

## Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31st December 2000, which are set out on pages 50 to 78 and 90 to 98.

### Principal activities

The principal activity of the Company is investment holding and the principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 90 to 98. An analysis of group turnover and operating profit, share of profits of jointly controlled and associated companies before taxation by principal activities, and analysis of group turnover and operating profit by principal markets, and group attributable profit by division are set out on pages 35 to 36.

### Dividends

The Directors recommend the payment of final dividends for 2000 of HK¢76.0 per 'A' share and HK¢15.2 per 'B' share which, together with the interim dividends paid on 3rd October 2000 of HK¢36.0 per 'A' share and HK¢7.2 per 'B' share, make total dividends for the year of HK¢112.0 per 'A' share and HK¢22.4 per 'B' share: an increase of 1.8% over the 1999 dividends. This represents a total distribution for the year of HK\$1,738 million. Subject to the approval of the 2000 final dividends by the shareholders at the Annual General Meeting on 17th May 2001, it is expected that those dividends will be paid on 1st June 2001 to shareholders registered on 17th May 2001. The share registers will be closed from 14th May 2001 to 17th May 2001, both dates inclusive.

### Reserves

Movements in the reserves of the group and the Company during the year are set out in note 24 to the accounts.

### Accounting policies

The principal accounting policies of the group are set out on pages 40 to 42.

The reason for a departure from the Statement of Standard Accounting Practice No.11 (HK SSAP No.11) laid down by the Hong Kong Society of Accountants is set out in principal accounting policy no. 4.

### Donations

During the year, the Company and its subsidiaries made donations for charitable purposes of HK\$5.5 million and donations towards various scholarships of HK\$0.8 million.

### Fixed assets

Details of movements in fixed assets are shown in note 11 to the accounts. An analysis of capital expenditure by division is shown on page 40.

### Properties

The annual valuation of the group's property portfolio, whether complete or in the course of development, was carried out by independent professional valuers on the basis of open market value at 31st December 2000. The valuations have been recorded in the accounts of the individual companies concerned and an overall net increase, after the provision for the result of the Taikoo

Shing arbitration, of HK\$4,980 million in respect of these properties is reflected in group reserves.

A schedule of the principal properties of Swire Pacific Limited and its subsidiary, jointly controlled and associated companies is given on pages 82 to 89.

### **Bank and other borrowings and Perpetual Capital Securities**

The bank loans and overdrafts, other borrowings and Perpetual Capital Securities of Swire Pacific Limited and its subsidiary companies are shown in notes 20 and 21 to the accounts.

### **Interest**

A statement of the amount of interest capitalised by Swire Pacific Limited and its subsidiaries is included in note 4 to the accounts.

### **Financial summary**

A ten-year financial summary of the results and of the assets and liabilities of the group is shown on pages 3 to 5.

### **Major customers and suppliers**

During the year, less than 30% of the group's sales and 30% of the group's purchases were attributable to the group's five largest customers and suppliers respectively.

### **Connected transaction**

On 6th March 2000, the Company sold the entire share capital of its wholly-owned subsidiary, Swire Loxley Limited, to Sparkle Light Enterprises Inc., a wholly-owned subsidiary of CITIC Pacific Limited, for a cash consideration of HK\$86.6 million which was arrived at after arm's length negotiation based on normal commercial terms.

The Company's Directors, including the independent non-executive Directors, considered that the consideration and the terms of the sale were fair and reasonable and were in the best interests of the shareholders and the Company.

As CITIC Pacific Limited is a substantial shareholder of Festival Walk Holdings Limited, which is a subsidiary of Swire Pacific Limited, this was a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and a press notice was published on 7th March 2000.

### **Other significant transactions**

- (i) In April 2000, Swire Coca-Cola USA acquired the Ogden franchise territory by purchasing The Coca-Cola Bottling Company of Ogden, Inc. adding 6% to the size of the USA operations on a volume basis.
- (ii) In August 2000, Carlsberg Brewery Hong Kong Limited, in which Swire Pacific Limited has a 49% shareholding, sold 75% of its interest in Carlsberg Brewery (Shanghai) Limited to Tsingtao Brewery Company Limited and the balance to Carlsberg A/S.

### **Share capital**

During the year under review, the group did not purchase, sell or redeem any shares in Swire Pacific Limited.

### Agreements for services

There are agreements for services, in respect of which John Swire & Sons Limited provides services to various companies in the group and under which costs are reimbursed and fees payable. These agreements can be terminated by either party giving not less than twelve months' notice of termination expiring on 31st December 2002 or any subsequent 31st December. Baroness Dunn, P A Johansen, E J R Scott, P D A Sutch and Sir Adrian Swire, as directors and shareholders of John Swire & Sons Limited, are interested in these agreements.

### Directors

All the Company's present Directors, whose names are listed on pages 41 to 42, served throughout the calendar year 2000.

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, P A Johansen and Sir Adrian Swire retire this year and being eligible offer themselves for 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).

### Corporate governance

The Company has complied throughout the year with the Code of Best Practice as set out in the Listing Rules.

### Directors' interests

At 31st December 2000, the interests of the Directors in the shares of Swire Pacific Limited and in its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI")), as recorded in the register maintained under section 29 of the SDI were as follows:

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Remarks
<b>Swire Pacific Limited</b>						
<b>– 'A' shares</b>						
J W J Hughes-Hallett	4,500	–	–	–	4,500	–
P A Johansen	10,000	–	–	–	10,000	–
T S Lo	8,774	–	–	–	8,774	–
P D A Sutch	10,000	–	–	–	10,000	–
Sir Adrian Swire	–	–	–	1,365,473	1,365,473	See Note 1
D M Turnbull	1,266	–	–	–	1,266	–

**Swire Pacific Limited**

– 'B' shares

M J Bell	30,000	–	–	–	30,000	–
D Ho	100,000	–	–	–	100,000	–
J W J Hughes-Hallett	118,000	–	–	–	118,000	–
P A Johansen	–	–	–	200,000	200,000	See Note 2
K G Kerr	–	2,500	–	–	2,500	–
T S Lo	3,948	–	–	–	3,948	–
C Lee	750,000	–	–	19,930,000	20,680,000	See Note 3
P D A Sutch	5,000	–	–	–	5,000	–
Sir Adrian Swire	4,813,169	–	–	20,810,916	25,624,085	See Note 1

**Cathay Pacific**

**Airways Limited**

– Ordinary shares

J W J Hughes-Hallett	12,000	–	–	–	12,000	–
P D A Sutch	20,000	–	–	–	20,000	–

**Notes**

1. All the Swire Pacific Limited 'A' and 'B' shares held by Sir Adrian Swire under “Other Interests” are held by him as trustee only and he has no beneficial interest in those shares.
2. P A Johansen is a beneficiary of trusts which hold the 200,000 Swire Pacific Limited 'B' shares listed under “Other Interests”.
3. C Lee is a beneficiary of a trust which holds the 19,930,000 Swire Pacific Limited 'B' shares listed under “Other Interests”.

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of Swire Pacific Limited, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of Swire Pacific Limited.

Other than as stated above, the Directors of Swire Pacific Limited held no interests, whether beneficial or non-beneficial, in the shares or warrants of Swire Pacific Limited or its associated corporations.

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 Swire Pacific Limited or any of its associated corporations was a party which was of significance and in which the Director's interest was material.

At no time during the year was Swire Pacific Limited, 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.

**Substantial shareholders**

The register of substantial shareholders maintained under Section 16(1) of the SDI shows that at 31st December 2000 the Company had been notified of the following interests, being 10% or more of the Company's issued capital. These interests are in addition to those disclosed above in respect of the Directors:

	'A' shares	'B' shares	Remarks
John Swire & Sons Limited	40,765,128	1,977,875,765	–
Shrewsbury Holdings Limited	–	321,240,444	) Duplication of John Swire
John Swire & Sons (H.K.) Limited	40,661,326	1,940,278,746	) & Sons Limited's holding
Brandes Investment Partners, L.P.	142,495,277	–	–

At 31st December 2000, the John Swire & Sons Limited Group owned, directly or indirectly, interests in shares of Swire Pacific Limited representing 28.07% of the issued capital and 50.50% of the voting rights.

**Auditors**

A resolution for the reappointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting. PricewaterhouseCoopers replaced Price Waterhouse in the financial year 1999 following their merger with Coopers & Lybrand.

On behalf of the Board

**James Hughes-Hallett**

*Chairman*

*Hong Kong, 9th March 2001*