

The Directors submit their report together with the audited accounts for the year ended 31st December 2001, which are set out on pages 49 to 77 and 90 to 97.

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 97. An analysis of the group's performance for the year by business and geographical segments is set out in note 3 to the accounts.

Dividends

The Directors recommend the payment of final dividends for 2001 of HK¢76.0 per 'A' share and HK¢15.2 per 'B' share which, together with the interim dividends paid on 3rd October 2001 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: the same level as those for 2000. This represents a total distribution for the year of HK\$1,738 million. Subject to the approval of the 2001 final dividends by the shareholders at the Annual General Meeting on 16th May 2002, it is expected that those dividends will be paid on 3rd June 2002 to shareholders registered on 16th May 2002. The share registers will be closed from 13th May 2002 to 16th May 2002, both dates inclusive.

Reserves

Movements in the reserves of the group and the Company during the year are set out in note 25 to the accounts.

Accounting policies

The principal accounting policies of the group are set out on pages 54 to 57.

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\$6.9 million and donations towards various scholarships of HK\$1.0 million.

Fixed assets

Details of movements in fixed assets are shown in note 12 to the accounts. An analysis of capital expenditure by division is shown on page 37.

Properties

The annual valuation of the group's property portfolio, whether complete or in the course of development, was carried out by professionally qualified executives of the group on the basis of open market value at 31st December 2001. The valuations have been recorded in the accounts of the individual companies concerned and an overall net decrease of HK\$6,802 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 80 to 89.

Bank and other borrowings

The bank loans and overdrafts, other borrowings, Perpetual Capital Securities and Medium Term Notes of Swire Pacific Limited and its subsidiary companies are shown in notes 21 and 22 to the accounts.

Directors' Report

Interest

A statement of the amount of interest capitalised by Swire Pacific Limited and its subsidiaries is included in note 5 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 2 to 3.

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.

Significant transactions

In November 2001, the Company sold its 49% interest in Carlsberg Brewery Hong Kong Limited.

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 2003 or any subsequent 31st December. Baroness Dunn, P A Johansen and Sir Adrian Swire, as directors and shareholders of John Swire & Sons Limited, are interested in these agreements. E J R Scott and P D A Sutch were similarly interested in these capacities.

Directors

The names of the Company's present Directors are listed on page 41. In addition, P D A Sutch and E J R Scott also served as Directors of the Company during the year. Mr. Sutch resigned on 9th August 2001. It is with great sadness that the Directors report the death of Mr. Scott on 29th January 2002 and of Mr. Sutch on 6th March 2002.

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, M Cubbon, Baroness Dunn and C Lee 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 2001, 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	Other Interests	Total	Remarks
Swire Pacific Limited				
– 'A' shares				
J W J Hughes-Hallett	4,500	–	4,500	–
P A Johansen	10,000	–	10,000	–
T S Lo	8,774	–	8,774	–
Sir Adrian Swire	–	1,364,006	1,364,006	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	158,000	–	158,000	–
P A Johansen	–	200,000	200,000	See Note 2
T S Lo	3,948	–	3,948	–
C Lee	750,000	19,930,000	20,680,000	See Note 3
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	–

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.

Directors' Report

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI shows that at 31st December 2001 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 & Sons Limited's holding
John Swire & Sons (H.K.) Limited	40,661,326	1,940,278,746	
Brandes Investment Partners, L.P.	130,714,465	–	–
Franklin Resources, Inc.	94,100,191	–	–
The Capital Group Companies, Inc.	94,632,388	–	–

At 31st December 2001, 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

J W J Hughes-Hallett

Chairman

Hong Kong, 7th March 2002