

# Auditors' Report

To the shareholders of Swire Pacific Limited  
(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 54 to 97 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, save as explained in accounting policy no. 4 on page 86.

## Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts 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.

## Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our 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 31st December 2003 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 11th March 2004

# Consolidated Profit and Loss Account

For the year ended 31st December 2003

Note		2003 HK\$M	2002 HK\$M
1	<b>Turnover</b>	<b>17,568</b>	15,215
	<b>Cost of sales</b>	<b>(9,929)</b>	(7,727)
	<b>Gross profit</b>	<b>7,639</b>	7,488
	<b>Other revenue</b>	<b>36</b>	133
	<b>Distribution costs</b>	<b>(1,907)</b>	(1,814)
	<b>Administrative expenses</b>	<b>(996)</b>	(1,032)
	<b>Other operating expenses</b>	<b>(187)</b>	(430)
2	<b>Operating profit</b>	<b>4,585</b>	4,345
	<b>Finance charges</b>	<b>(512)</b>	(586)
	<b>Finance income</b>	<b>48</b>	39
6	<b>Net finance charges</b>	<b>(464)</b>	(547)
7	<b>Share of profits less losses of jointly controlled companies</b>	<b>530</b>	(36)
	<b>Share of profits less losses of associated companies</b>	<b>1,522</b>	2,750
	<b>Profit before taxation</b>	<b>6,173</b>	6,512
8	<b>Taxation</b>	<b>872</b>	755
	<b>Profit after taxation</b>	<b>5,301</b>	5,757
	<b>Minority interests</b>	<b>379</b>	380
9	<b>Profit attributable to shareholders</b>	<b>4,922</b>	5,377
	<b>Dividends</b>		
	<b>Interim – paid</b>	<b>490</b>	618
	<b>Final – proposed</b>	<b>1,562</b>	1,378
10		<b>2,052</b>	1,996
		<b>HK¢</b>	<b>HK¢</b>
11	<b>Earnings per share</b>		
	'A' shares	<b>321.4</b>	347.5
	'B' shares	<b>64.3</b>	69.5

# Consolidated Balance Sheet

At 31st December 2003

Note	2003 HK\$M	2002 HK\$M
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
12	65,473	66,975
14	4,311	5,845
15	17,677	17,983
16	296	338
	126	217
23	12	55
24	154	128
	<b>88,049</b>	91,541
<b>Current assets</b>		
17	1,822	2,442
18	861	932
19	2,485	2,146
	32	2
	374	472
	<b>5,574</b>	5,994
<b>Current liabilities</b>		
20	8,205	7,630
	281	316
	1,885	1,683
22	2,821	3,107
	<b>13,192</b>	12,736
	<b>(7,618)</b>	(6,742)
	<b>80,431</b>	84,799
<b>Non-current liabilities</b>		
21	4,642	4,642
22	1,325	5,324
23	891	804
	127	107
24	139	114
	<b>7,124</b>	10,991
	<b>5,231</b>	4,861
	<b>68,076</b>	68,947
<b>NET ASSETS</b>		
<b>CAPITAL AND RESERVES</b>		
25	919	920
26	67,157	68,027
	<b>68,076</b>	68,947
<b>SHAREHOLDERS' FUNDS</b>		

**J W J Hughes-Hallett**

**Clement K M Kwok**

*Directors*

Hong Kong, 11th March 2004

# Company Balance Sheet

At 31st December 2003

Note	2003 HK\$M	2002 HK\$M
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
12	254	265
13	10,821	11,225
14	535	612
15	2,243	1,994
16	2	9
	1	4
24	90	90
	<b>13,946</b>	<b>14,199</b>
<b>Current assets</b>		
19	166	528
	3	2
	<b>169</b>	<b>530</b>
<b>Current liabilities</b>		
20	106	161
	2	1
22	2,321	890
	<b>2,429</b>	<b>1,052</b>
<b>Net current liabilities</b>		
	<b>(2,260)</b>	<b>(522)</b>
<b>Total assets less current liabilities</b>		
	<b>11,686</b>	<b>13,677</b>
<b>Non-current liabilities</b>		
22	–	2,321
23	28	25
	<b>28</b>	<b>2,346</b>
<b>NET ASSETS</b>		
	<b>11,658</b>	<b>11,331</b>
<b>CAPITAL AND RESERVES</b>		
25	919	920
26	10,739	10,411
<b>SHAREHOLDERS' FUNDS</b>		
	<b>11,658</b>	<b>11,331</b>

**J W J Hughes-Hallett**

**Clement K M Kwok**

*Directors*

Hong Kong, 11th March 2004

# Consolidated Cash Flow Statement

For the year ended 31st December 2003

Note	2003 HK\$M	2002 HK\$M
<b>Operating activities</b>		
30(a) Cash generated from operations	5,333	4,462
Interest paid	(860)	(961)
Interest received	48	39
Profits tax paid	(444)	(298)
	<b>4,077</b>	<b>3,242</b>
Dividends received from jointly controlled and associated companies	1,563	1,245
<b>Net cash from operating activities</b>	<b>5,640</b>	<b>4,487</b>
<b>Investing activities</b>		
30(b) Purchase of fixed assets	(1,857)	(2,099)
Proceeds from fixed asset disposals	1,041	605
Purchase of shareholding in an existing subsidiary company	(2)	–
Purchase of shareholdings in and loans to jointly controlled companies	(973)	(420)
Purchase of shareholdings in and loans to associated companies	(257)	(3)
Sale of shareholdings in and repayment of loans by jointly controlled companies	2,748	2,434
Sale of shareholdings in and repayment of loans by associated companies	7	200
Sale of shareholdings in and repayment of loans by investment securities	42	10
Purchase of investment securities	–	(35)
Decrease in long-term receivables	–	23
Deferred expenditure	(41)	(62)
<b>Net cash generated from investing activities</b>	<b>708</b>	<b>653</b>
<b>Net cash inflow before financing</b>	<b>6,348</b>	<b>5,140</b>
<b>Financing activities</b>		
Loans drawn and refinancing	1,235	1,068
Repayment of loans and bonds	(5,321)	(3,496)
30(c) Repayment of loans to minority interests	(4,086)	(2,428)
30(c) Repurchase of Company's shares	(266)	(175)
Dividends paid	(60)	(540)
– to shareholders	(1,868)	(1,797)
– to minority interests	(131)	(87)
<b>Net cash used in financing activities</b>	<b>(6,411)</b>	<b>(5,027)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(63)</b>	<b>113</b>
Cash and cash equivalents at 1st January	464	349
Currency adjustment	–	2
<b>Cash and cash equivalents at 31st December</b>	<b>401</b>	<b>464</b>
<b>Represented by:</b>		
Unlisted held-to-maturity securities maturing within three months	32	2
Bank balances and short-term deposits maturing within three months	374	472
Bank overdrafts	(5)	(10)
	<b>401</b>	<b>464</b>

# Consolidated Statement of Changes in Equity

For the year ended 31st December 2003

	2003 HK\$M	2002 HK\$M
<b>At 1st January</b>		
– as originally stated	69,266	72,825
– change in accounting policy for deferred taxation	(319)	(292)
– as restated	68,947	72,533
Decrease in property valuation arising during the year	(2,666)	(5,367)
Share of deficit on revaluation of investment properties held by jointly controlled companies	(69)	(41)
Exchange differences on cash flow hedges		
– recognised during the year	(617)	(600)
– deferred tax recognised	42	–
Revaluation (deficit)/surplus on investment securities recognised during the year	(27)	49
Exchange differences	(11)	3
<b>Net losses not recognised in the consolidated profit and loss account</b>	<b>(3,348)</b>	<b>(5,956)</b>
Profit for the year	4,922	5,377
Revaluation surplus on investment properties transferred to operating profit on disposal	(484)	(452)
Exchange differences on cash flow hedges transferred to the profit and loss account	(41)	(333)
Goodwill reinstated		
– on disposal of subsidiary and associated companies	2	22
– upon impairment	6	93
Dividends paid	(1,868)	(1,797)
Repurchase of Company's shares		
– shares repurchased and cancelled	(1)	(11)
– premium paid on repurchases	(59)	(529)
<b>At 31st December</b>	<b>68,076</b>	<b>68,947</b>

# Notes to the Accounts

## 1. Turnover

The principal activity of the Company is investment holding. The principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 91 to 97.

Turnover represents sales by the Company and its subsidiary companies to outside customers and comprises revenue from:

	Group	
	2003 HK\$M	2002 HK\$M
Gross rental income	4,277	4,625
Sales of development properties	2,365	565
Sales of investment properties	833	555
Rendering of other services	1,351	1,120
Sales of goods	8,742	8,350
	<b>17,568</b>	<b>15,215</b>

## 2. Operating profit

	Group	
	2003 HK\$M	2002 HK\$M
<b><i>Operating profit has been arrived at after charging:</i></b>		
Cost of stocks sold	7,816	5,755
Depreciation of fixed assets	532	523
Staff costs	1,767	1,766
Operating lease rentals:		
Land and buildings	113	94
Other equipment	19	19
Amortisation of deferred expenditure	113	74
Provision for stocks and work in progress	13	–
Provision for development properties	30	–
Impairment losses on:		
Fixed assets	–	93
Goodwill	–	41
Investment securities	–	35
Restructuring costs for Mainland China motor business	–	58
Auditors' remuneration:		
Audit services	8	7
Non-audit services	5	5
Exchange differences	7	–
<b><i>and after crediting:</i></b>		
Gross rental income	4,277	4,625
Less: Outgoings	934	992
Net rental income	3,343	3,633
Charter hire income	1,216	991
Profits on sale of jointly controlled companies	–	88
Profit on sale of development properties	243	125
Profit on sale of fixed assets	565	416
Exchange differences	–	1

## Notes to the Accounts

### 3. Segment information

(a) Primary reporting format – business segments by division:

	The Company and its subsidiaries		Jointly controlled companies	Associated companies	Group	Profit attributable to shareholders	
	Turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses HK\$M	Share of profits less losses HK\$M		Profit before taxation HK\$M
<b>Year ended 31st December 2003</b>							
Property							
Property investment	4,367	3,173	(244)	22		2,951	2,305
Property trading	2,365	243		23		266	302
Sales of investment properties	833	558				558	535
Hotels and restaurants				(18)	39	21	9
Provision for development properties		(30)				(30)	(28)
	<b>7,565</b>	<b>3,944</b>	<b>(244)</b>	<b>27</b>	<b>39</b>	<b>3,766</b>	<b>3,123</b>
Aviation							
Airline services and airline catering							
Cathay Pacific Group					696	696	521
Hong Kong Dragon Airlines					11	11	11
Aircraft engineering					186	186	156
Cargo handling					283	283	156
	-	-	-	-	<b>1,176</b>	<b>1,176</b>	<b>844</b>
Beverages							
Hong Kong	1,351	175	(1)			174	127
USA	2,788	225	(16)			209	142
Taiwan	997	66	(7)			59	42
Mainland China		(68)		205		137	86
Central costs		(34)				(34)	(34)
	<b>5,136</b>	<b>364</b>	<b>(24)</b>	<b>205</b>	<b>-</b>	<b>545</b>	<b>363</b>
Marine Services							
Ship repair, land engineering and harbour towage				36		36	23
Container handling				71	307	378	317
Ship owning and operating	1,218	309	(19)	23		313	306
	<b>1,218</b>	<b>309</b>	<b>(19)</b>	<b>130</b>	<b>307</b>	<b>727</b>	<b>646</b>
Trading & Industrial							
Car distribution	2,570	106				106	72
Shoe and apparel distribution	857	55	(1)	6		60	45
Waste services				101		101	84
Beverage can supply				44		44	40
Paint supply				17		17	20
Other activities	247	(36)	11			(25)	(23)
	<b>3,674</b>	<b>125</b>	<b>10</b>	<b>168</b>	<b>-</b>	<b>303</b>	<b>238</b>
Head Office	<b>147</b>	<b>(157)</b>	<b>(187)</b>	<b>-</b>	<b>-</b>	<b>(344)</b>	<b>(292)</b>
Inter-segment elimination	<b>(172)</b>						
<b>Total</b>	<b>17,568</b>	<b>4,585</b>	<b>(464)</b>	<b>530</b>	<b>1,522</b>	<b>6,173</b>	<b>4,922</b>



### 3. Segment information (continued)

(a) Primary reporting format – business segments by division (continued):

	The Company and its subsidiaries		Jointly controlled companies	Associated companies	Group	Profit attributable to shareholders HK\$M	
	Turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses HK\$M	Share of profits less losses HK\$M		Profit before taxation HK\$M
<b>Year ended 31st December 2002</b>							
Property							
Property investment	4,693	3,338	(330)	22		3,030	2,419
Property trading	565	125		54		179	172
Sales of investment properties	555	409				409	407
Hotels and restaurants				(36)	72	36	23
Provision for development properties				(398)		(398)	(398)
	<b>5,813</b>	<b>3,872</b>	<b>(330)</b>	<b>(358)</b>	<b>72</b>	<b>3,256</b>	<b>2,623</b>
Aviation							
Airline services and airline catering							
Cathay Pacific Group					1,805	1,805	1,677
Hong Kong Dragon Airlines					107	107	86
Aircraft engineering					242	242	209
Cargo handling					229	229	143
	-	-	-	-	<b>2,383</b>	<b>2,383</b>	<b>2,115</b>
Beverages							
Hong Kong	1,323	183	(1)			182	138
USA	2,696	204	(23)			181	110
Taiwan	937	55	(17)			38	30
Mainland China		(72)		140		68	33
Central costs		(37)				(37)	(35)
	<b>4,956</b>	<b>333</b>	<b>(41)</b>	<b>140</b>	<b>-</b>	<b>432</b>	<b>276</b>
Marine Services							
Ship repair, land engineering and harbour towage				24		24	21
Container handling				35	295	330	282
Ship owning and operating	993	352	(12)	25		365	355
	<b>993</b>	<b>352</b>	<b>(12)</b>	<b>84</b>	<b>295</b>	<b>719</b>	<b>658</b>
Trading & Industrial							
Car distribution	2,500	(131)	(7)			(138)	(174)
Shoe and apparel distribution	674	43	(1)	(25)		17	7
Waste services				89		89	75
Beverage can supply				14		14	13
Paint supply				19		19	18
Other activities	309	66		1		67	65
	<b>3,483</b>	<b>(22)</b>	<b>(8)</b>	<b>98</b>	<b>-</b>	<b>68</b>	<b>4</b>
Head Office	127	(190)	(156)	-	-	(346)	(299)
Inter-segment elimination	(157)						
<b>Total</b>	<b>15,215</b>	<b>4,345</b>	<b>(547)</b>	<b>(36)</b>	<b>2,750</b>	<b>6,512</b>	<b>5,377</b>

## Notes to the Accounts

### 3. Segment information (continued)

(a) Primary reporting format – business segments by division (continued):

#### Analysis of Turnover

	Turnover					
	2003			2002		
	External HK\$M	Inter- segment HK\$M	Total HK\$M	External HK\$M	Inter- segment HK\$M	Total HK\$M
Property						
Property investment	4,341	26	4,367	4,678	15	4,693
Property trading	2,365	–	2,365	565	–	565
Sales of investment properties	833	–	833	555	–	555
Beverages	5,136	–	5,136	4,956	–	4,956
Marine Services	1,216	2	1,218	991	2	993
Trading & Industrial	3,637	37	3,674	3,442	41	3,483
Head Office	40	107	147	28	99	127
Inter-segment elimination	–	(172)	(172)	–	(157)	(157)
	<b>17,568</b>	<b>–</b>	<b>17,568</b>	15,215	–	15,215

Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.

#### Analysis of total assets and total liabilities of the group

	Property		Aviation		Beverages		Marine Services		Trading & Industrial		Head Office		Group	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<i>Segment assets</i>	62,539	64,481	–	–	3,175	3,482	3,603	3,002	1,399	1,726	408	393	71,124	73,084
Deferred tax assets	–	7	–	–	–	34	–	–	12	14	–	–	12	55
Jointly controlled companies	2,668	4,343	37	19	999	977	393	359	214	147	–	–	4,311	5,845
Associated companies	922	898	16,177	16,499	–	–	578	586	–	–	–	–	17,677	17,983
Bank deposits & securities	170	153	–	–	28	165	29	31	169	120	103	99	499	568
<b>Total assets</b>	<b>66,299</b>	<b>69,882</b>	<b>16,214</b>	<b>16,518</b>	<b>4,202</b>	<b>4,658</b>	<b>4,603</b>	<b>3,978</b>	<b>1,794</b>	<b>2,007</b>	<b>511</b>	<b>492</b>	<b>93,623</b>	<b>97,535</b>
<i>Segment liabilities</i>	6,758	6,301	–	–	790	731	231	126	527	454	165	239	8,471	7,851
Current and deferred tax liabilities	929	848	–	–	148	174	8	7	46	54	41	37	1,172	1,120
Borrowings	8,948	11,977	–	–	1,056	1,504	1,396	1,251	(45)	606	(682)	(582)	10,673	14,756
<b>Total liabilities</b>	<b>16,635</b>	<b>19,126</b>	<b>–</b>	<b>–</b>	<b>1,994</b>	<b>2,409</b>	<b>1,635</b>	<b>1,384</b>	<b>528</b>	<b>1,114</b>	<b>(476)</b>	<b>(306)</b>	<b>20,316</b>	<b>23,727</b>
Minority interests	4,971	4,640	15	13	241	203	–	–	4	5	–	–	5,231	4,861
<b>Net assets</b>	<b>44,693</b>	<b>46,116</b>	<b>16,199</b>	<b>16,505</b>	<b>1,967</b>	<b>2,046</b>	<b>2,968</b>	<b>2,594</b>	<b>1,262</b>	<b>888</b>	<b>987</b>	<b>798</b>	<b>68,076</b>	<b>68,947</b>
Borrowings comprise:														
External borrowings	610	242	–	–	596	1,450	4	4	19	116	9,444	12,944	10,673	14,756
Inter-segment borrowings*	8,338	11,735	–	–	460	54	1,392	1,247	(64)	490	(10,126)	(13,526)	–	–
Total	8,948	11,977	–	–	1,056	1,504	1,396	1,251	(45)	606	(682)	(582)	10,673	14,756

\* Exclude equity loans from Head Office.

### 3. Segment information (continued)

(a) Primary reporting format – business segments by division (continued):

An analysis of capital expenditure and depreciation/amortisation of the group is as follows:

	Capital expenditure		Depreciation and amortisation	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Property	1,207	941	108	83
Beverages	183	205	289	305
Marine Services	664	1,091	169	119
Trading & Industrial	52	60	42	54
Head Office	–	14	37	36
	<b>2,106</b>	<b>2,311</b>	<b>645</b>	<b>597</b>

(b) Secondary reporting format – geographical segments:

The activities of the Swire Pacific group are mainly 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, operating profit, segment assets and capital expenditure of the group by principal markets is outlined below:

	Turnover		Operating profit	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Hong Kong	9,480	7,700	3,745	3,615
Asia (excluding Hong Kong)	3,639	3,324	171	77
North America	3,233	3,200	359	301
Ship owning and operating	1,216	991	310	352
	<b>17,568</b>	<b>15,215</b>	<b>4,585</b>	<b>4,345</b>

	Segment assets		Capital expenditure	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Hong Kong	62,283	65,286	1,251	991
Asia (excluding Hong Kong)	1,897	2,018	91	88
North America	3,348	2,789	100	141
Ship owning and operating	3,596	2,991	664	1,091
	<b>71,124</b>	<b>73,084</b>	<b>2,106</b>	<b>2,311</b>

### 4. Directors' emoluments

	Group	
	2003 HK\$M	2002 HK\$M
Fees from the Company and its subsidiary companies	1	–
Other emoluments:		
Salaries, allowances and benefits in kind	41	41
Retirement benefit costs	5	7
	<b>47</b>	<b>48</b>

Housing costs accounted for 27% (2002: 33%) of emoluments.

## Notes to the Accounts

### 4. Directors' emoluments (continued)

The total emoluments of the Directors were within the following bands:

HK\$'000	2003 Number	2002 Number
0 – 1,000	9	8
1,001 – 1,500	1	1
1,501 – 2,000	–	1
6,001 – 6,500	1	–
6,501 – 7,000	–	1
7,501 – 8,000	1	–
8,001 – 8,500	–	1
10,001 – 10,500	–	1
13,001 – 13,500	1	–
17,501 – 18,000	1	–
20,001 – 20,500	–	1
	<b>14</b>	<b>14</b>

Directors' fees paid or payable to the Independent Non-Executive Directors during the year totalled HK\$824,384 (2002: HK\$416,000). They received no other emoluments from the Company or any of its subsidiary companies.

### 5. Senior management remuneration

Of the five highest paid individuals in the group, four (2002: four) of them are Directors whose emoluments are disclosed in note 4. The remuneration in respect of the other one (2002: one) individual is as follows:

	Group	
	2003 HK\$M	2002 HK\$M
Salaries, allowances and benefits in kind	6	6
Retirement benefit costs	1	1
	<b>7</b>	<b>7</b>

### 6. Net finance charges

	Group			
	2003		2002	
	HK\$M	HK\$M	HK\$M	HK\$M
<b>Interest charged on:</b>				
Bank loans and overdrafts		106		141
Other loans and bonds:				
Wholly repayable within five years	295		337	
Not wholly repayable within five years	424		425	
		<b>719</b>		<b>762</b>
Deferred into properties under development for sale:				
Subsidiary companies	(37)		(38)	
Jointly controlled companies	(27)		(67)	
		<b>(64)</b>		<b>(105)</b>
Capitalised on:				
Investment properties	(246)		(205)	
Vessels	(3)		(7)	
		<b>(249)</b>		<b>(212)</b>
		<b>512</b>		<b>586</b>
<b>Interest income on:</b>				
Short-term deposits and bank balances	(11)		(12)	
Other loans	(37)		(27)	
		<b>(48)</b>		<b>(39)</b>
		<b>464</b>		<b>547</b>

The capitalisation rate applied to funds borrowed generally and used for the development of investment properties and properties for sale is between 0.89% and 7.02% per annum (2002: 1.77% and 6.56% per annum).

## 7. Share of profits less losses of jointly controlled companies

In 2002, the share of profits less losses of jointly controlled companies included an attributable loss of HK\$398 million arising from the provision for diminution in value of property development sites. The share of the deficit on the revaluation of investment properties held by jointly controlled companies is dealt with in the group property valuation reserve as set out in note 26 to the accounts.

## 8. Taxation

The taxation charge comprises:

	Group			
	2003		2002	
	HK\$M	HK\$M	HK\$M	HK\$M
<b><i>The Company and its subsidiary companies:</i></b>				
Current taxation:				
Hong Kong profits tax	330		292	
Overseas taxation	130		117	
Over-provision in respect of previous years	(47)		(14)	
		413		395
Deferred taxation:				
Origination and reversal of temporary differences	72		68	
Effect of changes in tax rates	61		–	
		133		68
		546		463
<b><i>Jointly controlled companies:</i></b>				
Current taxation	77		61	
Deferred taxation:				
Origination and reversal of temporary differences	(67)		(37)	
Effect of changes in tax rates	(27)		–	
		(17)		24
<b><i>Associated companies:</i></b>				
Current taxation	268		209	
Deferred taxation:				
Origination and reversal of temporary differences	20		59	
Effect of changes in tax rates	55		–	
		343		268
		872		755

Hong Kong profits tax is calculated at 17.5% (2002: 16.0%) on the estimated assessable profits for the year. In 2003, the Hong Kong government enacted a change in the profits tax rate from 16.0% to 17.5% for the fiscal year 2003/2004. Overseas tax is calculated at tax rates applicable in countries in which the group is assessable for tax.

## Notes to the Accounts

### 8. Taxation (continued)

The tax charge on the group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong tax rate of the Company as follows:

	Group	
	2003 HK\$M	2002 HK\$M
Profit before taxation	6,173	6,512
Calculated at a tax rate of 17.5% (2002: 16.0%)	1,080	1,042
Effect of different tax rates in other countries	(87)	(214)
Income not subject to tax	(149)	(124)
Expenses not deductible for tax purposes	117	273
Unused tax losses not recognised	74	27
Temporary differences not recognised	(117)	(109)
Utilisation of previously unrecognised tax losses	(26)	(22)
Recognition of previously unrecognised tax losses	(74)	(44)
Over-provisions in prior years	(12)	(27)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	89	–
Others	(23)	(47)
Tax charge	872	755

### 9. Profit attributable to shareholders

Of the profit attributable to shareholders, HK\$2,255 million (2002: HK\$2,187 million) is dealt with in the accounts of the Company.

### 10. Dividends

	Company	
	2003 HK\$M	2002 HK\$M
Interim dividend paid on 2nd October 2003 of HK¢32.0 per 'A' share and HK¢6.4 per 'B' share (2002: HK¢40.0 and HK¢8.0)	490	618
Final proposed dividend of HK¢102.0 per 'A' share and HK¢20.4 per 'B' share (2002: HK¢90.0 and HK¢18.0)	1,562	1,378
	2,052	1,996

The final proposed dividend is not accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2004.

## 11. Earnings per share

Earnings per share are calculated by dividing the profit attributable to shareholders of HK\$4,922 million (2002: HK\$5,377 million) by the weighted average number of 930,477,088 'A' shares and 3,003,486,271 'B' shares in issue during the year (2002: 938,809,367 'A' shares and 3,043,155,572 'B' shares).

## 12. Fixed assets

	Group				Company		
	Properties HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M	Properties HK\$M	Plant and machinery HK\$M	Total HK\$M
<b>Cost or valuation:</b>							
At 31st December 2002	63,540	3,887	4,101	71,528	329	31	360
Translation differences	9	7	(19)	(3)	–	–	–
Additions	1,208	241	657	2,106	–	–	–
Disposals	(763)	(156)	(82)	(1,001)	–	–	–
Investment property valuation decrease during the year	(2,295)	–	–	(2,295)	–	–	–
At 31st December 2003	61,699	3,979	4,657	70,335	329	31	360
<b>Depreciation:</b>							
At 31st December 2002	610	2,614	1,329	4,553	75	20	95
Translation differences	–	5	(7)	(2)	–	–	–
Charge for the year	56	309	167	532	7	4	11
Disposals	(12)	(129)	(80)	(221)	–	–	–
At 31st December 2003	654	2,799	1,409	4,862	82	24	106
<b>Net book value:</b>							
At 31st December 2003	61,045	1,180	3,248	65,473	247	7	254
At 31st December 2002	62,930	1,273	2,772	66,975	254	11	265

(a) Fixed assets held for deployment in operating leases at 31st December were as follows:

	Group				Company	
	2003		2002		2003	2002
	Properties HK\$M	Vessels HK\$M	Properties HK\$M	Vessels HK\$M	Properties HK\$M	Properties HK\$M
Cost	55,037	4,657	57,033	4,101	329	329
Less: accumulated depreciation	89	1,409	81	1,329	82	75
Net book value	54,948	3,248	56,952	2,772	247	254
Depreciation charge for the year	8	167	13	117	7	12

## Notes to the Accounts

### 12. Fixed assets (continued)

- (b) Investment properties, whether completed or in the course of development, were valued on the basis of open market value at 31st December 2003 by DTZ Debenham Tie Leung Limited, independent professional valuers. This valuation has been incorporated in the accounts as stated in principal accounting policy no. 5.
- (c) At 31st December 2003 and 2002, none of the fixed assets were pledged as security for the group's long-term loans.

	Group				
	Investment properties		Other properties		Total
	Completed HK\$M	Under development HK\$M	Land HK\$M	Buildings HK\$M	HK\$M
(d) Properties comprise:					
<b>Cost or valuation:</b>					
At 31st December 2002	56,669	4,405	874	1,592	63,540
Translation differences	–	–	5	4	9
Additions	129	1,070	–	9	1,208
Disposals	(738)	(1)	(9)	(15)	(763)
Transfer between categories	674	(674)	–	–	–
Valuation decrease during the year	(2,060)	(235)	–	–	(2,295)
At 31st December 2003	54,674	4,565	870	1,590	61,699
<b>Depreciation:</b>					
At 31st December 2002	–	–	165	445	610
Charge for the year	–	–	10	46	56
Disposals	–	–	(1)	(11)	(12)
At 31st December 2003	–	–	174	480	654
Net book value at 31st December 2003	54,674	4,565	696	1,110	61,045
(e) Tenure and valuation					
<b>Held in Hong Kong:</b>					
On medium-term lease (10 to 50 years):					
At cost less depreciation	–	–	154	489	643
On long-term lease (over 50 years):					
At cost less depreciation	–	–	131	34	165
At professional valuation					
31st December 2003	54,674	4,565	–	–	59,239
<b>Held outside Hong Kong:</b>					
On medium-term lease (10 to 50 years):					
At cost less depreciation	–	–	3	–	3
Freehold:					
At cost less depreciation	–	–	408	587	995
Net book value at 31st December 2003	54,674	4,565	696	1,110	61,045

- (f) The Company's properties, with a total net book value of HK\$247 million (2002: HK\$254 million), include long-term and medium-term leasehold land in Hong Kong held at a net book value of HK\$117 million (2002: HK\$120 million) and HK\$130 million (2002: HK\$134 million) respectively.



### 13. Subsidiary companies

	Company	
	2003 HK\$M	2002 HK\$M
Unlisted shares at cost less provisions	4,335	4,235
Amounts due from subsidiary companies less provisions	7,127	7,496
	<b>11,462</b>	11,731
Amounts due to subsidiary companies	(641)	(506)
	<b>10,821</b>	11,225

The principal subsidiary companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 91 to 97.

### 14. Jointly controlled companies

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Unlisted shares at cost			412	356
Share of net liabilities, unlisted	(1,597)	(1,607)		
Loans due from jointly controlled companies less provisions	9,282	8,732	123	256
Loans due to jointly controlled companies	(3,374)	(1,280)	–	–
	<b>4,311</b>	5,845	<b>535</b>	612
Dividends received and receivable by the Company and its subsidiary companies from jointly controlled companies	452	392	82	49

The principal jointly controlled companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 91 to 97.

### 15. Associated companies

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Shares at cost				
– Listed in Hong Kong			1,460	1,211
– Unlisted			783	783
			<b>2,243</b>	1,994
Share of net assets				
– Listed in Hong Kong	15,321	15,679		
– Unlisted	1,336	1,316		
	<b>16,657</b>	16,995		
Unamortised goodwill on acquisition	45	22		
	<b>16,702</b>	17,017		
Loans due from associated companies less provisions	1,125	1,122	–	–
Loans due to associated companies	(150)	(156)	–	–
	<b>17,677</b>	17,983	<b>2,243</b>	1,994
Dividends received and receivable by the Company and its subsidiary companies from associated companies	1,096	901	911	621

## Notes to the Accounts

### 15. Associated companies (continued)

- (a) The market value of the shares in the listed associated companies at 31st December 2003 was HK\$25,349 million (2002: HK\$17,500 million).
- (b) The principal associated companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 91 to 97. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 98 to 99.

### 16. Investment securities and long-term receivables

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Unlisted shares	96	105	–	8
Loans advanced	177	210	–	–
Investment securities	273	315	–	8
Mortgages and other receivables	23	23	2	1
	<b>296</b>	<b>338</b>	<b>2</b>	<b>9</b>

### 17. Properties for sale

	Group	
	2003 HK\$M	2002 HK\$M
Completed properties for sale	291	445
Properties under development for sale	1,531	1,997
	<b>1,822</b>	<b>2,442</b>

- (a) At 31st December 2003, the value of properties for sale that are carried below cost at net realisable value was HK\$112 million (2002: HK\$39 million).
- (b) At 31st December 2003, properties for sale pledged as security for the group's long-term loans amounted to HK\$1,364 million (2002: HK\$911 million).

### 18. Stocks and work in progress

	Group	
	2003 HK\$M	2002 HK\$M
Goods for sale	657	694
Manufacturing materials	122	163
Production supplies	62	65
Work in progress	20	10
	<b>861</b>	<b>932</b>

At 31st December 2003, the value of stocks that are carried below cost at net realisable value was HK\$14 million (2002: HK\$4 million).

## 19. Trade and other receivables

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Trade debtors	1,642	973	–	2
Amounts due from intermediate holding companies	1	–	–	–
Amounts due from fellow subsidiary companies	2	3	–	–
Amounts due from subsidiary companies	–	–	107	97
Amounts due from jointly controlled companies	14	21	–	–
Amounts due from associated companies	66	7	–	–
Other receivables	760	1,142	59	429
	<b>2,485</b>	<b>2,146</b>	<b>166</b>	<b>528</b>

At 31st December 2003, the aged analysis of trade debtors was as follows:

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Under three months	1,558	888	–	2
Between three and six months	54	60	–	–
Over six months	30	25	–	–
	<b>1,642</b>	<b>973</b>	<b>–</b>	<b>2</b>

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Aged analyses of debtors are prepared and closely monitored in order to minimise any credit risk associated with receivables.

## 20. Trade and other payables

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Trade creditors	626	408	3	–
Amounts due to intermediate holding companies	65	102	18	8
Amounts due to jointly controlled companies	24	15	–	–
Amounts due to associated companies	13	10	–	–
Other payables	7,477	7,095	85	153
	<b>8,205</b>	<b>7,630</b>	<b>106</b>	<b>161</b>

At 31st December 2003, the aged analysis of trade creditors was as follows:

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Under three months	615	391	2	–
Between three and six months	5	9	–	–
Over six months	6	8	1	–
	<b>626</b>	<b>408</b>	<b>3</b>	<b>–</b>

## Notes to the Accounts

### 21. Perpetual Capital Securities

The Perpetual Capital Securities, amounting to US\$300 million each and bearing cumulative interest at 9.33% and 8.84% per annum, were issued by two wholly-owned subsidiaries (the 'Issuers') on 23rd October 1996 and 6th May 1997 respectively. They have no scheduled maturity but are redeemable at the option of the Company or the respective Issuer either (i) at any time on or after 30th October 2006 and 13th May 2017 respectively or (ii) at any time upon amendment or imposition of certain taxes and, in any case, become due in the event of the Company's or the respective Issuer's winding up. The Perpetual Capital Securities are unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company.

### 22. Long-term loans and bonds

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
<b>Bank loans (secured):</b>				
Repayable within one year	–	54	–	–
Repayable between one and two years	<b>603</b>	–	–	–
Repayable between two and five years	–	181	–	–
<b>Bank loans (unsecured):</b>				
Repayable between two and five years	<b>222</b>	1,822	–	–
<b>Other borrowings (unsecured):</b>				
Repayable within one year	<b>2,821</b>	3,053	<b>2,321</b>	890
Repayable between one and two years	–	2,821	–	2,321
Repayable between two and five years	<b>500</b>	500	–	–
	<b>4,146</b>	8,431	<b>2,321</b>	3,211
Amount due within one year included under current liabilities	<b>(2,821)</b>	(3,107)	<b>(2,321)</b>	(890)
	<b>1,325</b>	5,324	–	2,321

Borrowings other than bank loans are repayable on various dates up to 2006 at interest rates from 0.66% to 8.5% per annum (2002: 1.75% to 8.5% per annum).

### 23. Deferred taxation

The movement on the net deferred tax liabilities/(assets) account is as follows:

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
At 1st January	<b>749</b>	681	<b>25</b>	25
Translation differences	<b>(3)</b>	–	–	–
Charged to profit and loss account (note 8)	<b>133</b>	68	<b>3</b>	–
At 31st December	<b>879</b>	749	<b>28</b>	25

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits are probable. The group has unrecognised tax losses of HK\$1,087 million (2002: HK\$1,131 million) to carry forward against future taxable income. Except for tax losses of HK\$13 million (2002: HK\$66 million) with expiry at various dates up to 2007, the balance has no expiry date.

### 23. Deferred taxation (continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

#### Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Others		Total	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
At 1st January	737	694	107	101	844	795
Translation differences	1	–	–	–	1	–
Charged/(credited) to profit and loss account	125	43	(29)	6	96	49
At 31st December	863	737	78	107	941	844

	Company					
	Accelerated tax depreciation		Defined benefit retirement plans		Total	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
At 1st January	11	11	14	14	25	25
Charged to profit and loss account	1	–	2	–	3	–
At 31st December	12	11	16	14	28	25

#### Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
At 1st January	37	39	7	16	51	59	95	114
Translation differences	1	–	–	–	3	–	4	–
(Charged)/credited to profit and loss account	13	(2)	(7)	(9)	(43)	(8)	(37)	(19)
At 31st December	51	37	–	7	11	51	62	95

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 balance sheet.

## Notes to the Accounts

### 23. Deferred taxation (continued)

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Deferred tax assets	(12)	(55)	–	–
Deferred tax liabilities	891	804	28	25
	<b>879</b>	749	<b>28</b>	25

As noted in principal accounting policy no. 16, the group implemented the revised HK SSAP 12 for deferred taxation with effect from 1st January 2003. This change in accounting policy has been applied retrospectively and the comparatives have been restated.

The adjustments to the consolidated balance sheet at 31st December 2002 are as follows:

	HK\$M
Increase in jointly controlled companies	328
Decrease in associated companies	(5)
Increase in deferred tax assets	55
Increase in deferred tax liabilities	(766)
Increase in tax liabilities	(17)
Decrease in minority interests	86
<b>Decrease in revenue reserve</b>	<b>(319)</b>

The profit for the year ended 31st December 2002 has been reduced by HK\$27 million, with HK\$32 million charged to taxation and HK\$5 million credited to minority interests.

### 24. Retirement benefits

The group operates various retirement benefit plans providing resignation and retirement benefits to staff. Most retirement benefit plans for staff employed on expatriate terms are contributory, whilst most plans for locally-engaged employees are non-contributory. The assets of the plans are administered by independent 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 services liabilities, on an on-going basis, as computed by actuarial valuations.

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 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.

## 24. Retirement benefits (continued)

Total retirement benefit costs recognised in the profit and loss account for the year ended 31st December 2003 amounted to HK\$114 million (2002: HK\$83 million), including HK\$11 million (2002: HK\$10 million) in respect of defined contribution plans.

For disclosure in the financial statements, defined benefit plans are valued by independent qualified actuaries annually using the projected unit credit method in accordance with the HK SSAP 34. Principal plans in Hong Kong are valued by Watson Wyatt Hong Kong Limited and HSBC Life (International) Limited, whilst the plans in the United States and Taiwan are valued by independent qualified actuaries in corresponding countries. In addition, the group operates a post-employment health care and life insurance benefit plan for certain retired employees in the United States, with method of accounting and frequency of valuations similar to those used for defined benefit plans.

(a) The amounts recognised in the consolidated balance sheet are as follows:

	2003			
	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	1,089	–	1,089	28
Fair value of plan assets	(1,123)	–	(1,123)	(115)
	(34)	–	(34)	(87)
Present value of unfunded obligations	–	83	83	–
Net unrecognised actuarial losses	(18)	(49)	(67)	(3)
Unrecognised past service costs	3	–	3	–
Net retirement benefit liabilities/(assets)	(49)	34	(15)	(90)
Represented by:				
Retirement benefit assets	(154)	–	(154)	(90)
Retirement benefit liabilities	105	34	139	–
	(49)	34	(15)	(90)

	2002			
	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	1,017	–	1,017	38
Fair value of plan assets	(874)	–	(874)	(104)
	143	–	143	(66)
Present value of unfunded obligations	–	58	58	–
Net unrecognised actuarial losses	(187)	(32)	(219)	(24)
Unrecognised past service costs	4	–	4	–
Net retirement benefit liabilities/(assets)	(40)	26	(14)	(90)
Represented by:				
Retirement benefit assets	(128)	–	(128)	(90)
Retirement benefit liabilities	88	26	114	–
	(40)	26	(14)	(90)

## Notes to the Accounts

### 24. Retirement benefits (continued)

(b) Movements in the net retirement benefit liabilities/(assets) are as follows:

	2003			
	Group			Company
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	Defined benefit plans HK\$M
<b>At 1st January</b>	(40)	26	(14)	(90)
Dissolution of a subsidiary company	26	–	26	–
Contributions paid	(129)	(1)	(130)	–
Net expenses recognised in the profit and loss account	94	9	103	–
<b>At 31st December</b>	(49)	34	(15)	(90)

	2002			
	Group			Company
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	Defined benefit plans HK\$M
<b>At 1st January</b>	–	–	–	–
Liabilities reclassified from other payables	74	24	98	–
Net transitional surplus recognised upon initial adoption of HK SSAP 34	(83)	–	(83)	(89)
Contributions paid	(99)	(3)	(102)	–
Net expenses recognised in the profit and loss account	68	5	73	(1)
<b>At 31st December</b>	(40)	26	(14)	(90)

(c) Net expenses recognised in the consolidated profit and loss account are as follows:

	Group					
	2003			2002		
	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	87	3	90	79	1	80
Interest cost	56	4	60	61	3	64
Expected return on plan assets	(57)	–	(57)	(73)	–	(73)
Past service costs recognised	2	–	2	1	1	2
Net actuarial losses recognised	6	2	8	–	–	–
	<b>94</b>	<b>9</b>	<b>103</b>	68	5	73

The above net expenses were mainly included in administrative expenses in the consolidated profit and loss account.

The actual return on defined benefit plan assets was a gain of HK\$145 million (2002: loss of HK\$71 million).



## 24. Retirement benefits (continued)

(d) The principal actuarial assumptions used are as follows:

	2003		2002	
	Group		Group	
	Defined benefit plans %	Other post-employment benefits %	Defined benefit plans %	Other post-employment benefits %
Discount rate	3.5 – 6.25	6.25	4 – 7	6.75
Expected rate of return on plan assets	3.25 – 8	N/A	3.28 – 8	N/A
Expected rate of future salary increases	2 – 5	N/A	Nil – 4.5	N/A
Expected rate of increase in cost of covered health care benefits	N/A	9.0	N/A	5.5

## 25. 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
<b>Authorised:</b>					
At 31st December 2003 and 2002	1,140,000,000	3,600,000,000	684	432	1,116
<b>Issued and fully paid:</b>					
At 31st December 2001	940,111,885	3,059,301,271	564	367	931
Less: Shares repurchased and cancelled	7,804,000	55,815,000	5	6	11
At 31st December 2002	932,307,885	3,003,486,271	559	361	920
Less: Shares repurchased and cancelled	1,932,500	–	1	–	1
At 31st December 2003	930,375,385	3,003,486,271	558	361	919

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

During the year, the Company repurchased on the stock exchange 1,932,500 'A' shares of HK\$0.60 each of the Company at an aggregate consideration of HK\$60 million (2002: A total of 7,804,000 'A' shares of HK\$0.60 each and 55,815,000 'B' shares of HK\$0.12 each at an aggregate consideration of HK\$540 million). All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of the shares cancelled was transferred from revenue reserve to the capital redemption reserve as disclosed in note 26.

## Notes to the Accounts

### 26. Reserves

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
<b>Company</b>							
At 31st December 2001							
– as originally stated	10,188	–	342	21	–	–	10,551
– change in accounting policy for deferred taxation (note(d))	(1)	–	–	–	–	–	(1)
– as restated	10,187	–	342	21	–	–	10,550
Profit for the year	2,187	–	–	–	–	–	2,187
Repurchase of Company's shares							
– premium paid on repurchases	(529)	–	–	–	–	–	(529)
– transfer between reserves	(11)	–	–	11	–	–	–
2001 Final dividend	(1,179)	–	–	–	–	–	(1,179)
2002 Interim dividend (note 10)	(618)	–	–	–	–	–	(618)
At 31st December 2002	10,037	–	342	32	–	–	10,411
At 31st December 2002							
– as originally stated	10,038	–	342	32	–	–	10,412
– change in accounting policy for deferred taxation (note (d))	(1)	–	–	–	–	–	(1)
– as restated	10,037	–	342	32	–	–	10,411
Profit for the year	2,255	–	–	–	–	–	2,255
Repurchase of Company's shares							
– premium paid on repurchases	(59)	–	–	–	–	–	(59)
– transfer between reserves	(1)	–	–	1	–	–	–
2002 Final dividend (note 10)	(1,378)	–	–	–	–	–	(1,378)
2003 Interim dividend (note 10)	(490)	–	–	–	–	–	(490)
At 31st December 2003	10,364	–	342	33	–	–	10,739

## 26. Reserves (continued)

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
<b>Group</b>							
At 31st December 2001							
– as originally stated	41,459	28,752	342	21	134	1,186	71,894
– change in accounting policy for deferred taxation (note(d))	(292)	–	–	–	–	–	(292)
– as restated	41,167	28,752	342	21	134	1,186	71,602
Profit for the year	5,377	–	–	–	–	–	5,377
Repurchase of Company's shares							
– premium paid on repurchases	(529)	–	–	–	–	–	(529)
– transfer between reserves	(11)	–	–	11	–	–	–
2001 Final dividend	(1,179)	–	–	–	–	–	(1,179)
2002 Interim dividend (note 10)	(618)	–	–	–	–	–	(618)
Goodwill reinstated							
– on disposal of associated companies	22	–	–	–	–	–	22
– upon impairment	93	–	–	–	–	–	93
Decrease in property valuation arising during the year	–	(5,367)	–	–	–	–	(5,367)
Share of deficit on revaluation of investment properties held by jointly controlled companies	–	(41)	–	–	–	–	(41)
Revaluation surplus on investment properties transferred to operating profit on disposal	–	(452)	–	–	–	–	(452)
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	(600)	(600)
– transferred to the profit and loss account	–	–	–	–	–	(333)	(333)
Revaluation surplus on investment securities recognised during the year	–	–	–	–	49	–	49
Exchange differences	3	–	–	–	–	–	3
At 31st December 2002	44,325	22,892	342	32	183	253	68,027

## Notes to the Accounts

### 26. Reserves (continued)

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
<b>Group</b>							
At 31st December 2002							
– as originally stated	44,644	22,892	342	32	183	253	68,346
– change in accounting policy for deferred taxation (note (d))	(319)	–	–	–	–	–	(319)
– as restated	44,325	22,892	342	32	183	253	68,027
Profit for the year	4,922	–	–	–	–	–	4,922
Repurchase of Company's shares							
– premium paid on repurchases	(59)	–	–	–	–	–	(59)
– transfer between reserves	(1)	–	–	1	–	–	–
2002 Final dividend (note 10)	(1,378)	–	–	–	–	–	(1,378)
2003 Interim dividend (note 10)	(490)	–	–	–	–	–	(490)
Goodwill reinstated							
– on disposal of subsidiary companies	2	–	–	–	–	–	2
– upon impairment	6	–	–	–	–	–	6
Decrease in property valuation arising during the year	–	(2,666)	–	–	–	–	(2,666)
Share of deficit on revaluation of investment properties held by jointly controlled companies	–	(69)	–	–	–	–	(69)
Revaluation surplus on investment properties transferred to operating profit on disposal	–	(484)	–	–	–	–	(484)
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	(617)	(617)
– deferred tax recognised	–	–	–	–	–	42	42
– transferred to the profit and loss account	–	–	–	–	–	(41)	(41)
Revaluation deficit on investment securities recognised during the year	–	–	–	–	(27)	–	(27)
Exchange differences	(11)	–	–	–	–	–	(11)
At 31st December 2003	47,316	19,673	342	33	156	(363)	67,157

The group revenue reserve includes accumulated losses from jointly controlled companies amounting to HK\$2,210 million (2002: HK\$2,277 million) and retained revenue reserves from associated companies amounting to HK\$14,818 million (2002: HK\$14,749 million).

- (a) Distributable reserves of the Company at 31st December 2003 amounted to HK\$10,364 million (2002: HK\$10,037 million).
- (b) The revenue reserve includes HK\$1,562 million (2002: HK\$1,378 million) representing the proposed final dividend for the year (note 10).

## 26. Reserves (continued)

- (c) As set out in principal accounting policy no. 4 (iv), the cash flow hedge reserve relates to exchange differences on borrowings, lease obligations, currency derivatives and related security deposits of the Cathay Pacific Group which are arranged in foreign currencies such that repayment can be met by anticipated operating cash flows. Had HK SSAP 11 been adopted, there would have been no financial impact on the Swire Pacific group's assets, liabilities and cash flows. A deficit of HK\$363 million (2002: a surplus of HK\$253 million) would have been included in Swire Pacific group's revenue reserve rather than the cash flow hedge reserve and the Swire Pacific group's profit and loss account for year ended 31st December 2003 would have decreased by HK\$616 million (2002: HK\$933 million).
- (d) Details of the change in accounting policy for deferred taxation are set out in principal accounting policy no. 16 and note 23 to the accounts.

## 27. Contingencies and commitments

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
<b>(a) Outstanding commitments for capital expenditure at the year end:</b>				
Contracted for but not provided for in the accounts	1,787	2,129	99	–
Authorised by Directors but not contracted for	138	499	–	–
<b>(b) Outstanding commitments for capital expenditure at the year end (included in (a) above) relating to the group's interest in jointly controlled companies:</b>				
Contracted for but not provided for in the accounts	791	692	99	–
<b>(c) In addition, the group's share of the capital commitments of its jointly controlled companies at the year end (not included in (a) above):</b>				
Contracted for but not provided for in the accounts	24	48	–	–
Authorised by Directors but not contracted for	212	18	–	–
<b>(d) Guarantees have been given in respect of bank loans and other liabilities outstanding at 31st December amounting to:</b>				
Subsidiary companies	–	–	7,552	11,769
Jointly controlled companies	1,210	1,211	1,210	1,211
Third parties	165	143	–	–
	<b>1,375</b>	<b>1,354</b>	<b>8,762</b>	<b>12,980</b>

## Notes to the Accounts

### 28. 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 a period of three to six years. The turnover-related rental income received during the year amounted to HK\$69 million (2002: HK\$68 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 payments under non-cancellable operating leases receivable by the group were as follows:

	Group		Company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
Land and buildings:				
Not later than one year	2,666	2,934	14	16
Later than one year but not later than five years	3,858	3,893	5	6
Later than five years	182	292	–	–
	<b>6,706</b>	7,119	<b>19</b>	22
Vessels:				
Not later than one year	294	219	–	–
Later than one year but not later than five years	32	61	–	–
	<b>326</b>	280	–	–
	<b>7,032</b>	7,399	<b>19</b>	22

#### (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 turnover-related rentals paid during the year amounted to HK\$6 million (2002: HK\$3 million).

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases payable by the group were as follows:

	Group	
	2003 HK\$M	2002 HK\$M
Land and buildings:		
Not later than one year	91	88
Later than one year but not later than five years	109	97
Later than five years	4	4
	<b>204</b>	189
Vessels:		
Not later than one year	13	9
Other equipment:		
Not later than one year	18	17
	<b>235</b>	215

The Company did not have any material operating lease commitments at 31st December 2003 and 2002.

## 29. Related party transactions

There are agreements for services, in respect of which John Swire & Sons (HK) Limited provides services to various companies in the group and under which costs are reimbursed and fees are payable. Service fees are calculated as 2.5% (2002: 2.5%) of the relevant company's consolidated profit before tax, extraordinary items and minority interests, adjusted by disregarding any profits and losses on sale of fixed assets and from jointly controlled and associated companies but adding back the dividends receivable from these companies. For the year ended 31st December 2003, those fees amounted to HK\$120 million (2002: HK\$121 million) and expenses of HK\$132 million (2002: HK\$109 million) were reimbursed at cost.

The following is a summary of other significant transactions between the group and related parties, in addition to those disclosed elsewhere in the accounts, which were carried out in the normal course of the group's business:

	Notes	Jointly controlled companies		Associated companies		Fellow subsidiaries		Intermediate holding company	
		2003	2002	2003	2002	2003	2002	2003	2002
		HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Revenue from sales of goods and rendering of services	(a)	<b>28</b>	30	<b>18</b>	12	–	–	–	–
Purchases of goods and services	(a)	<b>210</b>	202	<b>52</b>	43	<b>10</b>	9	–	–
Rental revenue	(b)	<b>10</b>	10	<b>6</b>	4	<b>7</b>	6	<b>48</b>	43
Interest income	(c)	<b>18</b>	5	<b>14</b>	19	–	–	–	–
Interest charges	(c)	<b>4</b>	7	–	–	–	–	–	–

Amounts due to and due from intermediate holding company at 31st December 2003 are disclosed in notes 19 and 20. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

### Notes:

- 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 than those charged to/by and contracted with other third party customers/suppliers of the group.
- 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.
- Loans advanced to jointly controlled and associated companies and loans due to jointly controlled and associated companies at 31st December 2003 are disclosed in notes 14 and 15 respectively. Quasi-equity loans are non-interest-bearing whilst other loans bear interest at market rates. These loans have no fixed settlement dates.

## Notes to the Accounts

### 30. Notes to the consolidated cash flow statement

	Group	
	2003 HK\$M	2002 HK\$M
<b>(a) Reconciliation of operating profit to cash generated from operations</b>		
Operating profit	4,585	4,345
Depreciation of fixed assets	532	523
Profit on disposal of fixed assets	(565)	(416)
Amortisation of deferred expenditure	113	74
Impairment losses on:		
Fixed assets	–	93
Goodwill	–	41
Investment securities	–	35
Profit on sale of jointly controlled companies	–	(88)
Other items not involving cash flow	(28)	(63)
<b>Operating profit before working capital changes</b>	<b>4,637</b>	<b>4,544</b>
Decrease/(increase) in properties for sale	676	(692)
Decrease in stocks and work in progress	71	123
(Increase)/decrease in trade and other receivables	(727)	94
Increase in trade and other payables	676	393
<b>Cash generated from operations</b>	<b>5,333</b>	<b>4,462</b>
<b>(b) Analysis of fixed assets purchased</b>		
Investment properties	953	717
Other properties	9	28
Plant and machinery and vessels	895	1,354
<b>Purchase of fixed assets</b>	<b>1,857</b>	<b>2,099</b>

The above figures do not include interest capitalised on fixed assets.

### (c) Analysis of changes in financing during the year

	Group			
	Loans, bonds and perpetual capital securities		Minority interests	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
At 1st January	14,746	17,164	4,861	4,570
Net cash outflow from financing	(4,086)	(2,428)	(266)	(175)
Minority interests in property valuation reserve	–	–	371	158
Minority interests' share of profits less losses	–	–	379	380
Dividends paid and payable	–	–	(113)	(105)
Other non-cash movements	8	10	(1)	33
At 31st December	<b>10,668</b>	14,746	<b>5,231</b>	4,861

### 31. Ultimate holding company

The ultimate holding company is John Swire & Sons Limited, a company incorporated in the United Kingdom.



# Principal Accounting Policies

## 1. Basis of accounting

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”) with the exception of the recognition of exchange differences on certain long-term liabilities in Cathay Pacific as explained in accounting policy no. 4 below. In the view of the Directors, this departure is necessary to show a true and fair view. The accounts have been prepared under the historical cost convention as modified by the revaluation of certain investment properties and investments in securities.

In the current year, the group adopted the Statement of Standard Accounting Practice (“HK SSAP”) 12 (revised) “Income taxes” issued by the HKSA, which is effective for accounting periods commencing on or after 1st January 2003. The changes to the group’s accounting policy and the effects of adopting this revised standard are set out in accounting policy no. 16 below.

## 2. Basis of consolidation

The consolidated accounts of the group incorporate the accounts of Swire Pacific Limited and all its subsidiary companies made up to 31st December. Subsidiary companies are those entities in which the group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiary companies are included in the consolidated profit and loss account and minority interests therein are deducted from the consolidated profit after taxation. Results attributable to subsidiary company interests acquired or disposed of during the year are included from the date of acquisition or to the date of disposal as applicable.

All significant intercompany transactions and balances within the group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary, jointly controlled or associated company represents the difference between the proceeds of the sale and the group’s share of its net assets together with any goodwill or negative goodwill which was not previously amortised in the consolidated profit and loss account or which has previously been written off against the revenue reserve.

Minority interests in the balance sheet comprise the outside shareholders’ proportion of the net assets of subsidiary companies.

In the Company’s balance sheet the investments in subsidiary companies are stated at cost less provision for any impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

## 3. 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, not being subsidiary companies, in which the group has a substantial long-term interest in the equity voting rights, and over which the group is in a position to exercise significant influence.

## Principal Accounting Policies

### 3. Jointly controlled and associated companies (continued)

The results of jointly controlled and associated companies are accounted for by the Company on the basis of dividends received and receivable. The consolidated profit and loss account includes the group's share of results of jointly controlled and associated companies for the year. Valuation changes arising on group investment properties held in jointly controlled companies are treated in accordance with principal accounting policy no. 5 – Valuation of investment properties. In the Company's balance sheet, investments in jointly controlled and associated companies are stated at cost less provisions for any impairment losses. In the consolidated balance sheet, the investment in jointly controlled and associated companies represents the group's share of net assets and goodwill (net of accumulated amortisation) on acquisition.

### 4. Translation of foreign currencies

- (i) Transactions in foreign currencies entered into during the year are translated at the market rates or forward contract rates ruling at the relevant transaction dates. With the exception of the Perpetual Capital Securities as set out in (iii) below, monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases, with the exception of note (iv) below, are dealt with in the profit and loss account.
- (ii) The balance sheets of subsidiary, jointly controlled and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average rate. Unrealised differences on net investments in foreign subsidiary, jointly controlled and associated companies (including intra-group balances of an equity nature) and related long-term liabilities are taken directly to reserves.
- (iii) The group's two issues of Perpetual Capital Securities, which were issued by wholly-owned subsidiary companies (the "Issuers"), are denominated in US dollars and have no scheduled maturity. They are, however, redeemable at the Company's or the respective Issuer's option either (a) on or after 30th October 2006 and 13th May 2017 respectively or (b) at any time upon amendment or imposition of certain taxes and, in any case, become due in the event of the Company's or the respective Issuer's winding-up. Since it is not the present intention of the group that these Perpetual Capital Securities will be redeemed, they are valued at historical exchange rates.
- (iv) In order to reduce its exposure to exchange rate fluctuations on future operating cash flows, the Cathay Pacific Group arranges its borrowings and leasing obligations in foreign currencies such that repayments can be met by anticipated operating cash flows. In addition, currency derivatives are used to hedge anticipated operating cash flows. Any unrealised exchange differences on these borrowings, leasing obligations, currency derivatives and on related security deposits are recognised directly in equity. These exchange differences are included in the profit and loss account as an adjustment to revenue in the same period or periods during which the hedged transaction affects the net profit and loss.

Although this complies with International Financial Reporting Standards, it does not comply with HK SSAP 11 which requires that all such exchange differences are charged to the profit and loss account immediately. The effect of this departure from HK SSAP 11 is set out in note 26 to the accounts.

#### 4. Translation of foreign currencies (continued)

The treatment of exchange differences on foreign currency operating cash flow hedges adopted by the Company is supported by International Financial Reporting Standards. In the opinion of the Directors, this treatment fairly reflects the effects of the Cathay Pacific Group's foreign currency cash flow hedge arrangements where the matching of foreign currency cash flows is a key risk management tool. The appropriateness of continuing this treatment is assessed regularly, taking into account the latest operating cash flow projections of each currency. The Directors consider that the immediate recognition of all such exchange fluctuations in the profit and loss account could materially distort year-on-year results and conclude that the adopted treatment gives a true and fair view of the financial position, financial performance and cash flows of the Cathay Pacific Group.

#### 5. Valuation of investment properties

Investment properties, whether complete or in the course of development, are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the group. The valuations are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuations are credited to the property valuation reserve; decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon sale of a revalued investment property the revaluation surplus is transferred to operating profit.

#### 6. Fixed assets and depreciation

Fixed assets, other than investment properties, are carried at cost less accumulated depreciation and accumulated impairment losses. Changes in the value of investment properties reflecting market conditions, depreciation and other factors are incorporated in the annual accounts on the basis set out in principal accounting policy no. 5. With the exception of land included in investment properties and freehold land, all other leasehold land is depreciated over the remaining period of the relevant lease. Other fixed assets are depreciated at rates sufficient to write off their original cost to estimated residual values over their anticipated useful lives in the following manner:

Other properties	2% to 5% per annum
Plant and machinery	7% to 34% per annum
Vessels	4% to 7% per annum

The expected useful lives and residual values of all fixed assets are regularly reviewed to take into account operational experience and changing circumstances.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed 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 profit and loss account.

#### 7. Goodwill

Goodwill arising on consolidation represents the excess of cost of acquisition of subsidiary, jointly controlled and associated companies over the group's share of the fair value ascribed to the separable net assets at the date of acquisition. Goodwill arising on or after 1st January 2001 is capitalised in the balance sheet as a separate asset or included within investment in jointly controlled and associated companies, and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Goodwill arising from acquisitions before 1st January 2001 was written off against revenue reserve. Any impairment of such goodwill is recognised in the profit and loss account.

# Principal Accounting Policies

## 8. Investments in securities

### (i) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost adjusted for any discount or premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income or expense in the profit and loss account. Provision is made when there is a diminution in value which is considered to be other than temporary.

The carrying amounts of held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account.

### (ii) Investment securities

Investment securities are stated at fair value and any change in fair value is recognised in the investment revaluation reserve. On disposal, or if there is evidence that the value of the investment is impaired, the relevant cumulative gain or loss on the investment is transferred from the investment revaluation reserve to the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

## 9. Deferred expenditure

Deferred expenditure is amortised over periods of up to ten years.

## 10. Stocks and work in progress

Stocks 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. Work in progress comprises direct material and labour costs and an appropriate proportion of overhead expenses less provisions for foreseeable losses.

## 11. Properties under development for sale

Properties under development for sale are included under current assets and comprise land at cost, construction costs, interest charges and profit taken to date, less sales instalments received and receivable and provisions for possible losses.

When a development property in Hong Kong is sold in advance of completion, profit is recognised over the course of the development and is computed each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds. Sales proceeds due on completion are accounted for as receivables if the occupation permit has been issued and the development is substantially complete.

Where purchasers fail to pay the balance of the purchase price on completion and the company exercises its entitlement to resell the property, sales deposits received in advance of completion which are forfeited are credited to operating profit; any profits recognised up to the date of completion are written back.

**11. Properties under development for sale (continued)**

When a development property in the United States is sold in advance of completion, no profit is recognised until the transaction has legally closed.

**12. Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

**13. Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term liquid investments which were within three months of maturity when acquired, less bank overdrafts.

**14. Borrowing costs**

Interest costs incurred are charged to the profit and loss account 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) 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.

**15. Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

**16. 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. Tax rates enacted or substantively enacted by the balance sheet 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 can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In previous years, deferred taxation was accounted for at the current tax rate in respect of timing differences between profit as computed for tax purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised HK SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

## Principal Accounting Policies

### 16. Deferred taxation (continued)

Opening revenue reserves at 1st January 2002 and 2003 have been reduced by HK\$292 million and HK\$319 million respectively which represent the unprovided net deferred tax liabilities for subsidiary, jointly controlled and associated company. The profit for the year ended 2002 has been reduced by HK\$27 million correspondingly. The effect of this change in accounting policy on the balance sheet as at 31st December 2002 and the profit and loss account for the year then ended is set out in note 23 to the accounts.

### 17. Revenue recognition

Sales are recognised as revenue upon delivery of goods and provision of services. Revenue for properties under development for sale is recognised as set out in principal accounting policy no. 11. Rental income and interest income are recognised on an accruals basis.

### 18. Related parties

Related parties are individuals and companies, including subsidiary, jointly controlled and associated companies, 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.

### 19. 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.

The group's contributions to the defined contribution schemes are charged to the profit and loss account 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 profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans on an annual basis. The retirement benefit obligation is measured as the present value of the estimated future cash outflows using market yields on Exchange Fund Notes which have terms to maturity approximating the terms of the related liability. 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 during the year over the expected average remaining service lives of the employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

### 20. Segment reporting

In accordance with the group's internal financial reporting the group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

# Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2003

	Attributable to the group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Property Division</b>					
<i>Subsidiary companies:</i>					
<i>Incorporated in Hong Kong:</i>					
Aldrich Bay East Limited	100	–	100	1,000 shares of HK\$1	Property investment
Braemar West Limited	100	–	100	1,000 shares of HK\$1	Property trading
Cathay Limited	100	–	100	807 shares of HK\$10	Property investment
Cityplaza Holdings Limited	100	–	100	100 shares of HK\$10	Property investment
Coventry Estates Limited	100	–	100	4 shares of HK\$10	Property investment
Festival Walk Holdings Limited	50	–	50	100,000 shares of HK\$10	Property investment
	100	–	100	1 special rights redeemable preference share of HK\$10	
One Queen's Road East Limited	100	–	100	2 shares of HK\$1	Property investment
Oriental Landscapes Limited	100	–	100	50,000 shares of HK\$10	Landscaping services
Pacific Place Holdings Limited	100	–	100	2 shares of HK\$1	Property investment
Redhill Properties Limited	100	–	100	250,000 shares of HK\$1	Property investment
Swire Properties Limited	100	100	–	612,036,542 shares of HK\$1	Holding company
Swire Properties Projects Limited	100	–	100	2 shares of HK\$1	Project management
Swire Properties Real Estate Agency Limited	100	–	100	2 shares of HK\$10	Real estate agency
TaiKoo Place Holdings Limited	100	–	100	2 shares of HK\$1	Property investment
Swire Properties Management Limited	100	–	100	2 shares of HK\$10	Property management
<i>Incorporated in the United States:</i>					
Carbonell Realty Sales Inc. (formerly known as Courts Realty Sales Inc.)	100	–	100	1,000 shares of US¢1	Real estate agency
Jade at Brickell Bay Associates Ltd.	62.5	–	62.5	Florida partnership	Property trading
Swire Pacific Holdings Inc. (see also Beverages division)	100	–	100	6,950.28 shares of US\$1	Property development and manufacture and sale of non-alcoholic beverages
Swire Brickell Key Realty Inc.	100	–	100	1,000 shares of US¢1	Real estate agency
Swire Brickell Three Inc.	100	–	100	1,000 shares of US¢1	Property trading
Swire Carbonell Limited Partnership	100	–	100	Florida partnership	Property trading
<i>Incorporated in the British Virgin Islands:</i>					
Honour Star Development Co. Ltd.	100	–	100	1 share of US\$1	Investment holding
Swire and Island Communication Developments Limited	60	–	60	100 shares of HK\$10	Property trading and investment
<i>Jointly controlled companies:</i>					
<i>Incorporated in Hong Kong:</i>					
Hareton Limited	50	–	50	100 shares of HK\$10	Property trading
Newfoundworld Limited	20	–	*	200,000 shares of HK\$10	Property trading
Uttoxeter Limited	50	–	50	100 shares of HK\$10	Property trading
<i>Incorporated in Mainland China: (Sino-foreign joint venture)</i>					
Taikoo Hui (Guangzhou) Development Co. Ltd.	55	–	55	Registered capital of RMB1,334,000,000	Property investment
<i>Incorporated in the United States:</i>					
Swire Brickell Key Hotel, Limited	75	–	75	Florida partnership	Hotel investment
<i>Incorporated in the British Virgin Islands:</i>					
Arrowtown Assets Limited•	49	–	*	1 share of US\$1	Property trading
Calm Seas Developments Limited•	50	–	50	2 shares of US\$1	Holding company
Island Land Development Limited	50	–	50	100 shares of HK\$10	Property investment

## Notes:

- This table lists the principal subsidiary, jointly controlled and associated companies of the group 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.
- Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of shipowning and operating are international, and are not attributable to a principal country of operation.
- \*Group interest held through jointly controlled and associated companies.
- Companies not audited by PricewaterhouseCoopers.  
These companies account for approximately 26.3% of attributable net assets at 31st December 2003.



# Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2003

	Attributable to the group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Property Division (continued)</b>					
<i>Associated companies:</i>					
<i>Incorporated in Hong Kong:</i>					
Queensway Hotel Limited	20	–	*	100,000 shares of HK\$10	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	20	–	20	5,000 shares of HK\$1	Hotel investment
Greenroll Limited <sup>•</sup>	20	–	20	45,441,000 shares of HK\$10	Hotel investment
<i>Long-term investment:</i>					
<i>Incorporated in Hong Kong:</i>					
Join Resources Limited	16.7	–	16.7	10,000 shares of HK\$1	Property investment
<b>Aviation Division</b>					
<i>Subsidiary company:</i>					
<i>Incorporated in Hong Kong:</i>					
Swire Aviation Limited	66.7	66.7	–	5,000 shares of HK\$10	Investment holding
<i>Associated companies:</i>					
<i>Incorporated in Hong Kong:</i>					
Abacus Distribution Systems (Hong Kong) Limited <sup>•</sup>	24.8	–	*	15,600,000 shares of HK\$1	Computerised reservation systems and related services
AHK Air Hong Kong Limited <sup>•</sup>	27.8	–	*	54,402,000 A shares of HK\$1 and 36,268,000 B shares of HK\$1	Cargo airline
Airline Property Limited <sup>•</sup>	46.4	–	*	2 shares of HK\$10	Property investment
Airline Stores Property Limited <sup>•</sup>	46.4	–	*	2 shares of HK\$10	Property investment
Airline Training Property Limited <sup>•</sup>	46.4	–	*	2 shares of HK\$10	Property investment
Associated Engineers Limited	15.7	–	*	3,100 founders' shares of HK\$10 2,526,593 ordinary shares of HK\$10	Airport ground support and general engineering
Cathay Holidays Limited <sup>•</sup>	46.4	–	*	5,000 shares of HK\$100	Travel tour operator
Cathay Pacific Airways Limited <sup>•</sup>	46.4	46.4	–	3,343,515,048 shares of HK\$0.20	Operation of scheduled airline services
Cathay Pacific Catering Services (HK) Limited <sup>•</sup>	46.4	–	*	600 shares of HK\$1,000	Airline catering
Cathay Pacific Loyalty Programmes Limited <sup>•</sup>	46.4	–	*	2 shares of HK\$1	Travel reward programme
Global Logistics System (HK) Company Limited <sup>•</sup>	44.8	–	*	100 shares of HK\$10	Computer network for interchange of air cargo related information
Goodrich Asia-Pacific Limited	22.1	–	*	9,200,000 shares of HK\$1	Aircraft carbon brake machining and aircraft wheel and brake assembly
Hong Kong Aero Engine Services Limited <sup>•</sup>	20.3	–	*	20 shares of HK\$10	Aircraft engine overhaul
Hong Kong Air Cargo Terminals Limited	24.6	–	30.0&*	600,000 shares of HK\$100	Air cargo handling service
Hong Kong Aircraft Engineering Company Limited	45.2	32.5	*	166,324,850 shares of HK\$1	Aircraft overhaul and maintenance
Hong Kong Airport Services Limited <sup>•</sup>	37.4	–	*	100 shares of HK\$1	Provision of ground and ramp handling services
Hong Kong Dragon Airlines Limited	16.3	–	7.7&*	500,000,000 shares of HK\$1	Airline
IN-Services Asia Limited	15.8	–	*	7,800,000 shares of HK\$1	Aircraft component trading and repair services



	Attributable to the group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Aviation Division (continued)</b>					
<i>Associated companies (continued):</i>					
<b>Incorporated in Hong Kong (continued):</b>					
South China Aero Technology Limited	27.1	–	*	500,000 shares of HK\$1	Aircraft component agents
EADS SOGERMA HAECO Services Company Limited	22.6	–	*	2,000,000 shares of HK\$1	Aircraft components inspections, repairs and modifications
Vogue Laundry Service Limited <sup>•</sup>	46.4	–	*	3,700 shares of HK\$500	Laundry and dry cleaning
<b>Incorporated in Mainland China:</b>					
<i>(Wholly foreign owned enterprise)</i>					
Guangzhou Guo Tai Information Processing Company Limited <sup>•</sup>	46.4	–	*	Registered capital of HK\$7,000,000	Information processing
<i>(Sino-foreign joint ventures)</i>					
Honeywell TAECO Aerospace (Xiamen) Company Limited	14.0	–	*	Registered capital of US\$5,000,000	Aircraft components and avionic repair
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited <sup>•</sup>	9.3	–	*	Registered capital of US\$5,000,000	Aircraft components repair
Taikoo (Shandong) Aircraft Engineering Company Limited (formerly known as Shandong TAECO Aircraft Engineering Company Limited) <sup>•</sup>	11.7	–	*	Registered capital of RMB51,000,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Aircraft Engineering Company Limited	26.6	–	*	Registered capital of US\$41,500,000	Aircraft overhaul and maintenance
<b>Incorporated in Canada:</b>					
CLS Catering Services Limited <sup>•</sup>	27.8	–	*	330,081 shares of no par value	Airline catering
<b>Incorporated in Bermuda:</b>					
Tron Limited <sup>•</sup>	46.4	–	*	12,000 shares of US\$1	Financial services
<b>Incorporated in Isle of Man:</b>					
Cathay Pacific Aircraft Services Limited <sup>•</sup>	46.4	–	*	10,000 shares of US\$1	Aircraft acquisition facilitator
Snowdon Limited <sup>•</sup>	46.4	–	*	2 shares of GBP1	Financial services
<b>Incorporated in Japan:</b>					
Cathay Kansai Terminal Services Company Limited <sup>•</sup>	22.5	–	*	10,574 shares of JPY50,000	Ground handling
<b>Incorporated in the Philippines:</b>					
Cebu Pacific Catering Services Inc. <sup>•</sup>	18.5	–	*	12,500,000 shares of PHP1	Airline catering
<b>Incorporated in Taiwan:</b>					
China Pacific Catering Services Limited	22.7	–	*	146,000,000 shares of NT\$10	Airline catering
<b>Incorporated in Singapore:</b>					
Singapore Aero Engine Services Pte. Limited <sup>•</sup>	4.1	–	*	Registered capital of US\$54,000,000	Trent engine overhaul services
<b>Incorporated in Vietnam:</b>					
VN/CX Catering Services Limited	18.5	–	*	4,062,000 shares of no par value	Airline catering

# Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2003

	Attributable to the group %			Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Beverages Division</b>							
<i>Subsidiary companies:</i>							
<i>Incorporated in Hong Kong:</i>							
Swire Beverages Holdings Limited	100	100	–			10,002 shares of HK\$100	Holding company
Swire Beverages Limited	87.5	–	87.5			14,600 shares of US\$500	Holding company and sale of non-alcoholic beverages
Swire Coca-Cola HK Limited	87.5	–	100			2,400,000 shares of HK\$10	Manufacture of non-alcoholic beverages
<i>Incorporated in Bermuda:</i>							
Swire Pacific Industries Limited (operating principally in Taiwan)	100	–	100			12,000 shares of US\$1	Holding company
<i>Incorporated in British Virgin Islands:</i>							
Swire Coca-Cola Beverages Limited (operating principally in Taiwan)	80	–	80			1,800,000,000 shares of US\$0.01	Manufacture of non-alcoholic beverages
<i>Incorporated in Taiwan:</i>							
Tai Tung Foods Company Limited	80	–	80			50,000 shares of NT\$100	Sale of non-alcoholic beverages
<i>Incorporated in the United States:</i>							
Swire Pacific Holdings Inc. (see also Property division)	100	–	100			6,950.28 shares of US\$1	Manufacture and sale of non-alcoholic beverages and property development
<i>Jointly controlled companies:</i>							
<i>Incorporated in Mainland China: (Sino-foreign joint ventures)</i>							
Hangzhou BC Foods Company Limited	44.6	–	*			Registered capital of US\$20 million	Manufacture and sale of non-alcoholic beverages
Nanjing BC Foods Company Limited	44.6	–	*			Registered capital of US\$19 million	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hefei Limited	59.5	–	*			Registered capital of US\$12 million	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Xiamen Limited	44.6	–	51.0			Registered capital of US\$52,737,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Limited	60.7	–	*			Registered capital of US\$18 million	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	44.6	–	51.0			Registered capital of RMB510,669,000	Manufacture and sale of non-alcoholic beverages
<i>(Wholly foreign owned enterprises)</i>							
BC Development Company Limited	74.4	–	85.0			Registered capital of US\$60 million	Manufacture and sale of non-alcoholic beverages
Xian BC Coca-Cola Beverages Limited (formerly known as Xian BC Hans Foods Company Limited)	74.4	–	*			Registered capital of US\$20 million	Manufacture and sale of non-alcoholic beverages
<b>Marine Services Division</b>							
<i>Subsidiary companies:</i>							
<i>Incorporated in Hong Kong:</i>							
Swire Pacific Ship Management Limited*	100	100	–			1,000 shares of HK\$100	Ship personnel management
<i>Incorporated in Azerbaijan:</i>							
Swire Pacific Offshore (Caspian) LLC	100	–	100			US\$5,000	Chartering and operating vessels
<i>Incorporated in Australia:</i>							
Pacific Manning Company Pty Limited	100	–	100			20,000 shares of A\$1	Ship personnel management
Swire Pacific Offshore Pty Limited	100	–	100			40,000 shares of A\$1	Ship owning and operating

	Attributable to the group %		Owned by subsidiaries %		Principal activities
	Owned directly %			Issued share capital	
<b>Marine Services Division (continued)</b>					
<i>Subsidiary companies (continued):</i>					
<i>Incorporated in Bermuda:</i>					
SPO Ships Limited	100	–	100	120 shares of US\$100	Ship owning and operating
Swire Pacific Offshore Holdings Limited	100	–	100	500,000 shares of US\$100	Holding company
Swire Pacific Offshore Limited	100	–	100	120 shares of US\$100	Management services
<i>Incorporated in Panama:</i>					
SPOL Diveships Corporation	100	–	100	2 shares of no par value	Ship owning and operating
SPOL Vessels Corporation	100	–	100	2 shares of no par value	Ship owning and operating
Swire Supply Vessels Corporation	100	–	100	2 shares of no par value	Ship owning and operating
<i>Incorporated in the United Kingdom:</i>					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of £1	Management services
<i>Incorporated in Singapore:</i>					
Swire Pacific Offshore Services (Pte) Limited	100	–	100	500,000 shares of S\$1	Management services
Swire Pacific Offshore Operations (Pte) Limited	100	–	100	500,000 shares of S\$1	Ship owning and operating
<i>Jointly controlled companies:</i>					
<i>Incorporated in Hong Kong:</i>					
Hongkong United Dockyards Limited	50.0	50.0	–	7,600,000 shares of HK\$10	Ship repairing and general engineering
HUD General Engineering Services Limited	50.0	–	*	420,000 shares of HK\$10	General engineering services
The Hongkong Salvage & Towing Company Limited	50.0	50.0	–	2,000,000 shares of HK\$10	Marine towage
<i>Incorporated in Mainland China:</i>					
<i>(Wholly foreign owned enterprises)</i>					
Shekou Container Terminals Limited <sup>•</sup>	17.5	17.5	–	HK\$200,000,000	Container terminal operations
Shekou Container Terminals (Phase II) Co. Ltd. <sup>•</sup>	17.2	–	*	RMB608,475,000	Container terminal operations
<i>Incorporated in British Virgin Islands:</i>					
Expro Swire Production Limited	50.0	–	50.0	10,000 shares of US\$1	Early production systems for offshore oil
<i>Incorporated in Egypt:</i>					
Ocean Marine Services Limited	33.3	–	33.3	16,000 shares of US\$1,000	Ship owning and operating
<i>Incorporated in Australia:</i>					
Australian Maritime Services Pty Ltd.	27.5	–	–	1,390,000 shares of A\$1 and 100 shares of A\$18,664.07	Marine towage
<i>Associated companies:</i>					
<i>Incorporated in Hong Kong:</i>					
Modern Terminals Limited <sup>•</sup>	17.6	17.6	–	13,109 shares of HK\$1,000	Container terminal operations
<i>Incorporated in Malaysia:</i>					
Bahtera Wira Sdn Bhd	48.5	–	48.5	99,000 shares of MYR1	Investment holding
Samudra Keris Sendirian Berhad	49.0	–	*	100 shares of MYR1	Ship owning
Samudra Wijaya Sendirian Berhad	49.0	–	*	100 shares of MYR1	Ship owning
Wira Swire Sendirian Berhad	20.0	–	20.0	250,000 shares of MYR1	Ship operating
<i>Incorporated in the Philippines:</i>					
Anscor Swire Ship Management Corporation <sup>•</sup>	25.0	–	25.0	20,000 shares of Peso100	Ship personnel management
<i>Incorporated in UAE:</i>					
Swire Pacific Offshore (Dubai) LLC	49.0	–	49.0	300 shares of AED1,000	Management services

# Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2003

	Attributable to the group %			Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Trading &amp; Industrial Division – Industrial</b>							
<i>Subsidiary companies:</i>							
<i>Incorporated in Hong Kong:</i>							
Swire Duro Limited	100	–	100	–	–	38,460 shares of HK\$100	Marble Fabrication
Swire Industrial Limited	100	100	–	–	–	2 shares of HK\$1	Holding company
Taikoo Sugar Limited	100	–	100	–	–	300,000 shares of HK\$10	Packing and trading of branded food products
<i>Jointly controlled companies:</i>							
<i>Incorporated in Hong Kong:</i>							
CROWN Beverage Cans Hong Kong Limited (formerly known as Crown Can Hong Kong Limited)	44.6	–	44.6	–	–	17,300,000 shares of HK\$10	Beverage can trading and distribution
ICI Swire Paints Limited*	40.0	–	40.0	–	–	10,000 shares of HK\$1	Sales of paints and provision of related services
Swire SITA Waste Services Limited	50.0	–	50.0	–	–	58,200,000 shares of HK\$1	Waste management
Waylung Waste Services Limited	50.0	–	*	–	–	21,310,000 ordinary shares of HK\$1	Waste management
<i>Incorporated in Mainland China: (Sino-foreign joint ventures)</i>							
Beijing Crown Can Company Limited	41.3	–	*	–	–	Registered capital of US\$27,600,000	Beverage can manufacturing
CROWN Beverage Cans Huizhou Limited (formerly known as Huizhou Crown Can Company Limited)	44.1	–	*	–	–	US\$24,887,000	Beverage can manufacturing
Foshan Continental Can Company Limited*	22.3	–	*	–	–	US\$9,900,000	Beverage can manufacturing
Foshan Crown Easy-Opening End Company Limited	22.3	–	*	–	–	Registered capital of US\$6,000,000	Beverage can manufacturing
ICI Swire Paints (China) Limited*	36.0	–	36.0	–	–	HK\$180 million	Paint manufacturing
Shanghai Crown Packaging Company Limited	31.4	–	*	–	–	Registered capital of US\$19,000,000	Beverage can manufacturing
<i>(Wholly foreign owned enterprise)</i>							
ICI Swire Paints (Shanghai) Company Limited*	30.0	–	30.0	–	–	Registered capital of US\$25,640,000	Paint manufacturing
<i>Incorporated in Macau:</i>							
CSR Macau-Companhia de Sistemas de Residuos, Lda	40.0	–	*	–	–	MOP10,000	Waste management
<i>Incorporated in Taiwan:</i>							
Swire SITA (Taiwan) Company Limited	50.0	–	*	–	–	500,000 shares of NT\$10	Waste management
<i>Incorporated in Vietnam:</i>							
Crown Vinalimex Packaging Limited	37.4	–	*	–	–	US\$24,910,000	Beverage can manufacturing
<b>Trading &amp; Industrial Division – Trading</b>							
<i>Subsidiary companies:</i>							
<i>Incorporated in Hong Kong:</i>							
Beldare Motors Limited	100	–	100	–	–	10,000 shares of HK\$100	Automobile distribution
Cornell Feast Company Limited	100	–	100	–	–	2 shares of HK\$1	Property holding
Liberty Motors Limited	100	–	100	–	–	2 shares of HK\$10	Automobile distribution
Swire Resources Limited	100	–	100	–	–	4,010,000 shares of HK\$10	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	Automobile distribution
Yuntung Motors Limited	100	–	100	–	–	2 shares of HK\$1	Automobile distribution

	Attributable to the group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Trading &amp; Industrial Division – Trading (continued)</b>					
<i>Subsidiary companies (continued):</i>					
<i>Incorporated in Bermuda:</i>					
Taikoo Motors Offshore Limited	100	–	100	12,000 shares of US\$1	Holding company
<i>Incorporated in Taiwan:</i>					
Yuntung Motors Limited	100	–	100	3,500 shares of NT\$10,000	Automobile distribution
<i>Jointly controlled companies:</i>					
<i>Incorporated in Hong Kong:</i>					
Intermarket Agencies (Far East) Limited	70.0	–	70.0	10 shares of HK\$100	Marketing and distribution of branded sports and casual footwear, apparel and accessories
Reebok Hong Kong Limited	66.7	–	66.7	15,000 shares of HK\$1	Marketing and distribution of branded sports and casual footwear, apparel and accessories
<i>Incorporated in Mainland China:</i>					
<i>(Cooperative joint venture)</i>					
Beijing Reebok Sporting Goods Centre	63.3	–	*	RMB10,000,000	Marketing and distribution of branded sports and casual footwear, apparel and accessories
<b>Others</b>					
<i>Subsidiary companies:</i>					
<i>Incorporated in Hong Kong:</i>					
Swire Finance Limited	100	100	–	1,000 shares of HK\$10	Financial services
<i>Incorporated in the Cayman Islands:</i>					
Swire Pacific Capital Limited	100	100	–	10 shares of US\$1	Financial services
Swire Pacific Offshore Financing Limited	100	100	–	10 shares of US\$1	Financial services
Swire Pacific MTN Financing Limited	100	100	–	1 share of US\$1	Financial services
<i>Incorporated in Isle of Man:</i>					
Spaciom Limited	100	100	–	650,000 shares of HK\$1	Insurance capital
<i>Incorporated in Vietnam:</i>					
Swire Pacific Cold Storage Company Limited	100	100	–	US\$10.3 million	Cold storage
<i>Jointly controlled companies:</i>					
<i>Incorporated in Mainland China:</i>					
Shanghai Eastern Airlines Swire Investment Co. Limited	50.0	–	50.0	US\$30 million	Non-airline aviation service
<i>Incorporated in Taiwan:</i>					
China Pacific Laundry Services Limited*	45.0	–	45.0	25,000,000 shares of NT\$10	Laundry services

# 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 profit and loss account for the year ended 31st December 2003 and consolidated balance sheet as at 31st December 2003.

## CATHAY PACIFIC AIRWAYS LIMITED

### Consolidated Profit and Loss Account

for the year ended 31st December 2003

	2003 HK\$M	2002 HK\$M
<b>Turnover</b>	<b>29,578</b>	33,090
<b>Operating expenses</b>	<b>(27,353)</b>	(28,340)
<b>Operating profit</b>	<b>2,225</b>	4,750
<b>Finance charges</b>	<b>(1,807)</b>	(2,421)
<b>Finance income</b>	<b>1,187</b>	1,678
<b>Net finance charges</b>	<b>(620)</b>	(743)
<b>Share of profits of associated companies</b>	<b>151</b>	324
<b>Profit before taxation</b>	<b>1,756</b>	4,331
<b>Taxation</b>	<b>409</b>	328
<b>Profit after taxation</b>	<b>1,347</b>	4,003
<b>Minority interests</b>	<b>44</b>	20
<b>Profit attributable to shareholders</b>	<b>1,303</b>	3,983
<b>Dividends</b>		
<b>Interim – paid</b>	<b>100</b>	534
<b>Final – proposed</b>	<b>568</b>	935
<b>Special – proposed</b>	<b>936</b>	–
	<b>1,604</b>	1,469
	<b>HK¢</b>	HK¢
<b>Basic earnings per share</b>	<b>39.0</b>	119.5
<b>Diluted earnings per share (Note 1)</b>	<b>38.8</b>	118.7

#### Notes:

- Cathay Pacific Airways adopted a share option scheme on 10th March 1999 whereby certain flight deck crew of Cathay Pacific Group were granted options to subscribe for a total of 68,327,000 shares at a price of HK\$7.47 per share. During the year, 7,507,200 shares were subscribed for through the exercise of such share options. Diluted earnings per share are calculated to adjust for the effects of the remaining share options not yet exercised.
- Cathay Pacific Group has restated goodwill previously written off against reserves retrospectively in accordance with HK SSAP 30 in 2000. Since the Swire Pacific group has adopted the transitional provisions in HK SSAP 30 whereby all goodwill arising before 1st January 2001 was not restated, adjustments have been made in the accounts of Swire Pacific to increase the share of profit and to reduce the share of net assets of the associated company by HK\$5 million and HK\$50 million (2002: HK\$6 million and HK\$55 million) respectively, being the difference in the treatment of goodwill.

## CATHAY PACIFIC AIRWAYS LIMITED

### Consolidated Balance Sheet

at 31st December 2003

	2003 HK\$M	2002 HK\$M
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Fixed assets	51,357	50,038
Intangible assets	405	489
Investments in associated companies	1,661	1,739
Other long-term receivables and investments	1,263	1,458
	<b>54,686</b>	<b>53,724</b>
<b>Current assets</b>		
Stock	398	430
Trade and other receivables	4,753	4,294
Liquid funds	15,200	13,180
	<b>20,351</b>	<b>17,904</b>
<b>Current liabilities</b>		
Current portion of long-term liabilities	6,754	6,409
Related pledged security deposits	(1,875)	(2,128)
Net current portion of long-term liabilities	4,879	4,281
Trade and other payables	5,543	5,280
Unearned transportation revenues	2,839	2,518
Taxation	1,259	874
	<b>14,520</b>	<b>12,953</b>
<b>Net current assets</b>	<b>5,831</b>	<b>4,951</b>
<b>Total assets less current liabilities</b>	<b>60,517</b>	<b>58,675</b>
<b>Non-current liabilities</b>		
Long-term liabilities	33,022	31,382
Related pledged security deposits	(11,604)	(12,853)
Net long-term liabilities	21,418	18,529
Retirement benefit obligations	181	346
Deferred taxation	7,762	7,614
	<b>29,361</b>	<b>26,489</b>
Minority interests	104	71
<b>NET ASSETS</b>	<b>31,052</b>	<b>32,115</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	669	667
Reserves	30,383	31,448
<b>SHAREHOLDERS' FUNDS</b>	<b>31,052</b>	<b>32,115</b>

#### Contingencies

- Cathay Pacific Airways has under certain circumstances undertaken to maintain specified rates of return within Cathay Pacific Group's leasing arrangements. The Directors of Cathay Pacific Airways do not consider that an estimate of the potential financial effect of these contingencies can practically be made.
- At 31st December 2003, contingent liabilities existed in respect of guarantees given by Cathay Pacific Group on behalf of associated companies and staff relating to bank loans and other liabilities of up to HK\$439 million (2002: HK\$488 million).
- Cathay Pacific Airways files tax returns in many jurisdictions and in certain of these the returns have remained in dispute for a number of years. 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.

# Schedule of Principal Group Properties

At 31st December 2003

	Gross floor areas in square feet					
	Hong Kong		U.S.A.		Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries and other companies
<b>Completed investment properties</b>						
Commercial	9,243,364	275,390	–	–	9,243,364	9,518,754
Techno-centres	1,810,829	–	–	–	1,810,829	1,810,829
Residential	735,485	–	–	–	735,485	735,485
Hotels	–	334,349	–	258,750	–	593,099
	11,789,678	609,739	–	258,750	11,789,678	12,658,167
<b>Investment properties under development</b>						
Commercial	3,242,779	–	–	–	3,242,779	3,242,779
Residential	17,237	–	–	–	17,237	17,237
Hotel	–	47,361	–	–	–	47,361
	3,260,016	47,361	–	–	3,260,016	3,307,377
<b>Property developments for sale</b>						
Commercial	42,366	28,943	–	–	42,366	71,309
Industrial	–	191,250	–	–	–	191,250
Residential	36,726	249,279	1,983,300	–	2,020,026	2,269,305
	79,092	469,472	1,983,300	–	2,062,392	2,531,864
	15,128,786	1,126,572	1,983,300	258,750	17,112,086	18,497,408

**Notes:**

- All properties held through subsidiary companies are wholly owned except for Festival Walk (50%), Island Place (60%) and Sunningdale (80%). The above summary table includes the floor areas of these 3 majority owned properties in total.
- "Other companies" comprise jointly controlled and associated companies. The floor areas of properties held through such companies are shown on an attributable basis.
- Gross floor areas exclude carpark spaces; over 7,500 completed carpark spaces in Hong Kong are held by subsidiaries for investment.
- Holdings in Hong Kong developments for sale in Fanling and Yuen Long are excluded from the above table.
- In addition, the group owns a 10% attributable interest in a 1.15 million square foot commercial development in Shanghai, which was completed in 2000.
- When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
- All properties in the United States are freehold.



## Completed investment properties in Hong Kong

	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of carparks	Year of completion	Remarks
<b>Commercial</b>							
1. Pacific Place, 88 Queensway, Central	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building.
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/IL 8582 & Ext. (part)	2135/ 2047	318,289 (part)	711,182	508	1988/ 1990	Shopping centre with restaurants and a four-screen 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. Festival Walk, Yau Yat Tsuen	NKIL 6181	2047	222,382	1,213,518	830	1998	Comprises a 981,303 square foot shopping centre, including ice skating rink and cinemas, 232,215 square feet of office space and a transport terminus linked to Kowloon Tong MTR/KCR station. Floor areas quoted represent the whole development of which the group owns 50%.
3. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,177	834	1982/ 1987/ 1997/ 2000	Shopping centre with restaurants, ice-skating rink, cinema and access to TaiKoo MTR station.
4. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	642,191	–	1997	Office building over part of Cityplaza shopping centre.
5. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	33,730	447,709	10	1992	Office building linked by footbridge to Cityplaza.
6. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,427	–	1991	Office building linked by footbridge to Cityplaza.

# Schedule of Principal Group Properties

At 31st December 2003

Completed investment properties 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
<b>Commercial</b>							
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 sCs2 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	1976- 1985	Neighbourhood shops, schools and carpark spaces.
8. Devon House, TaiKoo Place	QBML 1 sF ss1 QBML 1 sF RP ML 703 sN QBML 1 sE ss2 (part)	2881	70,414 (part)	803,448	311	1993	Office building linked to Quarry Bay MTR station by a footbridge.
9. Dorset House, TaiKoo Place	QBML 1 sQ, QBML 1 sR RP QBML 1 sS, QBML 1 sT ss1 QBML 1 sT ss2 QBML 1 sT RP QBML 1 sU, QBML 1 sW QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Office building linked to Devon House.
10. Lincoln House, TaiKoo Place	QBML 1 sQ, QBML 1 sR RP QBML 1 sS, QBML 1 sT ss1 QBML 1 sT ss2 QBML 1 sT RP QBML 1 sU, QBML 1 sW QBML 1 RP (part)	2881	238,582 (part)	333,350	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	33,434	501,249	182	1999	Office building linked to Somerset House.
12. Cambridge House, TaiKoo Place	QBML 1 sE ss2 QBML 1 sF ss1 QBML 1 sF RP ML 703 sN (part)	2881	70,414	268,793	–	2003	Office building linked to Devon House.
13. Island Place, 500 King's Road, North Point	IL 8849	2047	106,498 (part)	150,167	288	1996	Floor area shown represents the whole shopping centre podium of which the group owns 60%.
14. StarCrest, 9 Star Street, Wanchai	IL 8853	2047	40,871	10,758	83	1999	Floor area shown represents the whole of the retail area including 83 car parks retained by the group.
Total held through subsidiaries				<b>9,243,364</b>	<b>7,251</b>		

Completed investment properties in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of carparks	Year of completion	Remarks
<b>Commercial</b>							
15. 625 King's Road, North Point	IL 7550	2108	20,000	301,062	84	1998	Office building. Floor area shown represents the whole development of which the group owns 50%.
16. Citygate (Site 2), Tung Chung, Lantau	TCTL 2	2047	358,557 (part)	624,294	1,095	1999/2000	A 161,446 square foot office tower above 462,848 square foot shopping centre. Group's interest in the consortium developing Tung Chung (Package 1) is 20%. (Sites 1 and 3 included on Page 106)
Held through jointly controlled companies				<b>925,356</b>	<b>1,179</b>		
– of which attributable to the group				<b>275,390</b>			
<b>Techno-centres</b>							
17. TaiKoo Place		2881	238,582 (part)			292	Data centres/offices/logistics warehousing.
Warwick House	QBML 1 sQ, QBML 1 sR RP			552,537		1979	
Cornwall House	QBML 1 sS, QBML 1 sT ss1			334,936		1984	Floor area excludes 8 floors owned by Government.
Somerset House	QBML 1 sT ss2, QBML 1 sT RP			923,356		1988	
	QBML 1 sU, QBML 1 sW						
	QBML 1 RP (part)						
Total held through subsidiaries				<b>1,810,829</b>	<b>292</b>		
<b>Residential</b>							
18. The Albany, 1 Albany Road, Mid-Levels	IL 8638	2047	41,732	75,908		1989	Floor area shown excludes the 52 apartments and 4 duplexes sold.
19. The Atrium, Pacific Place, 88 Queensway, Central	IL 8571 (part)	2135	115,066 (part)	173,999		1988	136 service suites above the JW Marriott Hotel.
20. Parkside, Pacific Place, 88 Queensway, Central	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075		1990	243 service suites within the Conrad Hong Kong Hotel tower.
21. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768		1981	Three pairs of semi-detached houses.
22. 36 Island Road, Deep Water Bay	RBL 507 & Ext.	2097	20,733	5,773		1980	Two detached houses.
23. 26 Severn Road, 28 Severn Road, The Peak	RBL 127 RBL 99	2049 2049	11,351 11,370	5,900 5,900		Pre-war Pre-war	One semi-detached house on each site.
24. Fairwinds, 29-31 Tung Tau Wan Road, Stanley	RBL 655 RBL 658	2100	13,548	10,162		1998	One pair of semi-detached houses on each site.
Total held through subsidiaries				<b>735,485</b>			

# Schedule of Principal Group Properties

At 31st December 2003

Completed investment properties in Hong Kong		Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Year of completion	Remarks
<b>Hotels</b>							
Pacific Place, 88 Queensway, Central							
1. JW Marriott Hotel	IL 8571 (part)	2135	115,066 (part)	525,904	1989	602 room hotel, in which the group owns a 20% interest.	
2. Conrad Hong Kong Hotel	IL 8582 & Ext. (part)	2047	203,223 (part)	540,115	1990	513 room hotel, in which the group owns a 20% interest.	
3. Island Shangri-La Hotel	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 associates				<b>1,671,747</b>			
– of which attributable to the group				<b>334,349</b>			

Investment properties under development in Hong Kong		Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of carparks	Stage of completion	Expected completion date	Remarks
1. 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 IL47D RP IL 47D sA RP IL47 sA ss1 IL47 sA RP IL47 sB ss1 & RP IL47 sC ss1 & ss2 sA & ss2RP & ss3sA & ss3 RP & ss4 & ss5 & ss6sA & ss6RP & ss7RP & RP IL 47sP IL 47RP IL47 sC ss5 Ext. IL47 sC ss1 Ext.	2052-2852	40,206	Commercial	627,750	111	Superstructure in progress	2004	A single office tower.	

Investment properties under development in Hong Kong										
	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of carparks	Stage of completion	Expected completion date	Remarks	
2.	Cityplaza Two, TaiKoo Shing	QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	Commercial	610,722	–	Vacant Site	On Hold	34-storey office building.
3.	Cityplaza One (Phase 2), TaiKoo Shing	QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA QBML 2 & Ext. sJ RP(part)	2899	146,184 (part)	Commercial	446,107	–	–	On Hold	16-storey vertical extension to the existing Cityplaza One office building.
4.	16 Westlands Road, TaiKoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 sF & Ext. QBML 2 sG & Ext. QBIL 15 sD	2881/ 2899	109,929	Commercial	1,554,576	–	Demolition in progress	2008	Floor area shown represents proposed single office tower.
5.	23-29 Wing Fung Street, Wanchai	IL526 SA ss1 sB RP IL526 SA ss1 sB ss1 IL526 SA ss2 IL526 SA ss3	2856	2,396	Residential Retail	17,237 3,624	–	Demolition work completed	2006	Floor areas shown represent 22 residential units over a retail podium.
Total held through subsidiaries						<b>3,260,016</b>	<b>111</b>			
6.	Citygate (Site 2 North), Tung Chung, Lantau	TCTL 2	2047	358,557 (part)	Hotel	236,806	29	Foundation & podium completed	2005	Group's interest in the consortium developing Tung Chung (Package 1) is 20%. (Site 1, part of Site 2 and Site 3 included on Page 103 and 106)
Total held through jointly controlled company						<b>236,806</b>	<b>29</b>			
– of which attributable to the group						<b>47,361</b>				

# Schedule of Principal Group Properties

At 31st December 2003

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. Island Place Tower, 510 King's Road, North Point	IL 8849	2047	106,498 (part)	Office	38,863	–	Completed	1997	Floor area shown represents 2 unsold office floors at year-end, of which the group owns 60%.
2. Sunningdale, 193 Sai Yee Street, Mongkok	KIL 2306 RP, KIL 3868 RP, KIL 3869 RP, KIL 3870 RP	2080	4,064	Residential Retail	4,102 3,503	5	Completed	1997	Comprises 44 flats plus 3,503 square feet of retail. Floor areas shown represent 6 unsold flats and 1 unsold shop at year-end of which the group owns 80%.
3. The Orchards, Greig Road, Quarry Bay	IL 8397 RP	2125	61,505	Residential	32,624	58	Completed	2003	Comprises 442 flats. Floor area shown represents 33 unsold units.
Total held through subsidiaries					<b>79,092</b>	<b>63</b>			
4. MTRC Tung Chung (Package 1) Lantau – Tung Chung Crescent (Site 1)  – Seaview Crescent (Site 3)	TCTL 1  TCTL 3	2047  2047	331,658  230,348	Residential Retail  Residential Retail	45,033 34,983  45,105 30,617	507  313	Completed  Completed	1998 and 1999  2002	Floor areas shown represent 38 unsold flats and retail space.  Comprises 1,536 flats and retail space. Floor areas shown represent 39 unsold flats and retail space. Group's interest in the consortium developing Tung Chung (Package 1) is 20%. (Site 2 included on Page 103 and 105)
5. Ocean Shores, Tseung Kwan O	TKOTL55	2047	539,756	Residential Retail	451,305 32,292	968 30	Completed	2000-2003	Comprises 5,728 flats. Floor areas shown represent 132 unsold flats in Phase 1, 69 unsold flats in Phase 2, and 409 unsold flats in Phase 3 of which the group owns 49%.
6. Les Saisons, Aldrich Bay	SIL 843	2048	75,950	Residential	20,223	61	Completed	2001	Comprises 864 flats. Floor area shown represents 18 unsold flats of which the group owns 50%.
7. 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					<b>1,042,058</b>	<b>1,918</b>			
– of which attributable to the group					<b>469,472</b>				

<b>Property developments for sale in Hong Kong</b>	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
<b>Other holdings</b>									
8. Belair Monte Fanling	FSSTL 126	2047	223,674	Retail	67,083	–	Completed	1998	Residential content comprising 1,680 units has all been sold. Floor area shown represents the whole of the retail area including 17 car parks of which the group owns 8%.
9. Greenfields, Fung Kam Street, Yuen Long	YLTL 463	2047	63,389	Residential	6,130	39	Completed	1998	Comprises 480 units. Floor area shown represents 8 unsold flats of which the group owns 7%.
					<b>73,213</b>	<b>39</b>			
					<b>5,796</b>				
				– Attributable holding					

<b>Completed investment properties in the United States</b>	Site area in square feet	Use	Gross floor area in square feet	Completion date	Remarks
<b>Hotels</b>					
1. Mandarin Oriental, South Brickell Key, Miami, Florida	124,000	Hotel	345,000	2000	329 room hotel in central Miami, in which the group has a 75% interest.
		Held through jointly controlled company	<b>345,000</b>		
		– of which attributable to the group	<b>258,750</b>		

**Property developments for sale in the United States**

2. Courts Brickell Key, 801 Brickell Key, Miami, Florida	81,893	Residential	54,700	2002	34-storey residential condominium tower comprising 319 units, with 6 storey parking garage in central Miami. In December 2003, 282 units were handed over to purchasers. Floor area shown represents 37 remaining units.
3. Jade Residences, 1331 Brickell Bay Drive, Miami, Florida	111,905	Residential	652,000	2004	49-storey residential condominium tower comprising 338 units with 7-storey parking garage located in central Miami, in which the group has a 62.5% interest.
4. The Carbonell, 901 Brickell Key, Miami, Florida	108,029	Residential	561,600	2005	40-storey residential condominium tower comprising 284 units with 7-storey parking garage located in central Miami. Condominium tower currently under construction.
5. 900 Brickell Key, Miami, Florida	173,531	Residential	241,000	–	Development site in central Miami. Plans for condominium tower currently under review.
6. South Brickell Key, Miami, Florida	106,868	Residential	474,000	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently under review.
		Total held through subsidiaries	<b>1,983,300</b>		

# Ten-Year Financial Summary

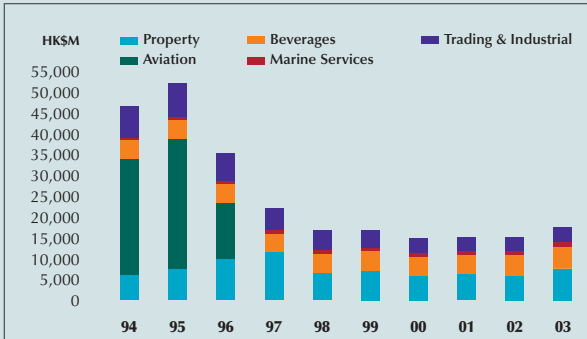
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<b>PROFIT AND LOSS ACCOUNT</b>										
<b>Turnover</b>										
Property	5,944	7,432	9,720	11,449	6,363	7,024	5,787	6,163	5,798	7,539
Aviation	27,970	31,119	13,511	–	–	–	–	–	–	–
Beverages	4,456	4,690	4,648	4,493	4,689	4,588	4,583	4,660	4,956	5,136
Marine Services	536	536	542	730	970	809	843	893	991	1,216
Trading & Industrial	7,716	8,224	6,739	5,385	4,851	4,420	3,816	3,453	3,442	3,637
Head Office*	267	301	373	26	28	21	21	29	28	40
	46,889	52,302	35,533	22,083	16,901	16,862	15,050	15,198	15,215	17,568
<b>Profit Attributable to Shareholders</b>										
Property	3,308	4,062	4,577	5,110	1,526	2,947	895	2,998	2,623	3,123
Aviation	1,503	1,831	2,279	1,003	(108)	1,038	2,510	520	2,115	844
Beverages	323	243	326	323	266	164	153	235	276	363
Marine Services	312	311	387	450	626	467	505	617	658	646
Trading & Industrial	269	366	237	13	(198)	92	(84)	130	4	238
Head Office*	(184)	(417)	(226)	(304)	(415)	(459)	(170)	(194)	(299)	(292)
	5,531	6,396	7,580	6,595	1,697	4,249	3,809	4,306	5,377	4,922
Interim and final dividends for the year	2,207	2,521	2,806	2,756	1,304	1,707	1,738	1,738	1,996	2,052
Share repurchases	–	85	–	1,833	–	–	–	–	540	60
Retained profit less share repurchases	3,324	3,790	4,774	2,006	393	2,542	2,071	2,568	2,841	2,810
<b>BALANCE SHEET</b>										
<b>Net Assets Employed</b>										
Property – cost	21,495	24,176	25,923	29,452	34,130	35,848	37,988	40,910	39,688	38,769
– valuation reserve	48,906	45,723	69,296	57,872	28,079	30,755	35,735	28,752	22,892	19,673
Aviation	20,638	24,239	12,347	13,451	13,334	14,274	16,691	15,855	16,518	16,214
Beverages	2,522	2,811	3,501	3,838	3,931	4,047	3,718	3,478	3,588	3,236
Marine Services	1,694	1,617	1,777	2,244	2,569	2,962	2,752	2,899	3,814	4,335
Trading & Industrial	2,701	3,221	2,503	2,712	2,283	1,994	1,849	1,767	1,379	1,052
Head Office*	(64)	71	156	347	698	774	203	215	117	202
	97,892	101,858	115,503	109,916	85,024	90,654	98,936	93,876	87,996	83,481
<b>Financed by</b>										
Shareholders' funds	70,963	72,020	102,243	93,602	63,291	69,512	76,973	72,533	68,947	68,076
Minority interests	8,796	10,233	2,978	3,636	3,721	4,260	5,148	4,587	4,861	5,231
Short-term financing/(surplus)	(11,175)	(10,078)	(194)	(2,116)	4,677	3,192	1,687	2,489	4,222	4,207
Long-term financing	29,308	29,683	10,476	14,794	13,335	13,690	15,128	14,267	9,966	5,967
	97,892	101,858	115,503	109,916	85,024	90,654	98,936	93,876	87,996	83,481
* Includes Insurance Division from 1994 to 1996										
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>'A' shares</b>										
Earnings per share	3.48	4.03	4.78	4.19	1.09	2.74	2.46	2.77	3.48	3.21
Dividends per share	1.39	1.59	1.77	1.77	0.84	1.10	1.12	1.12	1.30	1.34
Net shareholders' fund per share	44.70	45.43	64.49	60.31	40.78	44.79	49.60	46.73	44.98	44.47
<b>'B' shares</b>										
Earnings per share	0.70	0.81	0.96	0.84	0.22	0.55	0.49	0.55	0.70	0.64
Dividends per share	0.28	0.32	0.35	0.35	0.17	0.22	0.22	0.22	0.26	0.27
Net shareholders' fund per share	8.94	9.10	12.90	12.06	8.16	8.96	9.92	9.35	9.00	8.89
<b>Return on average shareholders' funds</b>	8.36%	8.95%	8.70%	6.73%	2.16%	6.40%	5.20%	5.76%	7.60%	7.18%

## Notes:

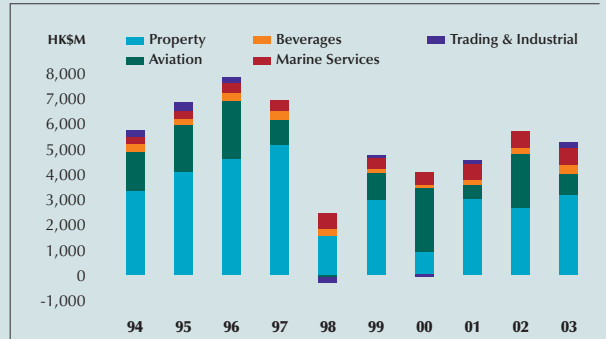
1. Turnover, net assets employed, minority interests and long-term financing for the years 1994 to 1996 inclusive have incorporated the results of Cathay Pacific and HAECO as subsidiaries. Subsequent to the placement of new shares by Cathay Pacific on 10th June 1996, both companies became associated companies and therefore their figures have not since been consolidated.
2. Turnover, net assets employed, minority interests and long-term financing for the years 1994 to 1997 inclusive have been restated to reflect the reclassification of certain partly-owned subsidiaries and associated companies as jointly controlled companies.
3. Shareholders' fund and shareholders' fund per share for the years 1994 to 1998 inclusive have been restated to include the unrealised exchange differences on hedges of foreign currencies and the investment revaluation reserve.
4. In accordance with the revised HK SSAP 9 "Events after the balance sheet date", dividends proposed by the Company after the balance sheet date may no longer be treated as a current liability at the balance sheet date. Current liabilities and shareholders' funds for the year 1994 to 2000 inclusive have been restated to reflect this.
5. Profit attributable to shareholders for the years 1997 to 1999 has been restated to reflect the impairment losses on goodwill.
6. In accordance with the revised HK SSAP 12 "Income taxes", provision for deferred tax is accounted for all temporary differences. Profit attributable to shareholders, shareholders' funds and minority interests for the year 1994 to 2002 inclusive have been restated to reflect this.



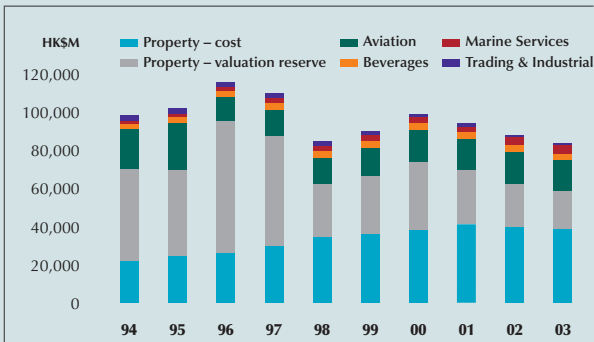
Turnover



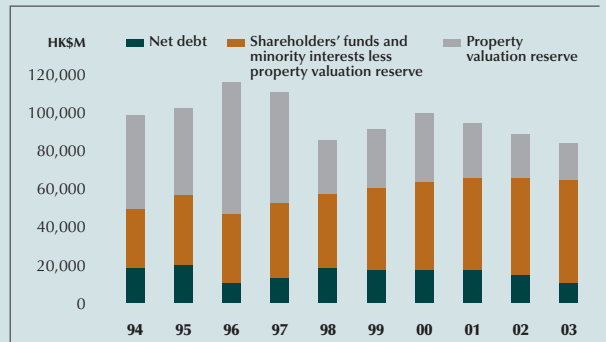
Profit attributable to shareholders



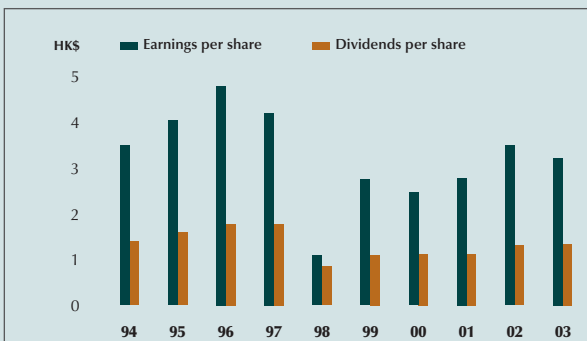
Net assets employed



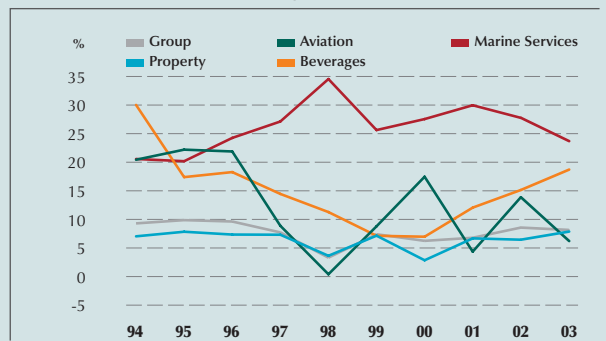
Shareholders' funds and net debt



'A' share EPS and DPS

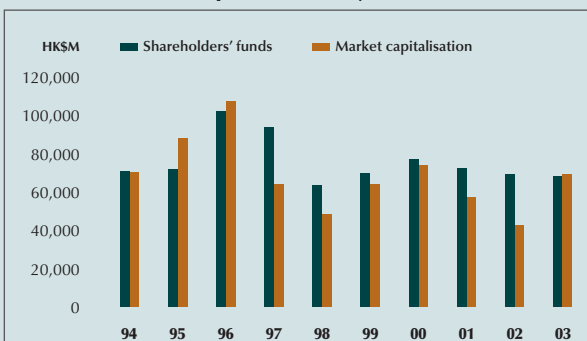


Returns on average shareholders' funds\*

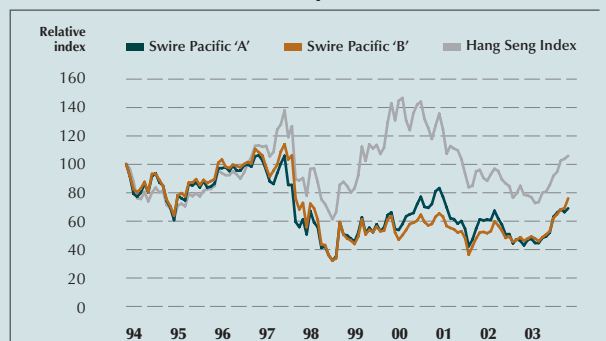


\* Returns on average shareholders' funds for Trading & Industrial Division are not shown on the graph as restructuring within the division has rendered the comparison of returns between years unmeaningful.

Shareholders' funds and market capitalisation at year end



Swire Pacific share price relative to HSI





# Financial Calendar and Information for Investors

## Financial Calendar 2004

Annual Report sent to shareholders	13th April
'A' and 'B' shares trade ex-dividend	6th May
Share registers closed	10th – 13th May
Annual General Meeting	13th May
Payment of 2003 final dividend	1st June
Interim results announcement	August 2004
Interim dividend payable	October 2004

## Registered office

Swire Pacific Limited  
35th Floor, Two Pacific Place  
88 Queensway  
Hong Kong

## Registrars

Computershare Hong Kong Investor Services Limited  
19th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Website: <http://www.computershare.com.hk>

## Depositary

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New York, NY10286  
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Website: [www.adrbny.com](http://www.adrbny.com)  
E-mail: [ADR@bankofny.com](mailto:ADR@bankofny.com)

(Toll free): 1-888-BNY-ADRs (1-888-269-2377)  
Fax: 1-212-571-3050

## Stock Codes

	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlement of 'A' and 'B' shareholders are in the proportion 5 to 1.

## Investor Relations

E-mail: [corporateaffairs@swirepacific.com](mailto:corporateaffairs@swirepacific.com)

## Public Affairs

E-mail: [publicaffairs@swirepacific.com](mailto:publicaffairs@swirepacific.com)  
Tel: (852) 2840-8098  
Fax: (852) 2526-9365  
Website: <http://www.swirepacific.com>

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

## Auditors

PricewaterhouseCoopers



This Report is printed on recycled paper.

A Chinese translation of this Annual Report is available upon request from the Company's Registrars.

本年報中文譯本，於本公司之股份登記處備索。



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