	54,402,000 'A' shares of HK$1 each 36,268,000 'B' shares of HK$1 each	Cargo airline
Airline Property Limited •	44.97	–	*	2 shares of HK$10 each	Property investment
Airline Stores Property Limited •	44.97	–	*	2 shares of HK$10 each	Property investment
Airline Training Property Limited •	44.97	–	*	2 shares of HK$10 each	Property investment
Asia Miles Limited •	44.97	–	*	2 shares of HK$1 each	Travel reward programme
Cathay Holidays Limited •	44.97	–	*	40,000 shares of HK$100 each	Travel tour operator
Cathay Pacific Airways Limited •	44.97	44.97	–	3,933,844,572 shares of HK$0.20 each	Operation of scheduled airline services
Cathay Pacific Catering Services (H.K.) Limited •	44.97	–	*	600 shares of HK$1,000 each	Airline catering
Cathay Pacific Services Limited	44.97	–	*	1 share of HK$1	Operation of air cargo terminal
Global Logistics System (HK) Company Limited •	43.46	–	*	100 shares of HK$10 each	Computer network for interchange of air cargo related information
Ground Support Engineering Limited	22.49	–	*	2 shares of HK$1 each	Airport ground engineering support & equipment maintenance
Hong Kong Airport Services Limited •	44.97	–	*	100 shares of HK$1 each	Provision of ground and ramp handling services
Hong Kong Dragon Airlines Limited •	44.97	–	*	500,000,000 shares of HK$1 each	Operation of scheduled airline services
LSG Lufthansa Service Hong Kong Limited	14.36	–	*	501 shares of HK$1 each	Airline catering
Vehicle Engineering Services Limited	22.49	–	*	2 shares of HK$1 each	Provision of engineering services for vehicles outside Hong Kong International Airport
Vogue Laundry Service Limited •	44.97	–	*	3,700 shares of HK$500 each	Laundry and dry cleaning
Incorporated in Mainland China:					
Air China Limited •	8.78	–	*	4,562,683,364 'H' shares of RMB1 each 8,329,271,309 'A' shares of RMB1 each	Operation of scheduled airline services
(Wholly foreign owned enterprise)					
Guangzhou Guo Tai Information Processing Company Limited •	44.97	–	*	Registered capital of HK$8,000,000	Information processing

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Aviation Division (continued)					
Associated companies (continued):					
Incorporated in Canada:					
CLS Catering Services Limited •	13.49	–	*	330,081 shares of no par value	Airline catering
Incorporated in Bermuda:					
Troon Limited •	44.97	–	*	12,000 shares of US$1 each	Financial services
Incorporated in the Isle of Man:					
Cathay Pacific Aircraft Services Limited •	44.97	–	*	10,000 shares of US$1 each	Aircraft acquisition facilitator
Snowdon Limited •	44.97	–	*	2 shares of GBP1 each	Financial services
Incorporated in Japan:					
Cathay Kansai Terminal Services Company Limited •	14.36	–	*	16,053 shares of no par value	Ground handling
Incorporated in the Philippines:					
Cebu Pacific Catering Services Inc. •	17.99	–	*	12,500,000 shares of PHP1 each	Airline catering
Incorporated in Taiwan:					
China Pacific Catering Services Limited	22.04	–	*	86,100,000 shares of NTD10 each	Airline catering
Incorporated in Vietnam:					
VN/CX Catering Services Limited	17.99	–	*	4,062,000 shares of US$1 each	Airline catering
Beverages Division					
Subsidiary companies:					
Incorporated in Hong Kong:					
Mount Limited	87.50	–	100	1 share of HK$1	Holding company
Swire Beverages Holdings Limited	100	100	–	10,002 shares of HK$100 each	Holding company
Swire Beverages Limited	87.50	–	87.50	14,600 shares of US$500 each	Holding company and sale of non-alcoholic beverages
Swire Coca-Cola HK Limited	87.50	–	100	2,400,000 shares of HK$10 each	Manufacture of non-alcoholic beverages
Swire Foods Holdings Limited	100	100	–	1 share of HK$1	Holding company
Top Noble Limited	100	–	100	1 share of HK$1	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Swire Coca-Cola Beverages Xiamen Ltd.	93.63	–	100	Registered capital of US$52,737,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprise)					
Xiamen Luquan Industries Company Limited	100	–	100	Registered capital of RMB63,370,000	Manufacture and sale of non-alcoholic beverages
Incorporated in Bermuda:					
Swire Pacific Industries Limited *(operating principally in Taiwan)*	100	–	100	12,000 shares of US$1 each	Holding company

Showing proportion of capital owned at 31st December 2011

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Beverages Division (continued)					
Subsidiary companies: (continued)					
Incorporated in the British Virgin Islands:					
SPHI Holdings Limited	100	–	100	2 shares of US$1 each	Holding Company
Swire Coca-Cola Beverages Limited *(operating principally in Taiwan)*	100	–	100	1,800,000,000 shares of US$0.01 each	Manufacture of non-alcoholic beverages
Swire Coca-Cola (S&D) Limited *(operating principally in Taiwan)*	100	–	100	20,100 shares of US$1 each	Sale of non-alcoholic beverages
Incorporated in the United States:					
Swire Pacific Holdings Inc.	100	–	100	8,950.28 shares of US$1 each	Manufacture and sale of non-alcoholic beverages and property development
Jointly controlled companies:					
Incorporated in Hong Kong					
Campbell Swire Equipment Leasing Limited	40	–	40	37,300,000 shares of HK$1 each	Production lines leasing
Campbell Swire (HK) Limited	40	–	40	20 shares of HK$1 each	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Hangzhou BC Foods Co., Ltd.	44.63	–	*	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Nanjing BC Foods Co., Ltd.	44.63	–	*	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire BCD Co., Ltd.	74.38	–	85	Registered capital of US$60,000,000	Holding Company
Swire Coca-Cola Beverages Hefei Ltd.	59.50	–	*	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Luohe Limited	60.68	–	*	Registered capital of RMB115,180,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited ^	44.63	–	*	Registered capital of RMB53,300,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Ltd.	60.68	–	*	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	44.63	–	20.4 &*	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	44.63	–	51	Registered capital of RMB510,669,100	Manufacture and sale of non-alcoholic beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Beverages Division (continued)					
Jointly controlled companies: (continued)					
Incorporated in Mainland China: (continued)					
(Wholly foreign owned enterprises)					
Campbell Swire (Xiamen) Co., Limited	40	–	*	Registered capital of RMB81,510,360	Manufacture and sale of soup and broth products
Swire Linx Trading (Shenzhen) Co., Limited ^	40	–	*	Registered capital of RMB51,800,000	Sale and distribution of packaged foods and general household items
Xian BC Coca-Cola Beverages Limited ^	74.38	–	*	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Associated companies:					
Incorporated in Hong Kong					
Coca-Cola Bottlers Manufacturing Holdings Limited	35.88	–	41	27,000 shares of HK$1 each	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited	35.88	–	*	Registered capital of US$26,661,450	Manufacture and sale of non-carbonated beverages
(Wholly foreign owned enterprises)					
Coca-Cola Bottlers Manufacturing (Dongguan) Company Limited ^	35.88	–	*	Registered capital of US$134,618,820	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Foshan) Company Limited ^	35.88	–	*	Registered capital of US$31,496,700	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Hangzhou) Company Limited ^	35.88	–	*	Registered capital of US$14,272,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Suzhou) Company Limited	35.88	–	*	Registered capital of US$2,566,000	Manufacture and sale of non-carbonated beverages
Marine Services Division					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Pacific Ship Management Limited •	100	–	100	1,000 shares of HK$100 each	Ship personnel management
Incorporated in Australia:					
Swire Pacific Offshore Pty. Limited	100	–	100	40,000 shares of AUD1 each	Ship owning and operating
Swire Pacific Ship Management (Australia) Pty. Ltd.	100	–	100	20,000 shares of AUD1 each	Ship personnel management

Showing proportion of capital owned at 31st December 2011

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Marine Services Division (continued)					
Subsidiary companies: (continued)					
Incorporated in Bermuda:					
Swire Pacific Offshore Holdings Limited	100	–	100	500,000 shares of US$100 each	Holding company
Swire Pacific Offshore Limited	100	–	100	120 shares of US$100 each	Management services
Incorporated in the United Kingdom:					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of GBP1 each	Management services
Incorporated in Singapore:					
Lamor Swire Environmental Solutions Pte Ltd.	80.1	–	80.1	10,000 shares of SGD1 each	Oil spill response services
SCF Swire Offshore Pte Ltd.	50.01	–	50.01	10,001 shares of SGD1 each	Ship management services and other related activities
Swire Pacific Offshore Operations (Pte) Ltd.	100	–	100	500,000 shares of SGD1 each	Ship owning and operating
Swire Pacific Offshore Services (Pte) Ltd.	100	–	100	500,000 shares of SGD1 each	Administrative services to related companies
Swire Salvage Pte Ltd.	100	–	100	2 shares of SGD1 each	Salvage and maritime emergency response services
Incorporated in New Zealand:					
Swire Pacific Offshore NZ Limited	100	–	100	1 share of NZD100	Supply services to offshore oil and gas exploration and development activities
Incorporated in Cameroon:					
Swire Pacific Offshore Africa	100	–	100	1,000 shares of XAF10,000 each	Vessel operator
Jointly controlled companies:					
Incorporated in Hong Kong:					
Hongkong United Dockyards Limited	50	50	–	7,600,000 shares of HK$10 each	Ship repairing, marine towage and general engineering
HUD General Engineering Services Limited	50	–	*	4,120,000 shares of HK$10 each	General engineering services
Associated companies:					
Incorporated in the Philippines:					
Anscor Swire Ship Management Corporation •	25	–	25	20,000 shares of PHP100 each	Ship personnel management
Incorporated in the United Arab Emirates:					
Swire Pacific Offshore (Dubai) LLC	49	–	49	300 shares of AED1,000 each	Management services
Trading & Industrial Division – Industrial					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Industrial Limited	100	100	–	2 shares of HK$1 each	Holding company
Swire Pacific Cold Storage Limited	100	–	100	1 share of HK$1	Holding company
Taikoo Sugar Limited	100	–	100	300,000 shares of HK$10 each	Packing and trading of branded food products

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Trading & Industrial Division – Industrial (continued)					
Jointly controlled companies:					
Incorporated in Hong Kong:					
Akzo Nobel Swire Paints Limited •	40	–	40	10,000 shares of HK$1 each	Sale of paints and provision of related services
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Akzo Nobel Swire Paints (Guangzhou) Limited •	36	–	36	Registered capital of HK$180,000,000	Paint manufacturing
(Wholly foreign owned enterprises)					
Akzo Nobel Decorative Coatings (Langfang) Co., Limited •	30	–	30	Registered capital of US$7,200,000	Paint manufacturing
Akzo Nobel Swire Paints (Shanghai) Company Limited ^ •	30	–	30	Registered capital of US$25,640,000	Paint manufacturing
Swire Cold Chain Logistics (Shanghai) Co. Limited ^	100	–	100	Registered capital of RMB65,000,000	Operational and investment in cold storage
Taikoo (Guangzhou) Sugar Limited •	100	–	100	Registered capital of HK$61,350,000	Packing and trading of branded food products
Trading & Industrial Division – Trading					
Subsidiary companies:					
Incorporated in Hong Kong:					
Bel Air Motors Limited	100	–	100	1 share of HK$1	Automobile distribution in Taiwan
Beldare Motors Limited	100	–	100	10,000 shares of HK$100 each	Automobile distribution in Taiwan
Chevon Holdings Limited	85	–	85	80,000,000 shares of HK$1 each	Holding company
Chevon (Hong Kong) Limited	85	–	99.99	1,000,000 shares of HK$1 each	Marketing, distribution and retailing of branded casual apparel and accessories
International Automobiles Limited	100	–	100	10,000 shares of US$1 each	Automobile distribution in Hong Kong
Liberty Motors Limited	100	–	100	2 shares of HK$10 each	Automobile distribution in Taiwan
Swire Resources Limited	100	–	100	4,010,000 shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Taikoo Commercial Vehicles Limited	100	–	100	2,000 shares of HK$1 each	Automobile distribution in Taiwan
Yuntung Motors Limited	100	–	100	2 shares of HK$1 each	Automobile distribution in Taiwan

Showing proportion of capital owned at 31st December 2011

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Trading & Industrial Division – Trading (continued)					
Subsidiary companies: (continued)					
Incorporated in Mainland China:					
(Wholly foreign owned enterprises)					
Chevon (Shanghai) Trading Company Limited ^	85	–	100	Registered capital of US$4,000,000	Marketing, distribution and retailing of branded casual apparel and accessories
Swire Resources (Shanghai) Trading Company Limited ^	100	–	100	Registered capital of US$6,040,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in the British Virgin Islands					
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile retail in Taiwan
Jointly controlled company:					
Incorporated in Hong Kong:					
Intermarket Agencies (Far East) Limited	70	–	70	10 shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Others					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Finance Limited	100	100	–	1,000 shares of HK$10 each	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific Capital Limited	100	100	–	10 shares of US$1 each	Financial services
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services
Incorporated in the Isle of Man:					
Spaciom Limited	100	100	–	650,000 shares of HK$1 each and 3,800,000 redeemable preference shares of HK$0.01 each	Insurance underwriting
Jointly controlled company:					
Incorporated in Taiwan:					
China Pacific Laundry Services Limited •	45	–	45	25,000,000 shares of NTD10	Laundry services

Sustainable Development Statistics

Introduction

Reader's Guide
This report covers the calendar year 2011. Our Sustainable Development Review 2010 (dated July 2011) covered the calendar year 2010.

This year we have extended our coverage to the operations of Swire Properties and Swire Resources in Mainland China. The operating companies not covered by this report include:

Property Division	USA and UK
Aviation Division	Catering and laundry service companies outside Hong Kong
Beverages Division	Campbell Swire, Coca-Cola Bottlers Manufacturing Holdings Limited and Xiamen Luquan Industries Company Limited
Trading & Industrial Division	Akzo Nobel Swire Paints Limited and Taikoo Motors Hong Kong and Mainland China

This report follows the Global Reporting Initiative's (GRI) *Sustainability Reporting Guidelines*. Using this framework makes it easy for readers to compare this report with those prepared by others using the same framework. We report on the ten GRI performance indicators which are most relevant to the Swire Pacific Group. Our major operating companies report on additional indicators in their own reports, which can be found at www.swirepacific.com/sd.

The information in this report has been prepared having regard to the GRI G3.1 guidelines. The Report Application Level is C+, as verified by the Hong Kong Productivity Council. The table below shows the GRI G3.1 references in abbreviated form. For full disclosure of the text from the Guidelines, please refer to the complete G3.1 Guidelines which can be found at www.globalreporting.org.

GRI Content Index

Sustainable Development Assurance Statement

Hong Kong Productivity Council
香港生產力促進局

Hong Kong Productivity Council (HKPC) was commissioned by the Swire Pacific Group (Swire Pacific) to verify the Sustainable Development Section and relevant sections covering sustainability aspects (The SD Section) in its Annual Report 2011. The SD Section covers the sustainability performance with respect to environmental, social and economic aspects of Swire Pacific during the calendar year of 2011.

Objectives

The objective of HKPC's verification work is to provide independent assurance on the completeness, accuracy and reliability of information presented in the SD Section of Swire Pacific's Annual Report 2011 and, more specifically, to:

- assess whether the scope of the SD Section covers all significant aspects in relation to Swire Pacific's sustainability performance;
- check whether the SD Section conforms to the Level C+ requirements of the Global Reporting Initiative (GRI) G3.1 Guidelines;
- evaluate whether the selected statements and data presented in the SD Section are accurate;
- review whether the data collection and information management mechanisms used to prepare the SD Section are reliable; and
- provide recommendations for future reports.

Approach

Our verification procedures[1] comprised a comprehensive review of the SD Section followed by the selection of a representative sample of statements and data in relation to Swire Pacific's significant sustainability aspects for verification. Through interviews with Swire Pacific's representatives on 24 February 2012, we reviewed and examined the data collation systems and supporting materials relating to the selected statements and data as well as Swire Pacific's relevant management practices and initiatives.

Results

Report Completeness

The SD Section conforms to Level C+ requirements of GRI G3.1 Guidelines. It presents a structured overview of the environmental, social and economic performance with respect to the key services, activities and initiatives of Swire Pacific and its major subsidiaries. In response to the recommendations mentioned in the Assurance Statement of the last year's report, Swire Pacific has clearly depicted its approach to share experience between subsidiaries in managing relevant sustainability aspects and prepared the SD Section with reference to the latest version of the GRI reporting guidelines in this Annual Report 2011.

Report Accuracy and Reliability

The selected sample of statements and data examined during the verification process are consistent with the source materials reviewed and reflect a fair account of Swire Pacific's environmental, social and economic performance. The data collation and information management systems adopted are generally considered to be reliable.

Recommendations for Future Reports

For the first time Swire Pacific produces an integrated report by incorporating its sustainability performance into the annual report, instead of having respective sustainability report and annual report in the past. We encourage Swire Pacific to consider the following areas in the preparation of its future reports:

- To include a summary of the employee views collected from the stakeholder engagement process and Swire Pacific's response into the report;
- To provide an elaboration of the performance trend of those sustainability aspects that have shown significant changes over the past years;
- To present more information on the progress and achievements against the sustainability aims and objectives established last year; and
- To consider extending the coverage of appropriate performance indicators progressively to achieve a higher application level of GRI reporting guidelines.

Clement Li
Principal Consultant
Hong Kong Productivity Council
15th March 2012

[1] Our verification work did not cover data and information which have already been published in the press releases of the Swire Pacific Group and its subsidiaries, the EHS/Sustainable Development Report produced by relevant subsidiaries of the Group as well as the financial data presented in the Group's Annual Report.

Direct Economic Value Generated, Distributed and Retained (EC1)

	2011 HK$M	2010 HK$M	Change %
Direct economic value generated			
Turnover	**36,286**	29,201	+24.3%
Valuation gains on investment properties	**22,771**	21,344	+6.7%
Finance income	**77**	58	+32.8%
Gain on remeasurement of previously held interest in HAECO on acquiring control	**–**	2,547	-100.0%
Profit on sale of interests in associated and jointly controlled companies	**149**	2,008	-92.6%
Share of profits less losses of jointly controlled companies	**1,801**	2,263	-20.4%
Share of profits less losses of associated companies	**2,570**	5,552	-53.7%
	63,654	62,973	+1.1%
Economic value distributed			
Purchases of goods and services	**19,575**	14,838	+31.9%
Employee compensation	**6,506**	4,929	+32.0%
Payments to providers of capital	**11,812**	7,220	+63.6%
Payments to government	**1,630**	1,638	-0.5%
Community investments including charitable donations*	**34**	34	–
	39,557	28,659	+38.0%
Economic value retained			
Depreciation/Amortisation	**1,667**	1,328	+25.5%
Profit after dividends	**22,430**	32,986	-32.0%
	24,097	34,314	-29.8%

* Excludes donations from jointly controlled and associated companies.

Total Energy Consumption (EN3+EN4)

Company	Energy consumption in GJ Note 1 — Direct energy consumption (EN3) 2011	Direct energy consumption (EN3) 2010	Indirect energy consumption (EN4) 2011	Indirect energy consumption (EN4) 2010	Total 2011	Total 2010	Change %
Property							
Swire Properties – Hong Kong	**3,256**	3,179	**754,138**	826,536	**757,394**	829,715	-9%
Swire Properties – Mainland China	**525**	–	**50,067**	–	**50,592**	–	–
Swire Properties – Hotels	**25,830**	–	**74,660**	–	**100,490**	–	–
Aviation							
Cathay Pacific Airways	**203,327,918**	195,257,629	**128,788**	125,943	**203,456,706**	195,383,572	+4%
Hong Kong Dragon Airlines	**18,597,522**	17,203,393	**26,211**	32,080	**18,623,733**	17,235,473	+8%
AHK Air Hong Kong	**4,583,495**	4,501,419	**–**	–	**4,583,495**	4,501,419	+2%
Cathay Pacific Catering Services	**174,932**	152,478	**152,104**	149,994	**327,036**	302,472	+8%
Vogue Laundry	**195,436**	186,166	**21,541**	21,050	**216,977**	207,215	+5%
Hong Kong Airport Services	**103,248**	104,711	**9,749**	10,147	**112,997**	114,857	-2%
HAECO	**98,640**	114,315	**136,060**	128,210	**234,700**	242,525	-3%
TAECO	**14,103**	9,984	**90,423**	70,204	**104,527**	80,187	+30%
HAESL	**136,001**	127,933	**88,643**	76,535	**224,644**	204,468	+10%
Beverages							
Swire Beverages	**770,951**	791,557	**759,545**	625,352	**1,530,496**	1,416,909	+8%
Marine Services							
Swire Pacific Offshore Note 2	**557,327**	586,976	**4,188**	3,811	**561,515**	590,787	-5%
HUD group	**385,280**	379,625	**32,055**	30,534	**417,334**	410,159	+2%
Trading & Industrial							
Swire Resources – Hong Kong	**1,609**	1,536	**28,206**	28,655	**29,815**	30,191	-1%
Swire Resources – Mainland China	**–**	–	**6,694**	–	**6,694**	–	–
Taikoo Motors group	**12,150**	9,202	**23,542**	21,754	**35,692**	30,956	+15%
Taikoo Sugar – Hong Kong	**–**	–	**141**	148	**141**	148	-5%
Taikoo Sugar – Mainland China	**–**	–	**1,044**	508	**1,044**	508	+106%
Total Note 3	**228,988,224**	219,430,102	**2,387,800**	2,151,460	**231,376,024**	221,581,562	+4%

Direct energy consumption (EN3) (in 100%) breakdown by fuel type in GJ

	2011	2010	Change %
Stationary combustion sources			
Coal	**–**	17,112	-100%
Gas	**394,045**	193,172	+104%
Other oil derivatives	**434,264**	589,824	-26%
Mobile combustion sources			
Jet kerosene	**226,601,783**	217,043,707	+4%
Marine gasoil	**916,815**	945,576	-3%
Other oil derivatives	**641,318**	640,712	+0%
Total Note 3	**228,988,224**	219,430,102	+4%

Notes:

1. We adopted the Lower Heating Value (LHV) coefficients to convert fuel quantities to energy consumed.
2. This figure excludes on-hire vessel fuel consumption.
3. Totals may not be the exact sum of numbers shown here due to rounding.

Total Direct and Indirect Greenhouse Gas Emissions by Weight (EN16)

	Emission in tonnes CO_2e						
	Direct (Scope 1)		Indirect (Scope 2)		Total		
Company	**2011**	2010	**2011**	2010	**2011**	2010	Change %
Property							
Swire Properties – Hong Kong	**2,675**	5,126	**158,411**	171,669	**161,086**	176,795	-9%
Swire Properties – Mainland China	**37**	–	**10,957**	–	**10,994**	–	–
Swire Properties – Hotels	**1,460**	–	**16,515**	–	**17,976**	–	–
Aviation							
Cathay Pacific Airways Note 1	**14,541,835**	13,946,951	**19,355**	18,923	**14,561,190**	13,965,874	+4%
Hong Kong Dragon Airlines Note 1	**1,330,059**	1,228,796	**3,947**	4,824	**1,334,006**	1,233,620	+8%
AHK Air Hong Kong Note 1	**327,808**	321,530	**–**	–	**327,808**	321,530	+2%
Cathay Pacific Catering Services	**15,976**	15,964	**23,820**	22,563	**39,797**	38,527	+3%
Vogue Laundry	**12,488**	13,320	**4,322**	3,167	**16,810**	16,486	+2%
Hong Kong Airport Services	**8,079**	8,187	**1,462**	1,522	**9,541**	9,709	-2%
HAECO	**7,064**	10,016	**20,464**	19,231	**27,528**	29,248	-6%
TAECO	**1,310**	726	**19,788**	16,435	**21,098**	17,161	+23%
HAESL	**9,064**	8,397	**13,743**	11,982	**22,807**	20,379	+12%
Beverages							
Swire Beverages	**56,875**	61,653	**159,194**	132,012	**216,070**	193,665	+12%
Marine Services							
Swire Pacific Offshore Note 2	**49,665**	56,458	**724**	658	**50,390**	57,117	-12%
HUD group	**31,415**	30,961	**4,932**	4,702	**36,347**	35,663	+2%
Trading & Industrial							
Swire Resources – Hong Kong	**121**	116	**4,944**	4,973	**5,066**	5,089	-0%
Swire Resources – Mainland China	**–**	–	**1,465**	–	**1,465**	–	–
Taikoo Motors group	**895**	675	**4,426**	4,134	**5,321**	4,810	+11%
Taikoo Sugar – Hong Kong	**–**	–	**31**	33	**31**	33	-5%
Taikoo Sugar – Mainland China	**–**	–	**229**	119	**229**	119	+92%
Total Note 3	**16,396,828**	15,708,876	**468,731**	416,949	**16,865,559**	16,125,825	+5%

Notes:

1. Only CO_2 emissions for aviation turbine fuel are reported as there is no scientific consensus on the global warming effect of the other emissions. Our airlines continue to monitor developments in these areas of atmospheric science, including studies from the UK's OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre (DLR).
2. The figure excludes on-hire vessel fuel consumption as these belong to Scope 3 as defined by the Greenhouse Gas Protocol.
3. Totals may not be the exact sum of numbers shown here due to rounding.

Ozone Depleting Substances Emitted (EN19)

Company	Total (kg CFC-11 equivalent) 2011	2010
Property		
Swire Properties – Hong Kong	**96**	59
Swire Properties – Mainland China	**4**	–
Swire Properties – Hotels	**–**	–
Aviation		
Cathay Pacific Airways[Note 1]	**15,485**	5,938
Hong Kong Dragon Airlines	**–**	–
AHK Air Hong Kong	**–**	–
Cathay Pacific Catering Services	**–**	–
Vogue Laundry	**–**	–
Hong Kong Airport Services	**–**	–
HAECO	**28**	3
TAECO	**37**	7
HAESL	**–**	1
Beverages		
Swire Beverages	**33**	50
Marine Services		
Swire Pacific Offshore	**207**	237
HUD group	**7**	6
Trading & Industrial		
Swire Resources – Hong Kong	**–**	–
Swire Resources – Mainland China	**–**	–
Taikoo Motors group	**–**	–
Taikoo Sugar – Hong Kong	**–**	–
Taikoo Sugar – Mainland China	**–**	–
Total [Note 2]	**15,897**	6,300

Notes:

1. The company has revised its 2010 data. Figures include total volume of replenishment instead of total volume used in refilling process as part of halon 1311 is recycled for recharging.
2. Totals may not be the exact sum of numbers shown here due to rounding.

Total Water Withdrawal by Source (EN8)
Percentage and Total Volume of Non-sea Water Reused (EN10)
Total Water Discharge by Quality and Destination (EN21)

	Water Used (cbm) Note 1			Water recycled (as % of total)				Water discharged Note 2 (as % of input)			
	Total		Change	Treated		Untreated		To Sea		To Sewer	
Company	**2011**	2010	%	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Property											
Swire Properties – Hong Kong	**424,588**	468,821	-9%	**5%**	5%	**–**	–	**–**	–	**50%**	50%
Swire Properties – Mainland China	**97,970**	–	–	**–**	–	**–**	–	**–**	–	**50%**	–
Swire Properties – Hotels	**125,534**	–	–	**–**	–	**–**	–	**–**	–	**50%**	–
Aviation											
Cathay Pacific Airways	**12,829**	16,758	-23%	**–**	–	**–**	–	**–**	–	**100%**	100%
Hong Kong Dragon Airlines	**14,077**	16,658	-15%	**–**	–	**–**	–	**–**	–	**100%**	100%
AHK Air Hong Kong	**–**	–	–	**–**	–	**–**	–	**–**	–	**–**	–
Cathay Pacific Catering Services	**408,827**	372,708	+10%	**–**	–	**–**	–	**–**	–	**100%**	100%
Vogue Laundry	**304,910**	309,450	-1%	**–**	–	**–**	–	**–**	–	**100%**	100%
Hong Kong Airport Services	**12,153**	9,334	+30%	**–**	–	**–**	–	**–**	–	**100%**	100%
HAECO	**221,519**	223,394	-1%	**–**	–	**–**	–	**–**	–	**97%**	94%
TAECO	**191,179**	151,353	+26%	**48%**	56%	**2%**	1%	**–**	–	**100%**	–
HAESL	**62,687**	73,812	-15%	**–**	–	**–**	–	**–**	–	**100%**	–
Beverages											
Swire Beverages	**5,980,429**	5,793,486	+3%	**3%**	2%	**12%**	8%	**–**	–	**35%**	36%
Marine Services											
Swire Pacific Offshore	**–**	–	–	**–**	–	**–**	–	**–**	–	**–**	–
HUD group	**66,555**	57,727	+15%	**–**	–	**–**	–	**72%**	–	**–**	–
Trading & Industrial											
Swire Resources – Hong Kong	**3,042**	3,282	-7%	**–**	–	**–**	–	**–**	–	**100%**	100%
Swire Resources – Mainland China	**762**	–	–	**–**	–	**–**	–	**–**	–	**100%**	–
Taikoo Motors group	**62,346**	56,797	+10%	**–**	–	**–**	–	**–**	–	**100%**	100%
Taikoo Sugar – Hong Kong	**–**	–	–	**–**	–	**–**	–	**–**	–	**–**	–
Taikoo Sugar – Mainland China	**2,038**	959	+113%	**–**	–	**–**	–	**–**	–	**100%**	100%
Total	**7,991,445**	7,554,539	+6%	**–**	–	**–**	–	**–**	–	**–**	–

Notes:

1. Virtually all water consumption by the Group is withdrawn from municipal water supplies provided by local water supply authorities. Swire Properties' buildings have installed rainwater catching facilities but the amount of rainwater caught is insignificant in relation to the Group's total water consumption.
2. We received no non-compliance reports in relation to water discharge in 2011. This indicated that all of our wastewater met relevant legal requirements prior to discharge.

Swire Pacific Group Workforce Data as of 31 December 2011 (LA1)

Company	Total Workforce					Employees who are on Permanent Terms (%)	Permanent employees who work Full-time (%)	Total Workforce by Region (%)				
	Employees 2011	Supervised Workers 2011	Total 2011	Total 2010	Change %			Hong Kong and Macau	Mainland China	Taiwan	USA	Others
Swire Pacific (Head Office)	34	–	34	33	+3%	100%	100%	100%	–	–	–	–
Property												
Swire Properties – Hong Kong	2,265	–	2,265	2,556	-11%	94%	97%	98%	2%	–	–	–
Swire Properties – Mainland China	789	141	930	649	+43%	–	–	–	100%	–	–	–
Swire Properties – Hotels	1,098	68	1,166	1,101	+6%	99%	95%	49%	30%	–	–	21%
Aviation												
Cathay Pacific Airways	19,741	–	19,741	18,520	+7%	86%	97%	73%	1%	2%	3%	20%
Hong Kong Dragon Airlines	2,721	–	2,721	2,453	+11%	100%	100%	74%	22%	5%	–	–
AHK Air Hong Kong	123	–	123	96	+28%	100%	100%	49%	–	–	–	51%
Cathay Pacific Catering Services	1,694	–	1,694	1,689	+0%	94%	95%	100%	–	–	–	–
Vogue Laundry	579	–	579	576	+1%	76%	94%	100%	–	–	–	–
Hong Kong Airport Services	3,389	–	3,389	3,270	+4%	73%	98%	100%	–	–	–	–
HAECO	5,172	256	5,428	5,297	+2%	94%	97%	99%	1%	–	–	–
TAECO	5,237	3	5,240	4,812	+9%	100%	100%	–	100%	–	–	
HAESL	1,025	33	1,058	928	+14%	98%	100%	100%	–	–	–	–
Beverages												
Hong Kong	1,644	30	1,674	1,672	+0%	99%	85%	98%	2%	–	–	–
Taiwan	851	56	907	979	-7%	96%	100%	–	–	100%	–	–
USA	1,754	–	1,754	1,753	+0%	100%	97%	–	–	–	100%	–
Mainland China	14,222	3,588	17,810	17,893	-0%	100%	100%	–	100%	–	–	–
Marine Services												
Swire Pacific Offshore	2,351	–	2,351	2,003	+17%	62%	100%	–	–	–	–	100%
HUD group	723	–	723	720	+0%	81%	99%	100%	–	–	–	–
Trading & Industrial												
Swire Resources – Hong Kong	2,336	–	2,336	1,716	+36%	90%	71%	100%	–	–	–	–
Swire Resources – Mainland China	920	–	920	697	+32%	2%	100%	–	100%	–	–	–
Taikoo Motors group	880	–	880	722	+22%	92%	100%	–	–	100%	–	–
Taikoo Sugar	144	–	144	130	+11%	29%	100%	17%	83%	–	–	–
Total	69,692	4,175	73,867	70,265	+5%	89%	97%	49%	36%	3%	3%	3%

Swire Pacific Group Employee Turnover Data as of 31 December 2011 (LA2)

	By age group				By gender		By region					
Company	Under 30 years old	30 and under 40 years old	40 and under 50 years old	50 and over years old	Male	Female	Hong Kong & Macau	Mainland China	Taiwan	USA	Others	Overall
Swire Pacific (Head Office)	–	–	–	–	–	–	–	–	–	–	–	–
Property												
Swire Properties – Hong Kong	40%	34%	20%	19%	9%	67%	27%	15%	–	–	–	26%
Swire Properties – Mainland China	41%	22%	27%	6%	29%	34%	–	30%	–	–	–	30%
Swire Properties – Hotels	37%	20%	24%	29%	29%	34%	31%	32%	–	–	–	31%
Aviation												
Cathay Pacific Airways	9%	5%	3%	8%	5%	6%	6%	11%	5%	5%	6%	6%
Hong Kong Dragon Airlines	10%	6%	10%	5%	6%	9%	8%	9%	2%	–	–	8%
AHK Air Hong Kong	20%	5%	5%	7%	6%	8%	7%	–	–	–	6%	7%
Cathay Pacific Catering Services	35%	18%	15%	16%	20%	20%	20%	–	–	–	–	20%
Vogue Laundry	91%	55%	39%	23%	41%	36%	38%	–	–	–	–	38%
Hong Kong Airport Services	61%	33%	15%	14%	28%	56%	36%	–	–	–	–	36%
HAECO	27%	11%	6%	12%	14%	20%	15%	34%	–	–	–	15%
TAECO	10%	6%	1%	3%	8%	5%	–	8%	–	–	–	8%
HAESL	14%	6%	4%	5%	6%	16%	7%	–	–	–	–	7%
Beverages												
Hong Kong	49%	28%	26%	27%	24%	43%	32%	10%	–	–	–	31%
Taiwan	57%	16%	21%	39%	24%	28%	–	–	25%	–	–	25%
USA	37%	18%	15%	13%	22%	19%	–	–	–	22%	–	22%
Mainland China	35%	20%	7%	6%	28%	22%	–	27%	–	–	–	27%
Marine Services												
Swire Pacific Offshore`	6%	4%	3%	4%	4%	8%	–	–	–	–	4%	4%
HUD group	31%	26%	14%	21%	23%	15%	23%	–	–	–	–	23%
Trading & Industrial												
Swire Resources – Hong Kong	112%	34%	31%	38%	96%	83%	89%	33%	–	–	–	89%
Swire Resources – Mainland China	57%	50%	19%	33%	55%	53%	–	54%	–	–	–	54%
Taikoo Motors group	13%	15%	6%	2%	9%	15%	–	–	11%	–	–	11%
Taikoo Sugar	43%	25%	–	–	37%	20%	20%	29%	–	–	–	27%

Rates of Injury, Lost Days and Work-related Fatalities (LA7)

	Injuries (including fatalities) Note 1													
Company	Thousand hours worked (employees) 2011	2010	Total fatalities (employees) 2011	2010	Total lost time injuries (employees) 2011	2010	Lost time injury rate 2011	2010	Change %	Lost days due to injuries 2011	2010	Lost day rate 2011	2010	Change %
Property														
Swire Properties – Hong Kong	**5,365**	5,760	**–**	–	**65**	62	**2.42**	2.15	+13%	**1,557**	2,267	**58.04**	78.70	-26%
Swire Properties – Mainland China	**300**	–	**–**	–	**1**	–	**0.67**	–	–	**20**	–	**13.33**	–	–
Swire Properties – Hotels	**1,596**	–	**–**	–	**58**	–	**7.27**	–	–	**535**	–	**67.02**	–	–
Aviation														
Cathay Pacific Airways Note 2, 3	**29,971**	18,965	**–**	–	**1,068**	943	**7.13**	9.94	-28%	**27,746**	32,989	**185.15**	347.89	-47%
Hong Kong Dragon Airlines	**1,944**	1,777	**–**	–	**49**	88	**5.04**	9.90	-49%	**878**	2,302	**90.32**	259.06	-65%
AHK Air Hong Kong	**120**	102	**–**	–	**–**	–	**–**	–	–	**–**	–	**–**	–	–
Cathay Pacific Catering Services	**3,801**	3,710	**–**	–	**80**	61	**4.21**	3.29	+28%	**1,847**	1,560	**97.18**	84.10	+16%
Vogue Laundry	**1,452**	1,413	**–**	–	**30**	34	**4.13**	4.81	-14%	**809**	1,139	**111.41**	161.25	-31%
Hong Kong Airport Services	**9,117**	8,641	**–**	–	**210**	294	**4.61**	6.80	-32%	**17,594**	21,124	**385.94**	488.90	-21%
HAECO Note 2	**13,254**	12,372	**–**	–	**214**	207	**3.23**	3.35	-3%	**4,182**	4,564	**63.10**	73.78	-14%
TAECO	**10,382**	9,509	**–**	–	**61**	62	**1.18**	1.30	-10%	**1,300**	1,224	**25.04**	25.73	-3%
HAESL	**2,408**	2,066	**–**	–	**9**	8	**0.75**	0.77	-3%	**118**	43	**9.80**	4.13	+137%
Beverages														
Swire Beverages	**44,395**	43,806	**1**	1	**228**	269	**1.03**	1.23	-16%	**6,590**	6,764	**29.69**	30.88	-4%
Marine Services														
Swire Pacific Offshore	**9,502**	8,827	**–**	–	**7**	6	**0.15**	0.14	+8%	**187**	220	**3.94**	4.98	-21%
HUD group	**2,076**	2,088	**1**	–	**35**	26	**3.37**	2.49	+35%	**748**	544	**72.07**	52.11	+38%
Trading & Industrial														
Swire Resources – Hong Kong	**3,278**	2,909	**–**	–	**44**	28	**2.68**	1.92	+39%	**341**	260	**20.81**	17.87	+16%
Swire Resources – Mainland China	**1,606**	–	**–**	–	**2**	–	**0.25**	–	–	**142**	–	**17.69**	–	–
Taikoo Motors group	**1,525**	1,356	**–**	–	**4**	5	**0.52**	0.74	-29%	**138**	135	**18.10**	19.91	-9%
Taikoo Sugar – Hong Kong	**43**	43	**–**	–	**–**	–	**–**	–	–	**–**	–	**–**	–	–
Taikoo Sugar – Mainland China	**93**	56	**–**	–	**6**	–	**12.91**	–	–	**44**	–	**93.61**	–	–
Total Note 4	**142,231**	123,401	**2**	1	**2,171**	2,093	**3.05**	3.39	-10%	**64,775**	75,134	**91.08**	121.77	-25%

Notes:

1. Please refer to the glossary for definitions.
2. This company has revised its 2010 injury data due to updated lost day of injuries.
3. Outport staff data has been included in 2011.
4. Totals may not be the exact sum of numbers shown here due to rounding.

Swire Pacific Group Average Hours of Training Per Employee for 2011 (LA10)

	Top/Senior management	Middle/Junior management & supervisory	Customer facing staff	Non-customer facing operational/ technical staff	Others	Total
Company	Average hours of training in 2011	Average hours of training in 2011	Average hours of training in 2011	Average hours of training in 2011	Average hours of training in 2011	Average hours of training in 2011
Swire Pacific (Head Office)	7.00	6.50	–	–	3.94	6.00
Property						
Swire Properties – Hong Kong	16.54	10.66	4.70	–	7.49	6.66
Swire Properties – Mainland China	4.14	32.55	9.70	20.11	–	19.41
Swire Properties – Hotels	–	19.41	15.51	11.75	12.64	15.66
Aviation						
Cathay Pacific Airways	1.30	6.24	45.68	24.79	–	34.15
Hong Kong Dragon Airlines	–	–	72.00	–	–	40.59
AHK Air Hong Kong	2.67	9.88	–	223.98	14.00	154.85
Cathay Pacific Catering Services	8.00	16.64	11.00	6.17	4.81	7.30
Vogue Laundry	11.00	15.07	0.75	1.16	1.94	2.30
Hong Kong Airport Services	35.25	249.46	83.98	16.24	–	45.50
HAECO	2.26	65.80	17.83	52.94	32.32	54.40
TAECO	42.13	269.99	44.48	21.36	20.24	71.81
HAESL	7.22	113.94	9.45	31.25	–	38.18
Beverages						
Hong Kong	2.74	19.21	8.76	8.24	6.89	10.24
Taiwan	41.11	39.41	2.47	23.26	16.15	21.55
USA	12.60	13.85	12.88	6.54	7.58	11.29
Mainland China	46.04	61.69	36.92	34.82	32.09	40.77
Marine Services						
Swire Pacific Offshore	11.02	5.48	–	4.79	64.57	57.11
HUD group	4.04	9.44	–	8.35	–	8.46
Trading & Industrial						
Swire Resources – Hong Kong	11.20	11.58	13.69	0.05	1.34	10.56
Swire Resources – Mainland China	–	7.26	28.08	–	2.77	19.34
Taikoo Motors group	5.45	35.36	35.81	39.95	15.40	32.07
Taikoo Sugar	8.00	2.67	–	–	0.58	0.82

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated income statement and consolidated statement of comprehensive income for the year ended 31st December 2011 and consolidated statement of financial position as at 31st December 2011, modified to conform to the Group's accounts presentation.

Audit Qualification:

The report of the auditors of Cathay Pacific Airways Limited on the consolidated financial statements for the year ended 31st December 2011 contains a qualification. The qualification relates to the inclusion in those financial statements of the Cathay Pacific group's share of the unaudited results for the year ended 30th September 2011 of Air China Limited ("Air China").

Under HKSA 600, "Audits of Group Financial Statements (Including the Work of Component Auditors)", an audit is required to be performed on the financial statements of each component of the Cathay Pacific group which is of individual financial significance. The Cathay Pacific group recorded a profit of HK$2,013 million from Air China in 2011, a decrease of 18.9% compared with 2010. As the 2011 figure represents a 31.1% contribution to the consolidated profits before tax of the Cathay Pacific group for 2011, Air China was considered by the auditors of Cathay Pacific Airways Limited to be a significant component of the Cathay Pacific group in 2011 due to its individual financial significance to the Cathay Pacific group.

The Cathay Pacific group's share of the financial results of Air China is equity accounted for in the consolidated financial statements of Cathay Pacific three months in arrear, which is permissible under applicable Hong Kong Financial Reporting Standards. The reason for this is that Air China's audited financial statements for its financial years ending 31st December are not available until after the date on which the Cathay Pacific group publishes its own results for its financial year ending 31st December (in March of the following year). This being so, the Cathay Pacific group's consolidated financial statements for the year ended 31st December 2011 have, consistently with the practice in previous years, included the Cathay Pacific group's share of Air China's results for the year ended 30th September 2011 based on Air China's management accounts in respect of the period from 1st October 2010 to 30th September 2011. The information contained within Air China's management accounts is prepared in accordance with Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. The financial information has been adjusted by Cathay Pacific management for any differences to conform to the accounting policies of Cathay Pacific Airways Limited and any significant events or transactions of Air China for the period from 1st October 2011 to 31st December 2011. This procedure is consistent with that adopted in previous years.

Air China published its unaudited quarterly results for the three months ended 30th September 2011 on 27th October 2011. It was not practicable for an audit to be performed on the management accounts of Air China for the year ended 30th September 2011 prior to this announcement. The results of Air China for the year ended 31st December 2011 had not been published as at the date that the Cathay Pacific group published its own results (14th March 2012). Having regard to the aforementioned circumstances, the auditors of Cathay Pacific Airways Limited issued a qualified opinion on the consolidated financial statements of Cathay Pacific Airways Limited for the year ended 31st December 2011.

Impact on Swire Pacific Limited:

Air China is not considered a significant component of the Swire Pacific Group as it only contributed 3% and 2% to the consolidated profit of the Swire Pacific Group for, and the net assets of the Swire Pacific Group at the end of, 2011 respectively. The requirements of HKSA 600 have been fulfilled in relation to the consolidated financial statements of Swire Pacific Limited for the year ended 31st December 2011 and the auditors of Swire Pacific Limited have issued an unqualified opinion on those statements.

Cathay Pacific Airways Limited

Consolidated Income Statement

For the year ended 31st December 2011

	2011 HK$M	2010 HK$M
Turnover	**98,406**	89,524
Operating expenses	**(92,906)**	(78,471)
Profit on disposal of HAECO and Hactl	**–**	2,165
Gain on deemed disposal of shares in Air China	**–**	868
Operating profit	**5,500**	14,086
Finance charges	**(1,726)**	(1,655)
Finance income	**982**	677
Net finance charges	**(744)**	(978)
Share of profits less losses of associated companies	**1,717**	2,587
Profit before taxation	**6,473**	15,695
Taxation	**(803)**	(1,462)
Profit for the year	**5,670**	14,233
Profit attributable to:		
– Cathay Pacific shareholders	**5,501**	14,048
– Non-controlling interests	**169**	185
	5,670	14,233
Dividends		
Interim – paid	**708**	1,298
Second interim – declared/Final – paid	**1,338**	3,069
	2,046	4,367
	HK¢	HK¢
Earnings per share for profit attributable to Cathay Pacific shareholders (basic and diluted)	**139.8**	357.1

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

	2011 HK$M	2010 HK$M
Profit for the year	**5,670**	14,233
Other comprehensive income		
Cash flow hedges		
– recognised during the year	**485**	(1,414)
– transferred to profit and loss	**(1,081)**	874
– deferred tax	**50**	52
Net fair value (losses)/gains on available-for-sale financial assets		
– recognised during the year	**(217)**	263
– transferred to profit and loss	**–**	(278)
Share of other comprehensive income of associated companies		
– recognised during the year	**(158)**	(156)
– transferred to profit and loss	**–**	25
Net translation differences on foreign operations		
– recognised during the year	**732**	383
– transferred to profit and loss	**–**	(70)
Other comprehensive loss for the year, net of tax	**(189)**	(321)
Total comprehensive income for the year	**5,481**	13,912
Total comprehensive income attributable to:		
Cathay Pacific shareholders	**5,312**	13,727
Non-controlling interests	**169**	185
	5,481	13,912

Note:
Other than cash flow hedges as highlighted above, items shown within other comprehensive income have no tax effect.

Consolidated Statement of Financial Position

At 31st December 2011

	2011 HK$M	2010 HK$M
Assets and Liabilities		
Non-current assets		
Fixed assets	73,498	66,112
Intangible assets	8,601	8,004
Investments in associates	17,894	12,926
Other long-term receivables and investments	5,783	4,359
	105,776	91,401
Current assets		
Stock	1,155	1,021
Trade, other receivables and other assets	10,605	11,433
Liquid funds	19,597	24,198
	31,357	36,652
Current liabilities		
Current portion of long-term liabilities	10,603	9,249
Related pledged security deposits	(2,041)	(545)
Net current portion of long-term liabilities	8,562	8,704
Trade and other payables	17,464	15,773
Unearned transportation revenue	9,613	9,166
Taxation	1,368	1,541
	37,007	35,184
Net current (liabilities)/assets	(5,650)	1,468
Total assets less current liabilities	100,126	92,869
Non-current liabilities		
Long-term liabilities	38,410	36,235
Related pledged security deposits	(3,637)	(5,310)
Net long-term liabilities	34,773	30,925
Other long-term payables	2,612	1,700
Deferred taxation	6,797	5,815
	44,182	38,440
Net Assets	55,944	54,429
Capital and Reserves		
Share capital	787	787
Reserves	55,022	53,487
Funds attributable to Cathay Pacific shareholders	55,809	54,274
Non-controlling interests	135	155
Total Equity	55,944	54,429

Notes to the Accounts
At 31st December 2011

Contingencies

(a) Cathay Pacific Airways ("Cathay Pacific") has under certain circumstances undertaken to maintain specified rates of return within the Cathay Pacific group's leasing arrangements. The Directors of Cathay Pacific do not consider that an estimate of the potential financial effect of these contingencies can practically be made.

(b) At 31st December 2011, contingent liabilities existed in respect of guarantees given by the Cathay Pacific group on behalf of associated companies and staff relating to lease obligations, bank loans and other liabilities of up to HK$689 million (2010: HK$262 million).

(c) Cathay Pacific operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcome of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

(d) Cathay Pacific is the subject of investigations and proceedings with regard to its air cargo operations by the competition authorities of various jurisdictions, including the European Union, Canada, Australia, Switzerland, Korea and New Zealand. Cathay Pacific has been cooperating with the authorities in their investigations and, where applicable, vigorously defending itself. The investigations and proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

In December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission ("NZCC") with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded. In May – June 2011, the first stage trial in this matter was heard in the Auckland High Court. In August 2011, the Auckland High Court issued its first stage decision, holding that it had jurisdiction over all claims brought by the NZCC.

In July 2009, Cathay Pacific received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

In May 2010, the Korean Fair Trade Commission ("KFTC") announced it will fine several airlines, including Cathay Pacific, for their air cargo pricing practices. In November 2010, KFTC issued a written decision and Cathay Pacific's fine was KRW 5.35 billion (equivalent to HK$36 million at the exchange rate current as of the date of the announcement). Cathay Pacific has filed an appeal in the Seoul High Court challenging the KFTC's decision in December 2010.

On 9th November 2010, the European Commission announced that it had issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57,120,000 (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on Cathay Pacific. Cathay Pacific filed an appeal with the General Court of the European Union in January 2011.

Cathay Pacific has been named as a defendant in a number of civil complaints, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, Korea, United Kingdom, the Netherlands and Australia alleging violations of applicable competition laws arising from its conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel and is defending those actions.

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the relevant accounting policy.

Schedule of Principal Group Properties

At 31st December 2011

	Gross floor areas in square feet								
	Hong Kong		Mainland China		USA		UK	Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment									
Retail	2,324,862	99,698	2,871,898	–	–	–	–	5,196,760	5,296,458
Office	7,954,113	492,711	1,723,424	297,732	–	–	–	9,677,537	10,467,980
Techno-centres	1,816,667	–	–	–	–	–	–	1,816,667	1,816,667
Residential	551,953	–	–	–	–	–	–	551,953	551,953
Hotels	358,371	384,775	169,463	–	–	258,750	195,716	723,550	1,367,075
	13,005,966	977,184	4,764,785	297,732	–	258,750	195,716	17,966,467	19,500,133
Property developments for investment									
Retail	12,983	–	–	1,588,338	520,000	–	–	532,983	2,121,321
Office	145,390	–	–	904,967	963,000	–	–	1,108,390	2,013,357
Hotels	–	–	588,231	555,552	200,000	–	–	788,231	1,343,783
Residential	62,099	–	52,797	37,335	108,000	–	–	222,896	260,231
	220,472	–	641,028	3,086,192	1,791,000	–	–	2,652,500	5,738,692
Completed properties for sale									
Retail	–	3,820	–	–	–	–	–	–	3,820
Residential	1,996	–	–	–	67,728	–	–	69,724	69,724
Mixed Use	–	–	–	–	12,586	–	–	12,586	12,586
	1,996	3,820	–	–	80,314	–	–	82,310	86,130
Property developments for sale									
Office	–	–	–	642,038	–	–	–	–	642,038
Industrial	–	191,250	–	–	–	–	–	–	191,250
Residential	859,790	44,278	–	–	1,521,800	–	–	2,381,590	2,425,868
Mixed Use	–	–	–	–	787,414	–	–	787,414	787,414
	859,790	235,528	–	642,038	2,309,214	–	–	3,169,004	4,046,570
	14,088,224	1,216,532	5,405,813	4,025,962	4,180,528	258,750	195,716	23,870,281	29,371,525

Notes:

1. All properties held through subsidiary companies are wholly-owned except for Island Place (60%), TaiKoo Hui (97%), Sanlitun Village (Retail: 80%, Hotel: 100%), AZURA (87.5%), Sai Wan Terrace (80%), River Court (100% capital; 75% interest) and Fort Lauderdale (100% capital; 75% interest). The above summary table includes the floor areas of these seven properties on a 100% basis.

2. "Other companies" comprise jointly controlled or associated companies and other investments. The floor areas of properties held through such companies are shown on an attributable basis.

3. Gross floor areas in Hong Kong and Mainland China exclude car parking spaces; there are over 9,000 completed car parking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.

4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.

5. All properties in the USA are freehold.

6. Gross floor areas in the USA exclude car parking spaces; about 450 completed car parking spaces are held by other companies for investment.

7. Gross floor areas in the UK exclude car parking spaces; there are about 50 car parking spaces held by subsidiaries for investment.

Completed properties for investment in Hong Kong

	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building.
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building.
The Mall at Pacific Place	IL 8571 (part)/ IL 8582 & Ext. (part)	2135/ 2047	318,289 (part)	711,182	470	1988/ 1990	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises service apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050- 2852	40,236	627,657	111	2004/ 2007	Office building linked to The Mall and Admiralty MTR Station.
3. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,227	834	1983/ 1987/ 1997/ 2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
4. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Office building over part of Cityplaza shopping centre.
5. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	33,730	447,714	10	1992	Office building linked by a footbridge to Cityplaza.
6. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,431	–	1991	Office building linked by a footbridge to Cityplaza.
7. Commercial areas in Stages I – X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sCss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2899	–	331,079	3,826	1977-1985	Neighbourhood shops, schools and car parking spaces.
8. Devon House, TaiKoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Office building linked to Quarry Bay MTR station by a footbridge.
9. Dorset House, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Office building linked to Devon House.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
10. Lincoln House, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,353	164	1998	Office building linked to Dorset House.
11. Oxford House, TaiKoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/ 2899	33,434	501,253	182	1999	Office building linked to Somerset House.
12. Cambridge House, TaiKoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Office building linked to Devon House.
13. One Island East, TaiKoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/ 2899	109,929	1,537,011	–	2008	Office building linked to Cornwall House.
14. Island Place, 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, of which the Group owns 60%.
15. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail area.
16. 21-29 Wing Fung Street, Wanchai	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3	2856	2,967	14,039	–	1992/ 2006	Floor area shown represents the existing buildings.
17. 8 Queen's Road East, Wanchai (formerly called Sincere Insurance Building)	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	1968	Office building with ground floor retail.
	Total held through subsidiaries			**10,278,975**	**6,494**		
18. PCCW Tower, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Office building linked to Dorset House. Floor area shown represents the whole development, of which the Group owns 50%.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
19. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Office building. Floor area shown represents the whole development, of which the Group owns 50%.
20. Tung Chung Crescent (Site 1), Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	–	1998/ 1999	Floor area shown represents the retail space, of which the Group owns 20%.
21. Citygate (Site 2), Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	Retail: 462,439 Office: 160,522	1,156	1999/ 2000	A 160,522 square foot office tower above a 462,439 square foot shopping centre of which the Group owns 20%. (Part of Site 1 and Site 2 North included on pages 235 and 236)
	Total held through jointly controlled companies			**1,580,227**	**1,457**		
	– of which attributable to the Group			**592,409**			
Techno-centres							
22. TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)		285		Data centres/offices/logistics warehousing.
Warwick House				554,934		1979	
Cornwall House				338,369		1984	Floor area excludes eight floors owned by Government.
Somerset House				923,364		1988	General Building Plans approval was obtained to redevelop Somerset House into a Grade A office with a total gross floor area of about 895,000 sq.ft.
	Total held through subsidiaries			**1,816,667**	**285**		

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential							
23. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
24. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Three pairs of semi-detached houses.
25. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
26. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)	23,224	7	1965	7 apartment units.
27. OPUS HONG KONG, 53 Stubbs Road, The Peak	RBL 224	2074	32,496	68,242	24	2011	A residential tower with 12 storeys over one storey of carpark.
	Total held through company & subsidiaries			**551,953**	**31**		
Hotels							
1. EAST, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009	117-room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			**358,371**			
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	602-room hotel, in which the Group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Group owns a 20% interest.
	Total held through associated companies			**1,687,222**			
	– of which attributable to the Group			**337,444**			
6. Novotel Citygate Hong Kong Hotel, Citygate (Site 2 North)	TCTL 2 (part)	2047	358,557 (part)	236,653	7	2005	440-room hotel, in which the Group owns a 20% interest.
	Total held through jointly controlled companies			**236,653**	**7**		
	– of which attributable to the Group			**47,331**			

Completed properties for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. 5 Star Street, Wanchai	IL 2837 s.C ss 1 (part) IL 2837 s.C RP (part)	2078	2,316 (part)	1,996	–	2010	Floor area shown represents the unsold residential portion.
	Total held through subsidiaries			**1,996**	**–**		
2. MTRC Tung Chung (Package 1), Lantau							
– Tung Chung Crescent (Site 1)	TCTL 1 (part)	2047	331,658 (part)	–	75	1998/ 1999	75 unsold car parking spaces, of which the Group owns 20%.
	Total held through jointly controlled companies			**–**	**75**		
Other holdings							
1. Belair Monte, Fanling	FSSTL 126 (part)	2047	223,674 (part)	Retail: 47,751	17	1998	Floor area shown represents the whole of the retail area, of which the Group owns 8%.
				47,751	**17**		
	– Attributable holding			**3,820**			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Sanlitun Village (Village South)	19 Sanlitun North Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	451	2007	Shopping centre with restaurants and cinema. Floor area shown represents the whole development, of which the Group owns 80%.
2. Sanlitun Village (Village North)	11 Sanlitun North Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	519,399	410	2007	Shopping centre with restaurants. Floor area shown represents the whole development, of which the Group owns 80%.
3. Beaumonde Retail Podium	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,380 (part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
4. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,484,743	718	2011	Shopping centre with restaurants. Gross floor area shown represents the retail portion, of which the Group owns 97%.
	Total held through subsidiaries			**2,871,898**	**1,679**		

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,723,424	–	2011	Gross floor area shown represents the office portion, of which the Group owns 97%.
	Total held through subsidiaries			**1,723,424**	**–**		
2. INDIGO	South of Jiang Tai Road and east of Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)	595,464	411	2011	Phased opening from Q4 2011. Floor areas shown represent the office portion, of which the Group owns 50%.
	Total held through jointly controlled companies			**595,464**	**411**		
	– of which attributable to the Group			**297,732**			
Hotel							
1. The Opposite House	11 Sanlitun North Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	169,463	32	2007	99-room hotel.
	Total held through subsidiaries			**169,463**	**32**		

Completed properties for investment in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel						
1. Mandarin Oriental	South Brickell Key, Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Group has a 75% interest.
	Total held through jointly controlled company		**345,000**	**600**		
	– of which attributable to the Group		**258,750**			

At 31st December 2011

Completed properties for sale in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. ASIA	900 Brickell Key, Miami, Florida	173,531	Residential: 67,728	55	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. As at 31st December 2011, 93 units were closed.
2. River Court	Fort Lauderdale, Florida	21,750	Retail/ Office: 12,586	38	1966	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
	Total held through subsidiaries		**80,314**	**93**		

Completed properties for investment in the United Kingdom	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotels					
1. The Montpellier Chapter, Cheltenham (formerly called Hotel Kandinsky, Cheltenham)	34,875	36,662	24	2010 (refurbishment)	61-room freehold hotel in Cheltenham.
2. The Magdalen Chapter, Exeter (formerly called Hotel Barcelona, Exeter)	46,888	23,030	10	2001	59-room freehold hotel in Exeter. Currently under refurbishment.
3. Hotel Seattle, Brighton	22,755	48,416	–	2003	71-room hotel in Brighton. 35-year leasehold commenced in September 2002.
4. Avon Gorge Hotel, Bristol	71,547	87,608	20	1855	75-room freehold hotel in Bristol. Floor area includes an external terrace.
Total held through subsidiaries		**195,716**	**54**		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 28 Hennessy Road, (formerly called Tai Sang Commercial Building), Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,611	Office	145,390	–	Superstructure in progress	2012	Floor area shown represents a proposed office building.
2. 23 Tong Chong Street (formerly called Wah Yuen Building), Quarry Bay	ML 703 sI	2881	8,664	Residential Retail	62,099 12,983 75,082	–	Preparation of demolition in progress	2014	Floor area shown represents a serviced apartment building above a retail podium.
	Total held through subsidiaries				**220,472**	–			

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 2A Seymour Road (AZURA), Mid Levels West	IL 577 sC IL 577 sD IL 577 sE IL 577 sF IL 577 sG IL 577 sH IL 577 sI IL 577 sJ IL 577 sL ss1 IL 577 sL ss2 IL 577 sL ss3 IL 577 sL RP IL 577 sM	2857	22,957	Residential	206,306	45	Superstructure in progress	2012	Floor area shown represents the whole development, of which the Group owns 87.5%. Comprises 126 residential units of which 98 residential units have been sold.
2. 63 Seymour Road (ARGENTA), Mid Levels West	IL 2300	2856	7,975	Residential	75,805	28	Superstructure in progress	2013	Floor area shown represents a proposed residential tower with 31 storeys above podium.
3. 25A, 25B, 27, 27A, 27B, 29, 29A, 31, 33, 35 Seymour Road, 14-16 Castle Road, Mid Levels West	IL 424 sB ss1 RP IL 424 sB RP IL 425 s7 ssA IL 425 s7 ssB IL 425 s7 ssC IL 425 s7 ssD IL 424 sC RP IL 424 sD RP IL 424 RP	2854	20,756	Residential	165,792	–	Foundation in progress for part of the site	2014	Floor area shown represents a proposed residential tower with 45 storeys (incl. 1 refuge floor) above podium.

At 31st December 2011

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
4. 92, 92A, 94, 96, 98, 100, 102 Caine Road, 18, 18A, 20, 20A, 22, 22A Castle Road, Mid Levels West	IL 425 s1 RP IL 425 s2 IL 425 s3 IL 425 s4 IL 425 s5 ss1 IL 425 s5 RP IL 425 RP	2854	21,726	Residential	195,531	43	Foundation in progress	2016	Floor area shown represents a proposed residential tower with 45 storeys (incl. 1 refuge floor) above podium.
5. Sai Wan Terrace, 1-9 and 2-10 Sai Wan Terrace, Taikoo Shing	SIL 761	2057	28,490	Residential	151,944	69	Substructure in progress	2013	Floor area shown represents the whole development, of which the Group owns 80%. Comprises two proposed residential towers with 19 storeys above podium.
6. Residential sites in Cheung Sha, Lantau	Lot 724 and Lot 726 in DD332	2061	161,029	Residential	64,412	–	Vacant Site	2015	Tenders for sale were awarded to the company on 8 December 2011. Completion of the purchase expected in January 2012. Floor area shown represents the total gross floor area permitted under the Conditions of Sale.
	Total held through subsidiaries				**859,790**	**185**			

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
7. 148 Argyle Street, Kowloon	KIL 3303 sA	2083	17,712	Residential	88,555	56	Substructure in progress	2013	Floor area shown represents the whole development, of which the Group owns 50%.
8. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 338 AIL 339	2119 2120	25,500	Industrial	382,500	39	Foundation completed	On hold	Floor area shown represents the whole development, of which the Group owns 50%.
	Total held through jointly controlled companies				**471,055**	**95**			
	– of which attributable to the Group				**235,528**				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel Serviced Apartment	588,231 52,797	–	Superstructure work completed. Internal fitting out work in progress	2012	263-room hotel and 24 serviced apartments. A cultural centre of 629,414 square feet is to be built and handed over to the Guangzhou Government upon completion. Floor areas shown represent the portions of development under development, of which the Group owns 97%. The retail and office portion were opened in Q3 2011.
	Total held through subsidiaries				**641,028**	–			

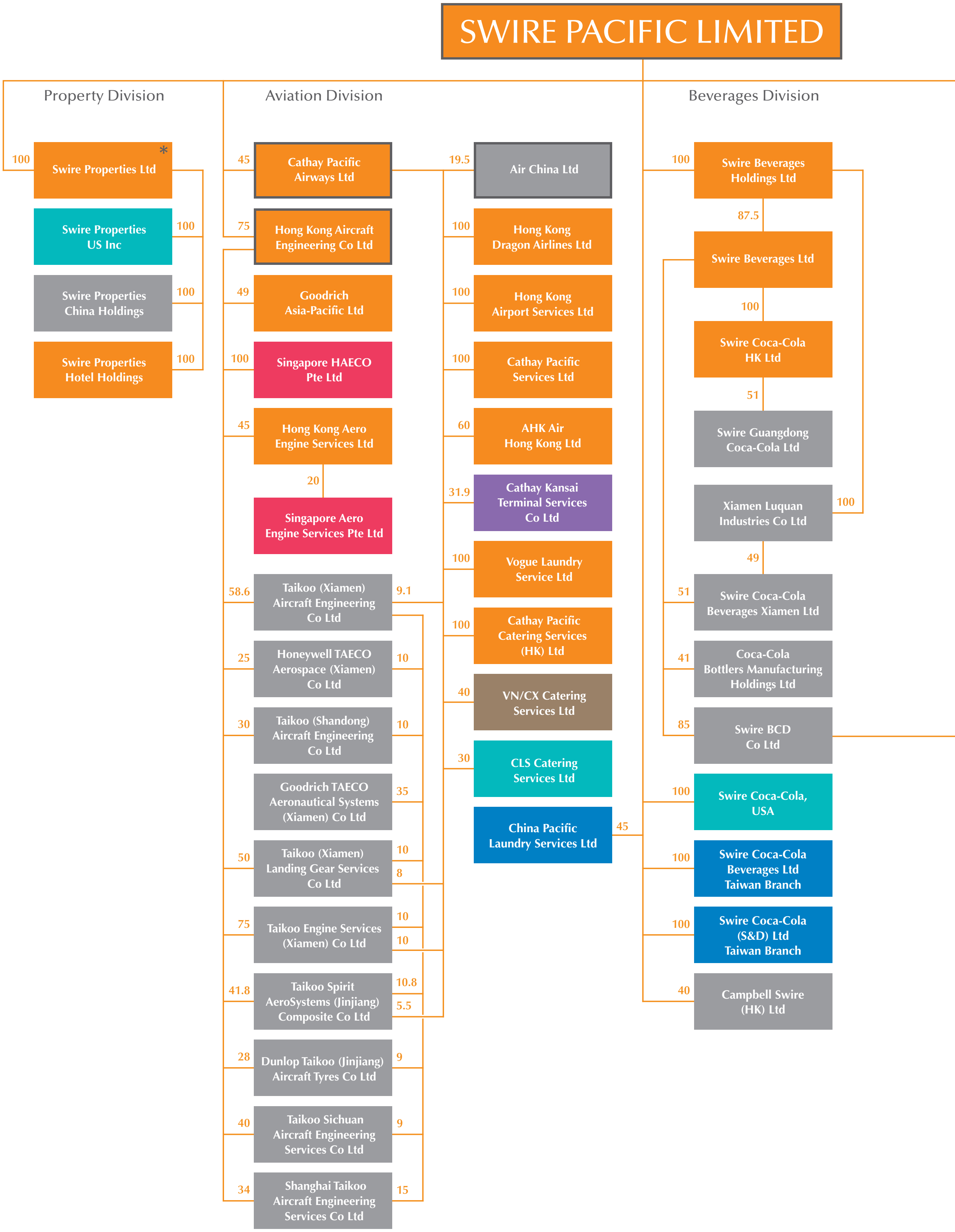
Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Dazhongli	South of West Nanjing Road and east of Shimenyi Road, Jing An District, Shanghai	2049 (Retail/ Hotel) 2059 (Office)	676,091	Retail Office Hotel	1,062,719 1,809,934 596,745	1,217	Piling works in progress	2016	Piling works commenced in Q4 2011. Floor areas shown represent the whole development, of which the Group owns 50%.
					3,469,398	1,217			
2. INDIGO	South of Jiang Tai Road and east of Jiuxianqiao Road, Chaoyang District, Beijing	2044 (Office and car parks: 2054)	631,072 (part)	Retail Hotel	939,493 358,269	834	Internal fitting out work in progress	2012	Phased opening from Q4 2011. Floor areas shown represent portions of development under development, of which the Group owns 50%.
					1,297,762	834			
3. Daci Temple	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2050	761,869 (part)	Retail Hotel Serviced Apartment	1,174,465 156,090 74,670	1,000	Site formation in progress	2014	Floor area shown represents the retail, hotel and serviced apartment portions of the development, of which the Group owns 50%.
					1,405,225	1,000			
	Total held through jointly controlled companies				**6,172,385**	**3,051**			
	– of which attributable to the Group				**3,086,192**				

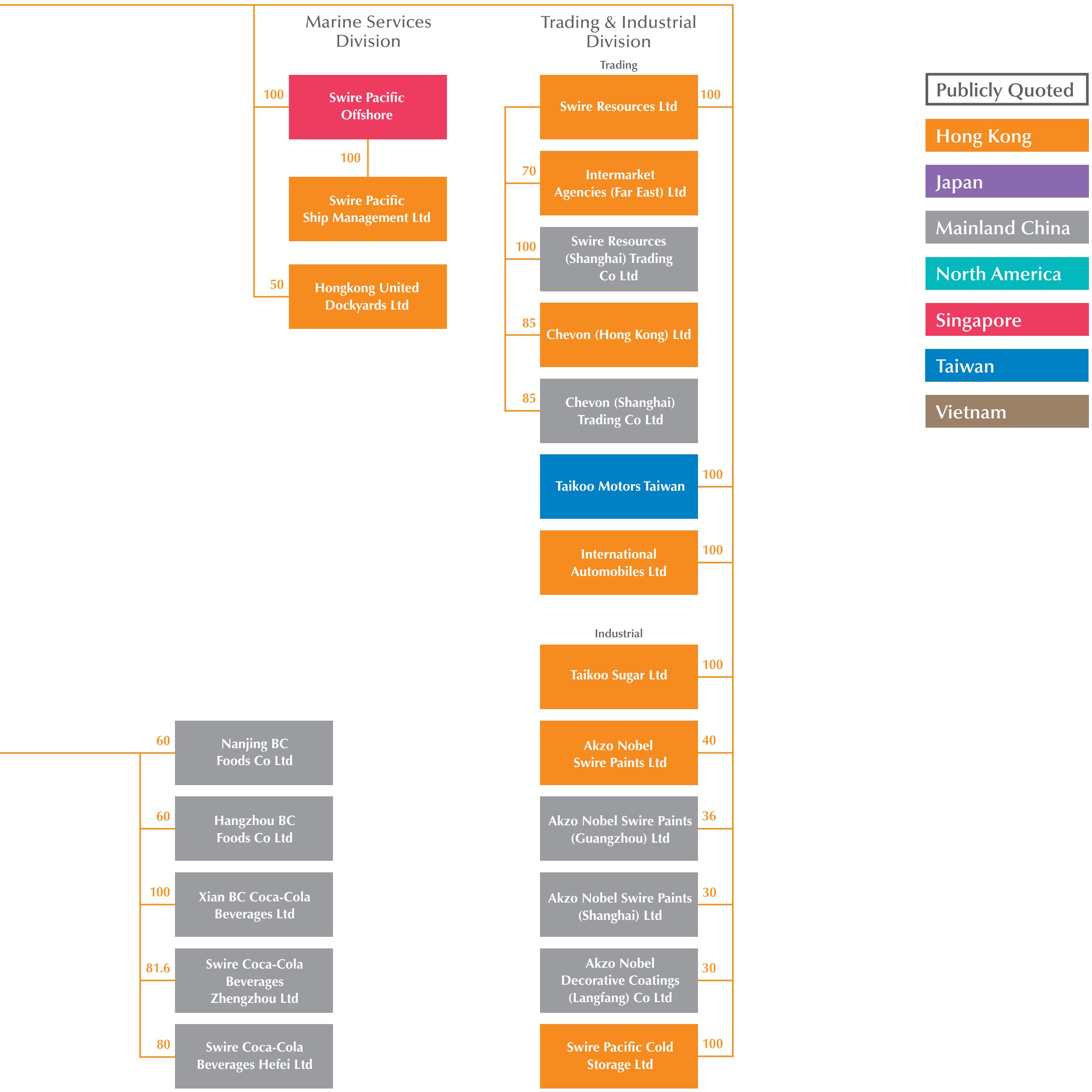
Property developments for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Daci Temple	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2050	761,869 (part)	Office	1,284,075	499	Site formation in progress	2014	Floor areas shown represent the office portion of the development, of which the Group owns 50%.
	Total held through jointly controlled companies				**1,284,075**	**499**			
	– of which attributable to the Group				**642,038**				

Property developments for sale in the United States	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential	421,800	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development site, Fort Lauderdale, Florida	182,191	Residential/Office/Hotel	787,414	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
3. Brickell CitiCentre, Miami, Florida	393,678 (part)	Phase I Condominium	1,100,000	1,200	2015	Two residential development sites in Brickell CitiCentre, an urban mixed use development located in the Brickell financial district. Construction for the overall development is scheduled to commence in mid-2012.
	Total held through subsidiaries		**2,309,214**	**2,645**		

Property developments for investment in the United States	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. Brickell Citicentre Miami, Florida	393,678 (part)	Phase I Retail Office Serviced Apartment Hotel Phase II Office	 520,000 221,000 108,000 200,000 742,000 1,791,000	 1,235 285 – 380 1,241 3,141	2015 2018	Brickell CitiCentre is an urban mixed use development located in the Brickell financial district, comprised of retail, offices, hotel, serviced apartments and residential condominiums. Construction is scheduled to commence in mid-2012.
	Total held through subsidiaries		**1,791,000**	**3,141**		

Group Structure Chart





* Swire Properties Ltd listed on the Main Board of the Stock Exchange of Hong Kong on 18th January 2012. Following the listing, Swire Pacific Ltd holds approximately 82%.

Glossary

Terms

Financial

Adjusted consolidated net worth Total of share capital, reserves and non-controlling interests.

Adjusted consolidated tangible net worth Adjusted consolidated net worth less goodwill and other intangible assets.

EBIT Operating profit before dividends received from jointly controlled and associated companies.

Equity attributable to the Company's shareholders Equity before non-controlling interests.

FFO Funds from operations – Operating profit (excluding profit or loss on sale of investment properties and property, plant and equipment) less net finance charges less change in fair value of investment properties less tax paid less non-recurring items plus depreciation and amortisation plus dividends from jointly controlled and associated companies plus non cash items.

Gross borrowings Total of loans, bonds, overdrafts and perpetual capital securities.

Net assets employed Total equity plus net debt.

Net debt or consolidated borrowed money Total of loans, bonds, overdrafts and perpetual capital securities net of bank deposits, bank balances and certain available-for-sale investments.

Underlying equity attributable to the Company's shareholders Reported equity before non-controlling interests, adjusted for the impact of deferred tax on changes in the fair value of investment properties in Mainland China.

Underlying profit Reported profit adjusted for the impact of changes in the fair value of investment properties and the associated deferred tax in Mainland China.

Aviation

Available seat kilometres ("ASK") Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Available tonne kilometres ("ATK") is the overall capacity, measured in tonnes, available for the carriage of airline passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

On-time performance Departure within 15 minutes of scheduled departure time.

Revenue passenger kilometres ("RPK") Number of passengers carried on each sector multiplied by the sector distance.

Beverages

General Trade Small, usually independent, grocery outlets.

Modern Trade Supermarkets and convenience stores, which are usually members of large retail chains.

Other Channels Includes wholesalers, restaurants and outlets at entertainment and educational establishments.

Marine Services

ISOA International Support Vessel Owners' Association.

Sustainable Development

Carbon Dioxide Equivalent (CO_2e) A measure of the global warming potential of releases of the six greenhouse gases ('GHG') specified by the Kyoto protocol. These are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

Greenhouse Gas (GHG) A gas in the atmosphere that absorbs and emits radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect because part of the re-radiation is back towards the surface of the earth and the lower atmosphere, resulting in an elevation of the average surface temperature above what it would be in the absence of greenhouse gases.

Cubic metres (cbm) A metric unit of volume or capacity equal to 1,000 litres or 1.0 metric tonnes of water.

Global Reporting Initiative ('GRI') (www.globalreporting.org) An institution which provides a generally accepted framework for sustainability reporting. This framework sets out the principles and indicators that entities can use to measure and report their economic, environmental and social performance.

Global Reporting Initiative 'Level C+' GRI specifies that sustainable development reports should include 'Profile Disclosures' and 'Performance Indicators'. The Group's 'Profile Disclosures' and the ten GRI 'Performance Indicators' shown on pages 213 to 224 achieved a Level C rating. The '+' sign signifies that the report is externally assured.

GRI Performance Indicators are qualitative or quantitative sustainable development measures which an organisation can use to assess performance over time. The basis for using the Performance Indicators in this report is provided on http://www.swirepacific.com/eng/about/sd.php.

Lost Day Rate represents the number of lost working days per 100 employees per year. It is calculated as the Total Days Lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

Lost Time Injury Rate (LTIR) represents the number of injuries per 100 employees per year. It is calculated as the Total Injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year. The definitions of an injury and the number of hours worked may vary slightly in different jurisdictions and in different industries. In such cases local legal definitions and industry norms will take precedence.

Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the Group.

Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat and steam as well as GHG emissions from the generation and transportation of Towngas in Hong Kong from the production plant to the users.

Total injuries are the number of injuries in the year which result in lost time of a minimum of one working day.

Ratios

Financial

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on average equity attributable to the Company's shareholders} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on average underlying equity attributable to the Company's shareholders} = \frac{\text{Underlying profit/(loss) attributable to the Company's shareholders}}{\text{Average underlying equity during the year attributable to the Company's shareholders}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend cover} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Dividends paid and proposed}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Aviation

$$\text{Passenger/Cargo and mail load factor} = \frac{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}{\text{Available seat kilometres/Available cargo and mail tonne kilometres}}$$

$$\text{Passenger/Cargo and mail yield} = \frac{\text{Passenger turnover/Cargo and mail turnover}}{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses}}{\text{ATK}}$$

Financial Calendar and Information for Investors

Financial Calendar 2012

'A' and 'B' shares trade ex-dividend	11th April
Annual Report available to shareholders	11th April
Share registers closed for second interim dividends entitlement	13th April
Payment of 2011 second interim dividends	4th May
Share registers closed for attending and voting at Annual General Meeting	8th – 11th May
Annual General Meeting	11th May
Interim results announcement	August 2012
First interim dividends payable	October 2012

Registered Office

Swire Pacific Limited
33rd Floor, One Pacific Place
88 Queensway
Hong Kong

Registrars

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong
Website: www.computershare.com

Depositary

The Bank of New York Mellon
P.O. Box 358516
Pittsburgh, PA 15252-8516
USA

Website:	www.bnymellon.com\shareowner	
E-mail:	shrrelations@bnymellon.com	
Tel:	Calls within USA – toll free:	1-888-BNY-ADRS
	International callers:	1-201-680-6825

Stock Codes

	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

Auditors

PricewaterhouseCoopers

Investor Relations

E-mail: ir@swirepacific.com

Public Affairs

E-mail: publicaffairs@swirepacific.com
Tel: (852) 2840-8098
Fax: (852) 2526-9365
Website: www.swirepacific.com

Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

MIX
Paper from responsible sources
FSC™ C007234

Design: FutureBrand www.futurebrand.com Printed in Hong Kong This Annual Report is printed on FSC™ certified paper with 25% recycled and vegetable oil-based inks.

SWIRE PACIFIC

www.swirepacific.com