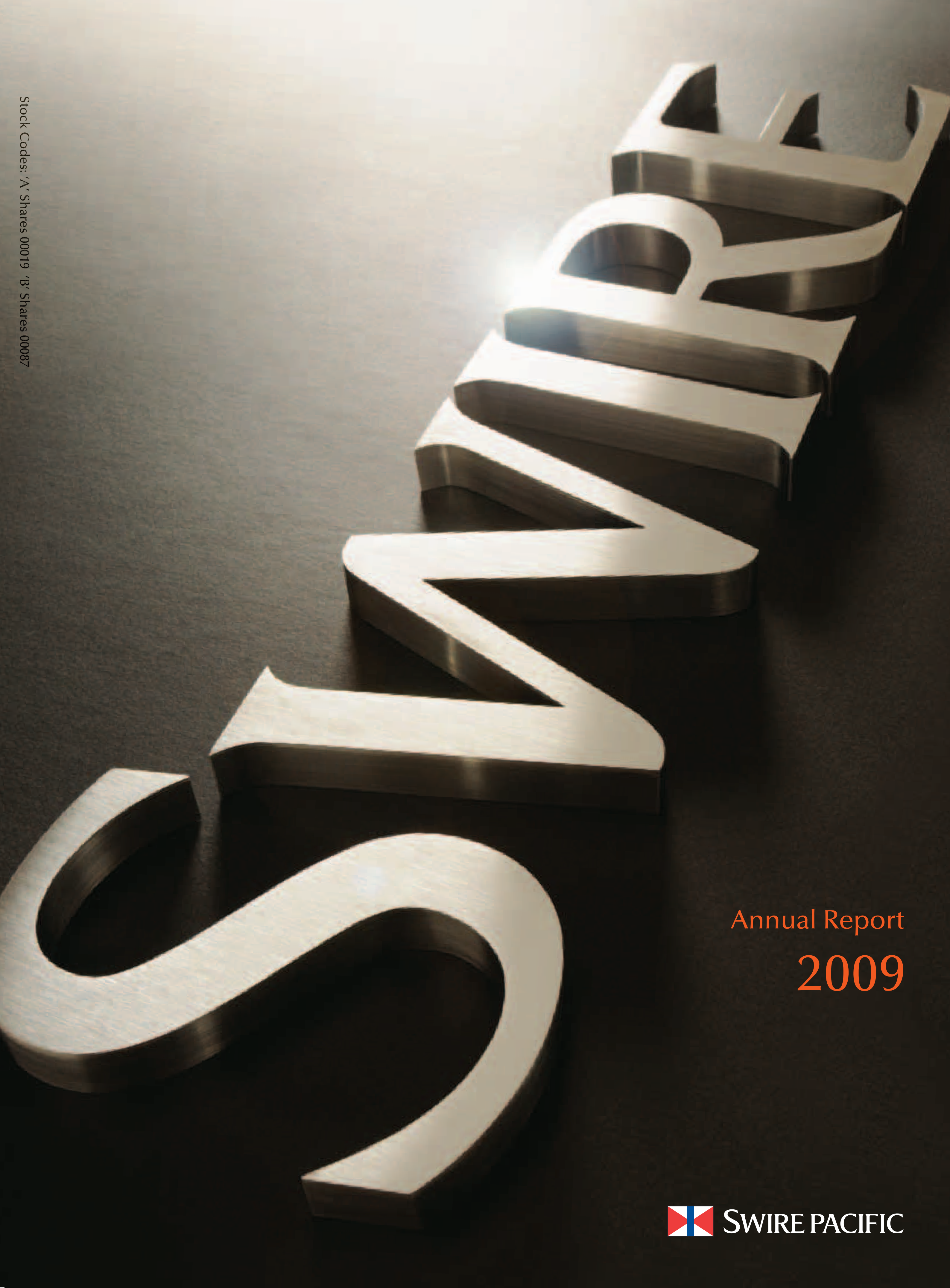


Stock Codes: 'A' Shares 00019 'B' Shares 00087

Annual Report
2009

SWIRE PACIFIC

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

Contents

Value in Diversity

Swire Pacific is one of the leading companies in Hong Kong, with five operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial. The Group's operations are predominantly in Greater China, where the name Swire or 太古 has been established for over 140 years. Swire Pacific is deeply committed to Hong Kong, where our subsidiaries and our jointly controlled and associated companies employ over 43,000 staff. Globally we employ over 75,000 staff.

We are committed to ensuring that our affairs are conducted with high ethical standards, which is a key component of our long-term success. This reflects our belief that in achieving our business objectives it is imperative that we act with high standards of probity, transparency and accountability, and with dignity, respect and in a socially responsible manner within the communities in which we operate.

We focus on the long-term development of businesses where we can create shareholder value in accordance with a return on capital appropriate to each business.

The Group's total net assets employed increased by HK$18,396 million during 2009 to HK$185,030 million. Profit attributable to the Company's shareholders in 2009 was HK$19,917 million against HK$5,853 million in 2008. Underlying attributable profit, which principally excludes the effect of valuation gains on investment properties and the associated deferred tax, increased by HK$3,237 million to HK$8,475 million.

The Property Division employed HK$149,076 million (81%) of the Group's net assets at 31st December 2009 and generated a profit of HK$15,390 million, providing a return on average equity of 14.3%. The division's underlying profit was HK$3,966 million against HK$3,675 million in 2008 and its return on average underlying equity was 3.1%, compared to 3.2% in 2008.

Net assets employed by the Aviation Division increased by HK$4,638 million to HK$21,654 million at 31st December 2009. The profit of the Aviation Division in 2009 was HK$1,821 million against a loss of HK$2,922 million in 2008. The Aviation Division provided a return on average equity of 9.4%, compared to a negative return of 15.2% in 2008.

Net assets employed by the Beverages Division increased by HK$530 million to HK$4,570 million at 31st December 2009. The profit of the Beverages Division in 2009 was HK$753 million against HK$585 million in 2008. The division generated a return on average equity employed of 23.3%, compared to 20.4% in 2008.

Net assets employed by the Marine Services Division increased by HK$452 million to HK$7,882 million at 31st December 2009. The profit of the Marine Services Division in 2009 was HK$1,637 million against HK$1,767 million in 2008. The division provided a return on average equity employed of 21.5%, compared to 26.9% in 2008.

Disregarding the effect of the profit on disposal of the Group's interest in Swire SITA in 2008, net assets employed by the Trading & Industrial Division fell by HK$381 million to HK$1,527 million at 31st December 2009. The profit in 2009 was HK$350 million against HK$379 million in 2008. The division provided a return on average equity employed of 18.3%, compared to 19.8% in 2008.

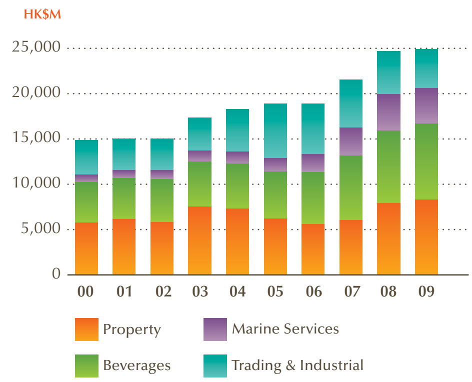
The Group generated a total return on average equity attributable to the Company's shareholders of 13.9% in 2009 against 4.3% in 2008. On an underlying basis, the Group's return on average equity was 5.2%, compared to 3.4% in 2008.

At a Glance

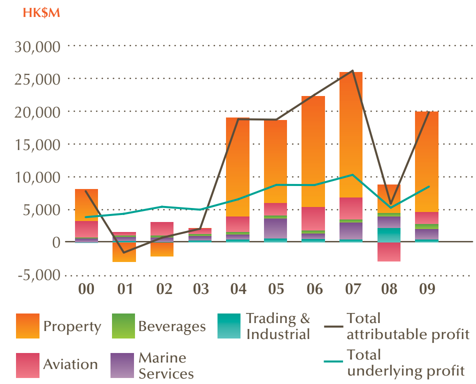
	2008 HK$M (Restated)	**2009 HK$M**
INCOME STATEMENT		
Turnover		
Property	7,903	**8,288**
Beverages	8,001	**8,399**
Marine Services	4,007	**3,892**
Trading & Industrial	4,746	**4,320**
Head Office	13	**10**
	24,670	**24,909**
Profit attributable to the Company's shareholders		
Property	4,293	**15,390**
Aviation	(2,922)	**1,821**
Beverages	585	**753**
Marine Services	1,767	**1,637**
Trading & Industrial	2,100	**350**
Head Office	30	**(34)**
	5,853	**19,917**
Interim and final dividends for the year	3,591	**4,213**
Share repurchases	649	**–**
Retained profit less share repurchases	1,613	**15,704**
STATEMENT OF FINANCIAL POSITION		
Net assets employed		
Property – cost and working capital	51,919	**52,269**
– valuation surplus	82,712	**96,807**
Aviation	17,016	**21,654**
Beverages	4,040	**4,570**
Marine Services	7,430	**7,882**
Trading & Industrial	3,629	**1,527**
Head Office	(112)	**321**
	166,634	**185,030**
Financed by		
Equity attributable to the Company's shareholders	134,741	**152,503**
Minority interests	1,447	**846**
Net debt	30,446	**31,681**
	166,634	**185,030**
	HK$	**HK$**
'A' shares		
Earnings/(loss) per share	3.87	**13.24**
Dividends per share	2.38	**2.80**
Equity attributable to the Company's shareholders per share	89.55	**101.36**
'B' shares		
Earnings/(loss) per share	0.77	**2.65**
Dividends per share	0.48	**0.56**
Equity attributable to the Company's shareholders per share	17.91	**20.27**
Ratios		
Return on average equity attributable to the Company's shareholders	4.34%	**13.87%**
Return on average equity attributable to the Company's shareholders (historic cost)	7.67%	**11.96%**
Gearing ratio	22.36%	**20.66%**
Interest cover – times	10.04	**23.12**
Dividend cover – times	1.63	**4.73**
Underlying		
Profit (HK$M)	5,238	**8,475**
Equity attributable to the Company's shareholders (HK$M)	151,657	**172,820**
Return on average equity attributable to the Company's shareholders	3.44%	**5.22%**
Earnings per 'A' share (HK$)	3.46	**5.63**
Earnings per 'B' share (HK$)	0.69	**1.13**
Equity attributable to 'A' shareholders per share (HK$)	100.79	**114.86**
Equity attributable to 'B' shareholders per share (HK$)	20.16	**22.97**
Gearing ratio	19.87%	**18.24%**
Interest cover – times	9.86	**8.04**
Dividend cover – times	1.46	**2.01**

Ten-year Financial Summary

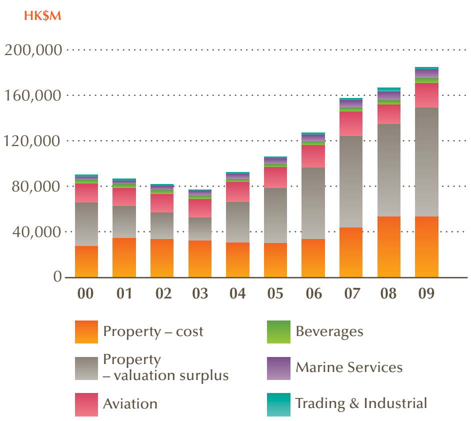
Turnover



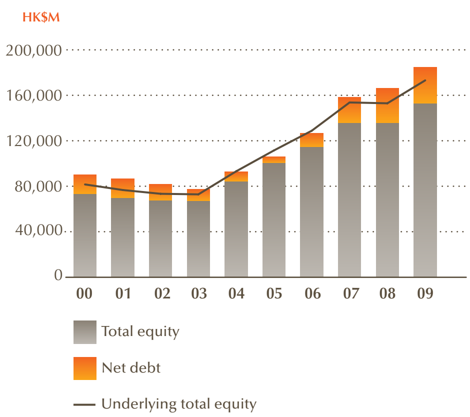
Profit Attributable to the Company's Shareholders



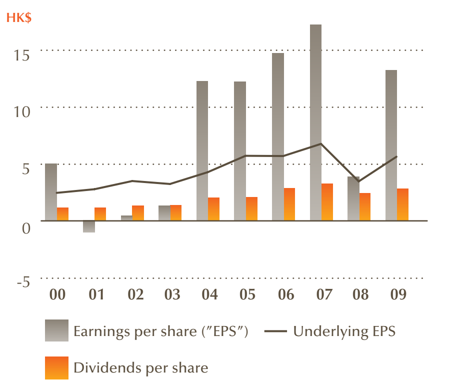
Net Assets Employed



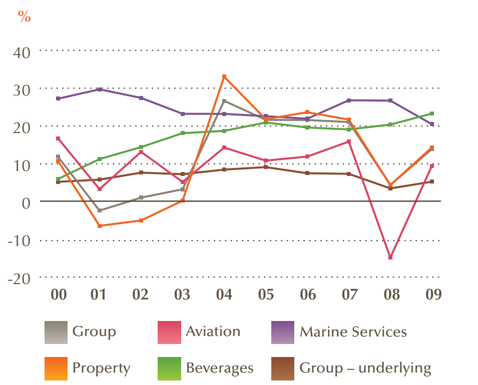
Total Equity and Net Debt



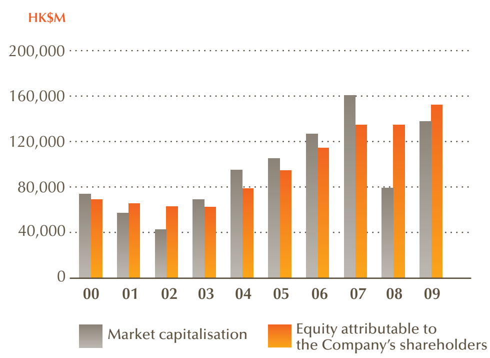
Earnings and Dividends Per 'A' Share



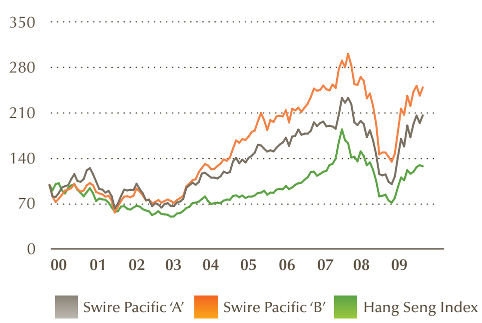
Returns on Average Equity*



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



Swire Pacific Share Price Relative to Hang Seng Index



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

	2000 HK$M	2001 HK$M	2002 HK$M	2003 HK$M	2004 HK$M	2005 HK$M	2006 HK$M	2007 HK$M (Restated)	2008 HK$M (Restated)	**2009 HK$M**
INCOME STATEMENT										
Turnover										
Property	5,787	6,163	5,798	7,539	7,306	6,197	5,595	6,060	7,903	**8,288**
Beverages	4,439	4,513	4,787	4,955	4,978	5,187	5,750	7,066	8,001	**8,399**
Marine Services	843	893	991	1,216	1,297	1,492	1,997	3,104	4,007	**3,892**
Trading & Industrial	3,816	3,453	3,442	3,637	4,704	6,036	5,554	5,306	4,746	**4,320**
Head Office	21	29	28	40	39	25	215	17	13	**10**
	14,906	15,051	15,046	17,387	18,324	18,937	19,111	21,553	24,670	**24,909**
Profit attributable to the Company's shareholders										
Property	4,881	(2,956)	(2,129)	68	15,097	12,684	16,983	19,225	4,293	**15,390**
Aviation	2,510	520	2,128	843	2,393	1,928	3,605	3,330	(2,922)	**1,821**
Beverages	153	235	276	363	385	474	480	507	585	**753**
Marine Services	505	617	658	646	741	3,035	834	2,550	1,767	**1,637**
Trading & Industrial	(84)	130	4	228	388	520	444	399	2,100	**350**
Head Office	(187)	(193)	(300)	(132)	(186)	116	220	249	30	**(34)**
	7,778	(1,647)	637	2,016	18,818	18,757	22,566	26,260	5,853	**19,917**
Interim and final dividends for the year	1,738	1,738	1,996	2,052	3,062	3,154	4,321	4,898	3,591	**4,213**
Share repurchases	–	–	540	60	–	–	–	1,296	649	**–**
Retained profit less share repurchases	6,040	(3,385)	(1,899)	(96)	15,756	15,603	18,245	20,066	1,613	**15,704**
STATEMENT OF FINANCIAL POSITION										
Net assets employed										
Property – cost and working capital	27,272	33,932	33,380	32,114	30,041	29,609	33,388	41,853	51,919	**52,269**
– valuation surplus	38,141	28,510	23,011	20,217	36,004	48,483	62,864	82,343	82,712	**96,807**
Aviation	16,740	15,898	16,565	16,260	17,304	18,431	19,874	21,592	17,016	**21,654**
Beverages	3,509	3,369	3,479	3,111	2,936	2,930	3,201	3,403	4,040	**4,570**
Marine Services	2,752	2,899	3,814	4,335	4,772	5,061	6,026	6,496	7,430	**7,882**
Trading & Industrial	1,849	1,767	1,379	1,042	1,363	1,540	1,715	1,774	3,629	**1,527**
Head Office	87	102	27	283	410	166	(114)	1,118	(112)	**321**
	90,350	86,477	81,655	77,362	92,830	106,220	126,954	158,579	166,634	**185,030**
Financed by										
Equity attributable to the Company's shareholders	68,923	65,507	62,983	62,440	78,625	94,843	114,414	134,926	134,741	**152,503**
Minority interests	4,691	4,291	4,537	4,806	5,943	5,929	610	1,161	1,447	**846**
Net debt	16,736	16,679	14,135	10,116	8,262	5,448	11,930	22,492	30,446	**31,681**
	90,350	86,477	81,655	77,362	92,830	106,220	126,954	158,579	166,634	**185,030**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	**HK$**
'A' shares										
Earnings/(loss) per share	5.02	(1.06)	0.41	1.32	12.29	12.25	14.74	17.26	3.87	**13.24**
Dividends per share	1.12	1.12	1.30	1.34	2.00	2.06	2.83	3.23	2.38	**2.80**
Equity attributable to the Company's shareholders per share	44.41	42.20	41.09	40.79	51.35	61.95	74.73	88.99	89.55	**101.36**
'B' shares										
Earnings/(loss) per share	1.00	(0.21)	0.08	0.26	2.46	2.45	2.95	3.45	0.77	**2.65**
Dividends per share	0.22	0.22	0.26	0.27	0.40	0.41	0.57	0.65	0.48	**0.56**
Equity attributable to the Company's shareholders per share	8.88	8.44	8.22	8.16	10.27	12.39	14.95	17.80	17.91	**20.27**
Ratios										
Return on average equity attributable to the Company's shareholders	11.84%	-2.45%	0.99%	3.21%	26.68%	21.63%	21.57%	21.06%	4.34%	**13.87%**
Return on average equity attributable to the Company's shareholders (historic cost)	9.53%	10.17%	11.76%	10.30%	12.80%	15.46%	14.24%	15.49%	7.67%	**11.96%**
Gearing ratio	22.73%	23.90%	20.93%	15.04%	9.77%	5.41%	10.37%	16.53%	22.36%	**20.66%**
Interest cover – times	22.28	(4.57)	(1.96)	4.45	21.72	34.09	46.65	53.91	10.04	**23.12**
Dividend cover – times	4.48	(0.95)	0.32	0.98	6.15	5.95	5.22	5.36	1.63	**4.73**
Underlying										
Profit (HK$M)	3,792	4,307	5,389	4,942	6,538	8,742	8,716	10,283	5,238	**8,475**
Equity attributable to the Company's shareholders (HK$M)	76,985	72,540	68,957	68,107	87,020	105,300	128,496	152,750	151,657	**172,820**
Return on average equity attributable to the Company's shareholders	5.18%	5.76%	7.62%	7.21%	8.43%	9.09%	7.46%	7.31%	3.44%	**5.22%**
Earnings per 'A' share (HK$)	2.45	2.77	3.49	3.23	4.27	5.71	5.69	6.76	3.46	**5.63**
Earnings per 'B' share (HK$)	0.49	0.55	0.70	0.65	0.85	1.14	1.14	1.35	0.69	**1.13**
Equity attributable to 'A' shareholders per share (HK$)	49.60	46.74	44.98	44.50	56.84	68.77	83.93	100.74	100.79	**114.86**
Equity attributable to 'B' shareholders per share (HK$)	9.92	9.35	9.00	8.90	11.37	13.75	16.79	20.15	20.16	**22.97**
Gearing ratio	20.43%	21.66%	19.18%	13.82%	8.84%	4.87%	9.24%	14.61%	19.87%	**18.24%**
Interest cover – times	8.23	8.30	7.63	9.47	5.34	12.82	13.44	14.73	9.86	**8.04**
Dividend cover – times	2.18	2.48	2.70	2.41	2.14	2.77	2.02	2.10	1.46	**2.01**

Notes:

1. The information for all years is shown in accordance with the Group's current accounting policies and disclosure practices. Consequently figures for years prior to 2008 may be different from those originally presented. The 2008 income statement and statement of financial position and the 2007 statement of financial position have been restated as a result of the adoption of HK(IFRIC)-Int 13 (Customer Loyalty Programmes).
2. The equity attributable to the Company's shareholders and the return by division for 2009 and 2008 are shown in the Financial Review - Investment Appraisal and Performance Review on page 62.
3. Underlying profit and equity are discussed on page 56.
4. Refer to Glossary on page 192 for definitions and ratios.

Chairman's Statement

The profit attributable to shareholders for 2009 was HK$19,917 million, compared to HK$5,853 million in 2008. Underlying profit attributable to shareholders, which primarily adjusts for changes in property valuations and the associated deferred tax, increased by HK$3,237 million to HK$8,475 million. Excluding the effect of non-recurring items (principally the profit of HK$1,721 million recognised in 2008 on disposal of the Group's interest in Swire SITA), underlying profit increased by HK$4,909 million.

The effects of the severe economic downturn continued into 2009. The increase in underlying profit principally reflects improved results in the Cathay Pacific group where, despite sharply reduced revenues for much of the year, profits benefited from mark-to-market gains in respect of fuel hedging contracts. Despite the economic conditions, the Group's non-aviation businesses generally performed well in 2009.

Underlying profit in the Property Division increased by 8%. Positive rental reversions in the Hong Kong office portfolio, a modest level of capital profits and a reduction in net finance charges more than offset a reduction in profits from the trading portfolio and weakness in the hotel business. The Beverages Division reported strong profit growth in all markets outside the USA. Swire Pacific Offshore group ("SPO") reported a reduction in profits. However, excluding the profits on vessel sales in 2008, SPO's results were only marginally below those of 2008. The contribution from the HAECO group was significantly lower as demand for aircraft maintenance fell.

In spite of uncertain economic conditions, the Group continued to make measured investment in its core businesses in 2009. Net cash used in investing activities totalled HK$5,637 million. Committed investments at the year-end were HK$14,472 million.

Key Developments

In September the Group acquired an additional 2% interest in Cathay Pacific Airways ("Cathay Pacific") for a consideration of HK$1,013 million, taking its shareholding from 39.97% to 41.97%. In October the Group acquired an additional 12.45% interest in HAECO from Cathay Pacific for a consideration of HK$1,901 million, taking its direct shareholding in HAECO from 33.52% to 45.96%. The Group regards its shareholdings in Cathay Pacific and HAECO as key long-term strategic investments.

In the Property Division, The Upper House hotel at Pacific Place opened in October. This 117-room luxury hotel is the sister hotel of The Opposite House in Beijing. The opening was followed by that of the 345-room EAST hotel at Cityplaza in January 2010. These hotels are wholly-owned and are managed by Swire Hotels. In Beijing, the north site of Sanlitun Village began a phased opening in October. The north site is 67% leased.

Applications have been made to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the spin-off and separate listing of the shares in Swire Properties Limited ("Swire Properties"), the company which holds the Group's principal property interests in Hong Kong, Mainland China, the USA and the UK. The separate listing of Swire Properties would be intended to benefit investors in both Swire Pacific and Swire Properties. The capital raised would be available to fund the investments of both companies. The listing would also provide direct access for Swire Properties to equity capital markets. However, no decision has yet been made by the Directors as to whether and when the proposed spin-off and separate listing of Swire Properties will be effected. The Stock Exchange has confirmed that the Company may proceed with the proposed spin-off, but there is no assurance that the approval of the separate listing of Swire Properties will be granted by the Listing Committee of the Stock Exchange. If the spin-off and separate listing proceed, Swire Properties will continue to be a subsidiary of the Company.

Operating Performance

Underlying profit in the Property Division was HK$3,966 million, an 8% increase over the 2008 profit of HK$3,675 million. Demand in the Hong Kong office market weakened in the first half of the year, but recovered in the second-half as the economy improved. Rental reversions generally remained positive. However, the hotel interests suffered from the difficult market conditions and lower profits were recorded from the trading portfolio. A small number of properties within the property investment portfolio were sold, generating modest capital profits. Net finance charges were lower than in 2008 (principally as a result of the recognition, and the movement in fair value, of a put option in relation to the minority interest in Sanlitun Village). On an attributable basis, the Property Division's net investment property valuation gain (before deferred tax) in 2009 was HK$14,483 million, compared to a net gain in 2008 of HK$241 million. Values fell in the early part of 2009, but then increased as the outlook for property markets in Hong Kong and Mainland China improved.

The Cathay Pacific group contributed a profit for 2009 of HK$1,349 million, compared to a loss of HK$3,607 million in 2008. The improved result principally reflects the rise in fuel prices from the middle of 2009, which resulted in mark-to-market gains in respect of fuel hedging contracts for the period 2010-2011. These gains reversed a large part of the substantial mark-to-market losses recorded in 2008. Results from the airlines' passenger and cargo operations, however, were adversely affected by continuing constrained demand in their key markets for much of the year. Passenger revenue fell by 21%, reflecting substantial reductions in premium traffic and in economy class yields, though economy class passenger numbers held up well. The cargo business was exceptionally weak in the first half of the year, but was stronger in the latter part of the year. A number of measures were taken in response to the steep downturn in business, including reducing capacity, operating costs and capital expenditure, introducing an unpaid leave scheme for staff and parking a number of aircraft.

2009 was a challenging year for the HAECO group as airlines continued to reduce maintenance expenditure and ground aircraft. The airframe heavy maintenance business in both Hong Kong and Xiamen was significantly weakened by the downturn and had substantial unsold capacity for the first time in several years. Demand for line maintenance operations also fell, in line with the level of aircraft movements at Hong Kong International Airport. Despite the increase in shareholding, profit attributable to Swire Pacific fell by 38% to HK$314 million.

The Beverages Division recorded a 29% increase in attributable profit over 2008. Overall sales volume grew by 13%. This principally reflected strong growth in Mainland China, resulting from expansion of the product portfolio and the distribution network. Raw material costs were lower in all markets for much of the year but sugar costs increased significantly towards the end of the year.

Attributable profit for SPO fell by 2%, excluding the effect of profits on vessel sales in 2008. The result for the first half of the year benefited from the fact that many of SPO's contracts had been fixed in 2008 when market conditions were favourable. In the second half of the year a reduction in offshore exploration activity and the entry into the market of a significant number of newly built vessels owned by competitors resulted in some reductions in charter hire and utilisation rates.

Attributable profit from the Trading & Industrial Division fell by 8% in 2009, disregarding the gain on disposal of the Group's interest in Swire SITA in 2008 (the proceeds of which were received in the second half of 2009). Sales growth and improved margins in Mainland China helped Swire Resources to record an increase in profit. The car business in Taiwan and the paints business also recorded increases in profit. The beverage cans and sugar businesses recorded modest decreases in profits.

Finance

Despite strong operating cash flows, net debt increased by HK$1,235 million during the year to HK$31,681 million. The overall increase in net debt primarily reflected the acquisition of additional interests in Cathay Pacific and HAECO, but also investments in property projects and new vessels. HK$8,940 million of financing was arranged. Gearing fell during the year by 1.7 percentage points from 22.4% to 20.7%. Cash and undrawn committed facilities totalled HK$14,916 million at 31st December 2009, compared with HK$10,595 million at 31st December 2008.

Corporate Governance

Swire Pacific's governance principles and the processes in place to safeguard the interests of shareholders are set out on pages 73 to 84.

Sustainable Development

Swire Pacific recognises the importance of acting responsibly towards its stakeholders (including employees and the communities in which it is involved) and towards the natural environment in which it operates. During the year, Swire Pacific and Cathay Pacific joined over 950 global companies in signing the Copenhagen Communiqué on Climate Change, supporting an ambitious, robust and equitable global deal on climate change that responds credibly to the scale and urgency of the crises facing the world. We were disappointed at the limited progress made at the Copenhagen climate change conference.

Prospects

The Group's completed office portfolio is almost fully let, with approximately 14% of tenancies by floor area due to expire during 2010.

The Group's completed retail portfolio in Hong Kong is also almost fully let, with approximately 15% of tenancies by floor area due to expire during 2010. The trading environment for the Group's retail interests in both Hong Kong and Mainland China has improved as economic conditions have become more positive.

The phased opening of the north site of Sanlitun Village will continue during the course of 2010.

A phased opening of the TaiKoo Hui mixed-use development in central Guangzhou is expected from late 2010. Pre-letting of the retail space is very encouraging with 78% of the mall already committed.

A phased opening of the 1.9 million square foot mixed-use development at Jiang Tai in the Chaoyang district of Beijing is expected in the second half of 2011.

Site clearance and resettlement works continue at the Dazhongli Project in the Jing An district of Shanghai. The expected opening of this 3.5 million square foot mixed-use development has been deferred to 2014 due to the need to complete site clearance and to accommodate the construction of a metro station adjacent to the site and due to the likely suspension of works because of the 2010 Expo in Shanghai.

On completion of current developments, Swire Properties will have a portfolio of 15.1 million square feet in Hong Kong and 8.0 million square feet in Mainland China, as well as property interests in the USA and the UK.

While welcoming the improvement in business in the latter part of 2009, the Cathay Pacific group remains cautious about the prospects for 2010. Revenues and yields remain below levels experienced prior to the recent downturn and there has not yet been a sustained improvement in premium passenger demand, which accounts for a high proportion of total revenue. There are concerns that the adverse changes seen in the pattern of passenger and freight demand could be structural rather than cyclical. In addition, the cost of fuel, which rose steadily from the middle of 2009, remains stubbornly high and threatens to undermine profitability.

In February 2010, Cathay Pacific announced that it had entered into conditional framework and other agreements with Air China Limited and others under which the parties have agreed to establish a jointly owned cargo airline. The formation of the cargo joint venture represents an important development in the cooperation between Cathay Pacific and Air China.

Like the Cathay Pacific group, the HAECO group is cautious about the recent improvement in the aviation industry. The HAECO group expects increased aircraft movements at Hong Kong International Airport and better utilisation of its hangars in 2010. However, start-up losses at the new joint ventures in Mainland China will affect the results in 2010. Overall, 2010 will be another challenging year. The HAECO group will continue to contain costs and improve productivity while striving to deliver quality service to customers. It is well placed to take advantage of future long-term growth in the aviation industry.

The Beverages Division will continue to expand its product portfolio and distribution network in Mainland China. Market conditions are expected to continue to recover in Hong Kong and Taiwan. However, those in the USA are expected to continue to be affected by economic uncertainty.

SPO expects the offshore support industry in 2010 to continue to suffer from the poor market conditions of the latter part of 2009. With a large number of newly built vessels continuing to enter the offshore market, increased competition is expected to result in further pressure on charter rates. However, assuming a continuation of the global economic recovery, exploration activity should gradually increase. With nine newly built vessels to be delivered in 2010, SPO is in a strong position.

The Trading & Industrial Division expects continued growth for Swire Resources and improved trading conditions in the Taiwan car market. The paints business expects strong growth in Mainland China to be offset by the cost of expanding its distribution network. The beverage cans business is expecting conditions to remain challenging.

Dividends

The Directors have recommended final dividends of HK¢220.0 per 'A' share and HK¢44.0 per 'B' share, which, together with the interim dividends paid in October 2009, amount to full year dividends of HK¢280.0 per 'A' share and HK¢56.0 per 'B' share, compared to full year dividends of HK¢238.0 per 'A' share and HK¢47.6 per 'B' share in respect of 2008. The increase in dividends reflects the increase in underlying profit attributable to shareholders in 2009 and the more positive prospects for 2010.

The Group's strength lies in its diverse range of businesses centered on the fastest growing economy in the world. The generally robust performance of the Group overall during the uncertain conditions of the last 18 months demonstrates the value of the Group's diversity and gives cause for optimism about the future.

The commitment and hard work of employees across the Group and its jointly controlled and associated companies are central to our continuing success. I take this opportunity to thank them.

Christopher Pratt
Chairman
Hong Kong, 11th March 2010

Financial Highlights

	Note	2009 HK$M	2008 HK$M	Change %
Turnover		24,909	24,670	+1.0
Operating profit		21,733	9,153	+137.4
Profit attributable to the Company's shareholders	(a)	19,917	5,853	+240.3
Cash generated from operations		8,740	7,580	+15.3
Net cash inflow/(outflow) before financing		2,053	(2,303)	-189.1
Total equity (including minority interests)	(a)	153,349	136,188	+12.6
Net debt		31,681	30,446	+4.1
		HK$	HK$	
Earnings per share	(a), (b)			
'A' shares		13.24	3.87	+242.1
'B' shares		2.65	0.77	
Dividends per share				
'A' shares		2.800	2.380	+17.6
'B' shares		0.560	0.476	
Equity attributable to the Company's shareholders per share	(a)			
'A' shares		101.36	89.55	+13.2
'B' shares		20.27	17.91	

Underlying Profit and Equity

		HK$M	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(a), (c)	8,475	5,238	+61.8
		HK$	HK$	
Underlying earnings per share	(a), (b)			
'A' shares		5.63	3.46	+62.7
'B' shares		1.13	0.69	
Underlying equity attributable to the Company's shareholders per share	(a), (c)			
'A' shares		114.86	100.79	+14.0
'B' shares		22.97	20.16	

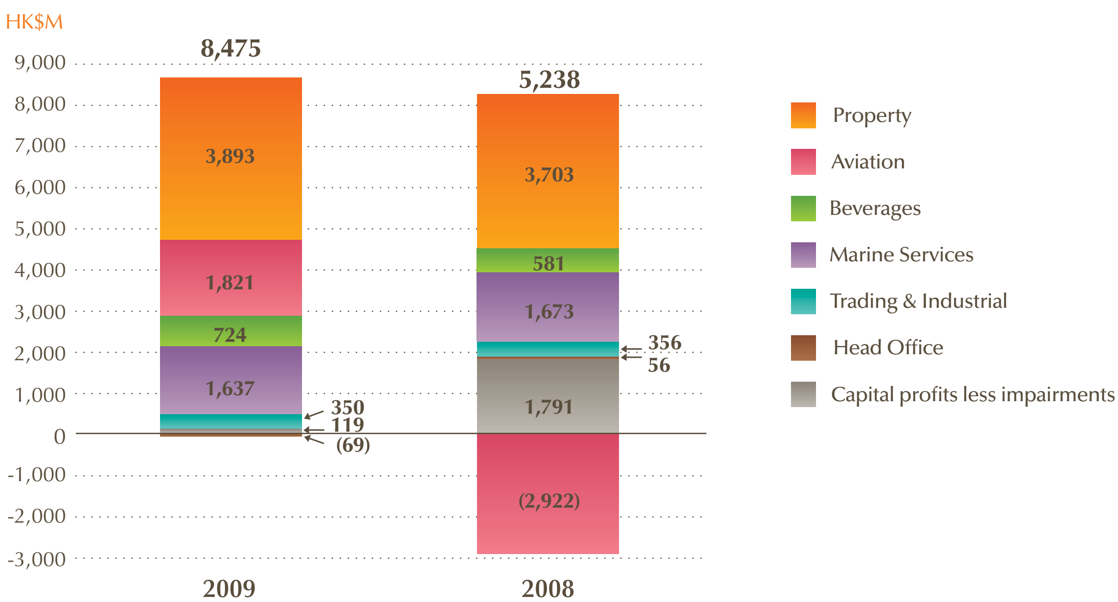
Notes:

(a) The adoption of HK(IFRIC)-Int 13 (Customer Loyalty Programmes) has resulted in the restatement of the 2008 comparative figures. Refer to note 1(a) to the accounts for further details.

(b) Refer to note 13 to the accounts for the weighted average number of shares.

(c) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 56.

Underlying Profit by Division



Quality in Every Detail

Swire Properties believes that the quality of its planning and design creates long-term value.

Property Division

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, as well as hotel interests, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 14.9 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Beijing, Shanghai and Guangzhou, which will total 8.0 million square feet on completion, of which 1.6 million square feet has already been completed. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental Hotel in Miami, Florida. In the United Kingdom, Swire Properties owns four small hotels.

Swire Properties' trading portfolio comprises land and residential apartments under development in Hong Kong and Florida, as well as the remaining units for sale at the Island Lodge and Asia residential developments in Hong Kong and Miami respectively.

Particulars of the Group's key properties are set out on pages 179 to 189.

	2009 HK$M	2008 HK$M
Turnover		
Gross rental income derived from		
Offices	**4,115**	3,632
Retail	**3,060**	2,910
Residential	**268**	291
Other revenue *	**83**	74
Property investment	**7,526**	6,907
Property trading	**643**	889
Hotels	**172**	156
Total turnover	**8,341**	7,952
Operating profit derived from		
Property investment	**5,607**	5,012
Valuation gains on investment properties	**14,383**	184
Property trading	**70**	198
Hotels	**(474)**	(86)
Total operating profit	**19,586**	5,308
Share of post-tax profits from jointly controlled and associated companies	**163**	183
Attributable profit	**15,390**	4,293

* Other revenue is mainly estate management fees.

Additional information is provided below to reconcile reported and underlying profit attributable to the Company's shareholders. These reconciling items principally adjust for the effect of HKAS 40 and HKAS-Int 21 on investment properties and deferred taxation respectively.

	Note	2009 HK$M	2008 HK$M
Reported attributable profit		**15,390**	4,293
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(14,483)**	(241)
Deferred tax on revaluation movements	(b)	**2,794**	320
Deferred tax written back on change in tax rate		**–**	(947)
Realised profit on sale of investment properties	(c)	**27**	–
Depreciation of investment properties occupied by the Group	(d)	**13**	13
Minority interests' share of revaluation movements less deferred tax		**88**	237
Impairment of hotels held as part of mixed-used developments less deferred tax	(e)	**137**	–
Underlying attributable profit		**3,966**	3,675

Notes:
(a) This represents the Group's net revaluation movements plus the Group's share of net revaluation movements of jointly controlled and associated companies.
(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the income statement.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
(e) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those wholly-owned or jointly controlled hotel properties held for the long-term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the income statement.

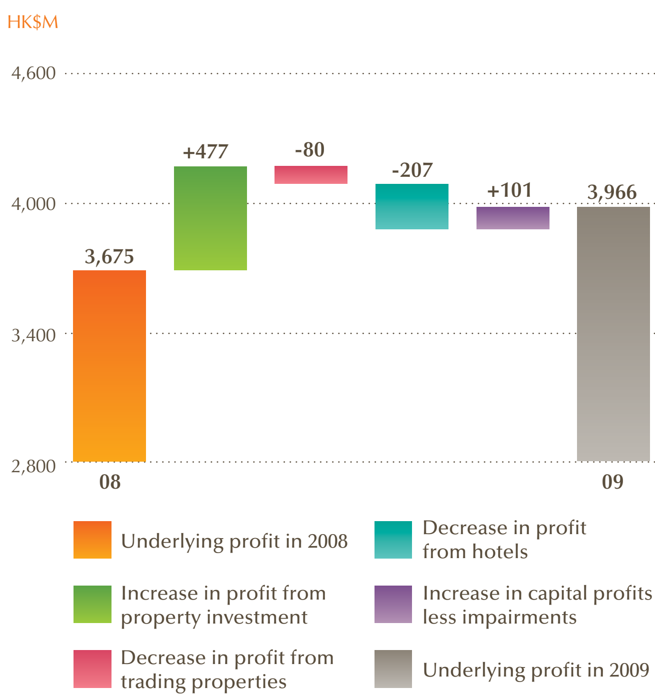
2009 Results Summary

Attributable profit from the Property Division for the year was HK$15,390 million compared to HK$4,293 million in 2008. These figures include net property valuation gains (before deferred tax) of HK$14,483 million and HK$241 million in 2009 and 2008 respectively. The attributable profit in 2008 included a deferred tax credit of HK$947 million resulting from the reduction in the Hong Kong profits tax rate from 17.5% to 16.5% in June 2008.

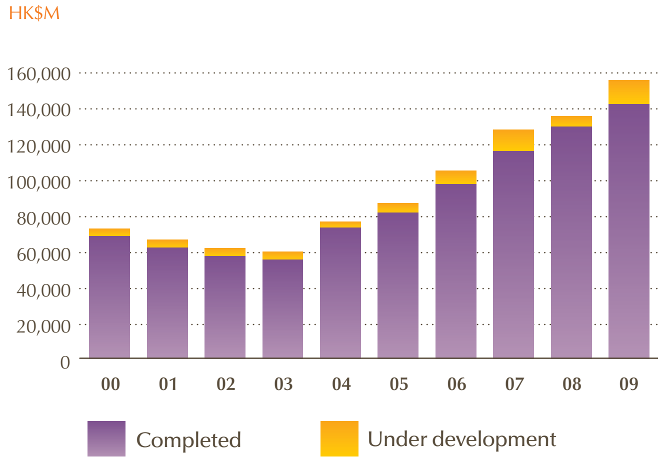
Gross rental income amounted to HK$7,443 million in 2009, compared with HK$6,833 million in 2008, principally reflecting full-year contributions from One Island East and The Village South at Sanlitun and positive rental reversions in the Hong Kong office portfolio.

A trading profit of HK$70 million was recognised in 2009. Closings of units at Island Lodge in Hong Kong more than offset losses on US property interests.

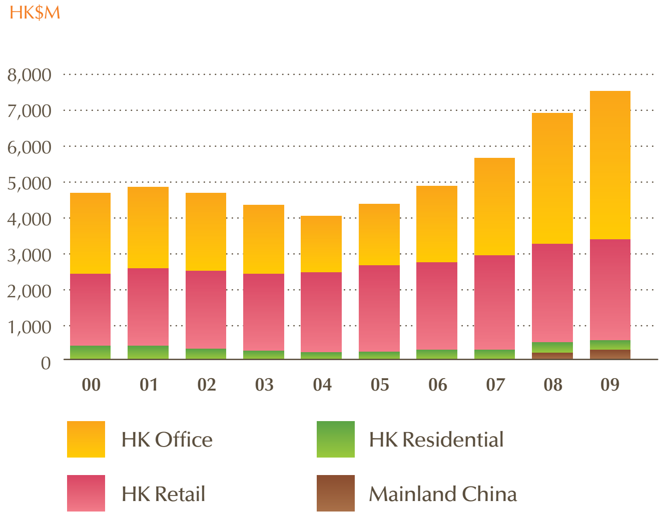
Movement in Underlying Profit



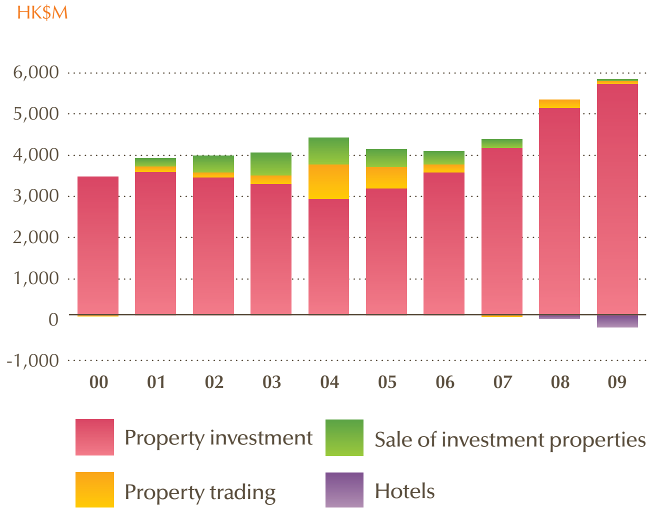
Valuation of Investment Properties



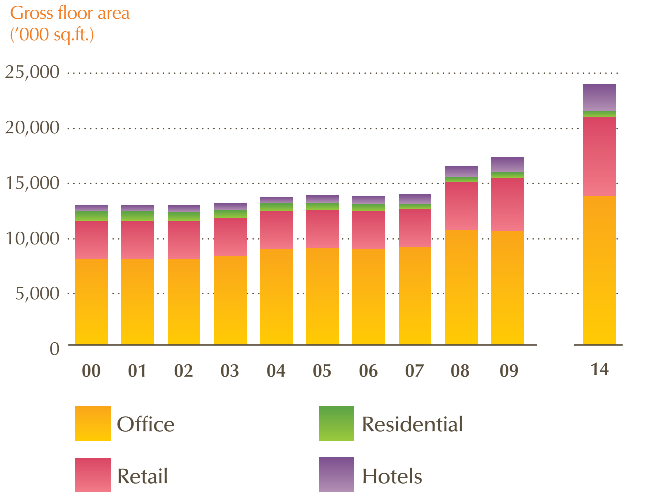
Gross Rental Income



Underlying Operating Profit



Completed Property Investment Portfolio



Pacific Place – one of Hong Kong's iconic addresses – is setting new standards of contemporary luxury with a natural, warm and soft design.

Property Investment Portfolio – Gross Floor Area ('000 Square Feet)

	At 31st December 2009					At 31st December 2008
Location	Offices	Retail	Hotels	Residential	Total	Total
Completed						
Pacific Place	**2,186**	**711**	**493**	**443**	**3,833**	3,675
TaiKoo Place	**5,994***	**–**	**–**	**–**	**5,994**	5,992
Cityplaza	**1,633**	**1,105**	**199**	**–**	**2,937**	2,738
Festival Walk	**229**	**980**	**–**	**–**	**1,209**	1,209
Others	**252**	**606**	**47**	**35**	**940**	1,056
– Hong Kong	**10,294**	**3,402**	**739**	**478**	**14,913**	14,670
– Mainland China	**–**	**1,387**	**169**	**–**	**1,556**	1,027
– United States	**–**	**–**	**259**	**–**	**259**	259
– United Kingdom	**–**	**–**	**184**	**–**	**184**	184
Total completed	**10,294**	**4,789**	**1,351**	**478**	**16,912**	16,140
Under and pending development						
– Hong Kong	**146**	**1**	**–**	**68**	**215**	876
– Mainland China	**3,011**	**2,295**	**1,036**	**55**	**6,397**	6,920
Total	**13,451**	**7,085**	**2,387**	**601**	**23,524**	23,936

Gross floor area represents 100% of space owned by Group companies and the Group's attributable share of space held by jointly controlled and associated companies. A schedule of the principal properties of the Group and its jointly controlled and associated companies is given on pages 179 to 189.
* Includes 1.8 million square feet of techno-centres.

Investment Properties

Hong Kong

Offices

Swire Properties' completed office portfolio comprises 10.3 million square feet of space in Hong Kong, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza, 6.0 million square feet at TaiKoo Place in Island East and 0.2 million square feet at Festival Walk in central Kowloon.

There were no significant changes in the portfolio during the year.

2009 Results

Gross rental income from the Hong Kong office portfolio for the year increased by 13% over 2008, to HK$4,115 million.

Office rental reversions at Pacific Place remained positive despite a weaker market in the first half of the year. In Island East, office rental reversions were also generally positive. Market conditions became noticeably more favourable in the second half of the year.

Office vacancy levels were consistently low and stood at 3% at year-end.

2010 Outlook

Swire Properties' Hong Kong office portfolio is almost fully let with no new office space becoming available in Hong Kong in 2010.

Tenancies accounting for approximately 14% and 18% (by floor area) of the Group's office inventory are due to expire in 2010 and 2011 respectively.

Swire Properties has a range of office tenants operating in different sectors. The top ten office tenants (based on rental income) occupy approximately 20% of total space. Approximately one-third of office space is occupied by companies operating in the financial services sector.

Although the relocation of organisations from Central to lower cost office space in decentralised locations is expected to continue in 2010, demand for office space in Central is thought to be sufficiently strong to absorb the resulting vacancies, particularly given a shortage of new Grade A office supply in Central.

The Island East portfolio is particularly well positioned to attract tenants relocating to lower cost office space in secondary locations.

Retail

Swire Properties manages four retail malls in Hong Kong: The Mall at Pacific Place comprising 0.7 million square feet; Cityplaza in Island East comprising 1.1 million square feet; Festival Walk in central Kowloon comprising 1.0 million square feet; and the Citygate retail centre at Tung Chung. The malls are wholly-owned by Swire Properties, except for Citygate, in which Swire Properties has a 20% interest.

2009 Results

Gross rental income from the retail portfolio was HK$2,802 million in 2009, an increase of 3% over 2008.

Retail rents came under some pressure early in 2009. However, rental reversions remained largely positive.

Occupancy of the Group's wholly-owned retail malls was almost 100% throughout 2009.

Retail sales in the Group's retail malls were 1% lower in 2009 than in 2008. Sales were weak in the first half of 2009, but recovered progressively in the second-half.

2010 Outlook

Consumer demand recovered considerably in the fourth quarter of 2009 and this has continued into the first quarter of 2010. Competition for retail space remains strong. Active management of the tenant mix should help to increase retail sales in the Group's malls.

The Pacific Place design improvement project (which is being completed in phases) has been well received by both tenants and customers.

Tenancies accounting for approximately 15% and 27% (by floor area) of the Group's wholly-owned retail space are due to expire in 2010 and 2011 respectively.

The top ten retail tenants (based on rental income) occupy approximately 35% of total space in aggregate.

Residential

The completed residential portfolio comprises the Pacific Place Apartments and a small number of luxury houses and apartments.

Gross rental income for 2009 was HK$268 million, a decrease of 8% compared to 2008.

Demand for the serviced apartments recovered strongly in the second half of 2009. Occupancy of the residential portfolio is currently approximately 90%.

Investment Properties Under Construction

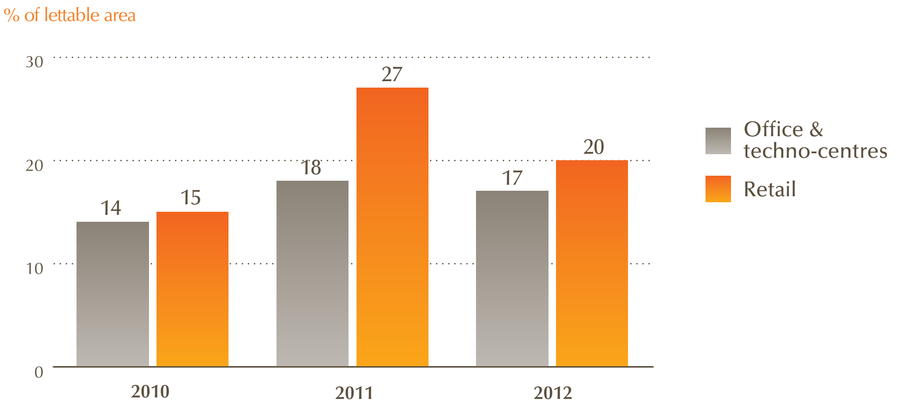
The Pacific Place design improvement project is proceeding largely on schedule, with completion expected in 2011.

Demolition work at the Tai Sang Commercial Building at 24-34 Hennessy Road, Wanchai is currently proceeding and practical completion of the redeveloped building is expected in 2012. The building is expected to comprise 145,513 square feet of office space.

Swire Properties owns 68,750 square feet in the Sincere Insurance office building in Wanchai. An extensive refurbishment programme is expected to commence shortly, with completion scheduled in 2011.

The free-flowing lines of the new Pacific Place identity.

Hong Kong Lease Expiry Profile – at 31st December 2009



Site formation and foundation works have been completed for a 12-storey residential building of approximately 68,000 square feet at 53 Stubbs Road. Completion is expected in 2012 and the building is intended to be held for investment purposes.

Mainland China

Retail

Swire Properties currently owns and manages one major retail centre in Mainland China.

Sanlitun Village comprises two neighbouring sites in the Chaoyang district of Beijing, The Village South and The Village North. The Village South, which opened in 2008, consists of 776,909 square feet of gross retail space and 451 car parking spaces. Major retail tenants include Adidas and Apple. The Village North, which consists of 519,399 square feet of gross retail space and 410 car parking spaces, began opening in phases from October 2009 with tenants including major international and national brands.

Gateway China Fund I, a fund managed by Gaw Capital Partners, owns 20% of the Sanlitun Village development. The fund has an option to put its 20% interest to Swire Properties.

2009 Results

Gross rental income was HK$258 million compared to HK$181 million in 2008.

The trading performance at Sanlitun Village in 2009 was encouraging despite the difficult market conditions. Occupancy at The Village South was 92% at the end of 2009.

During the year, the put option in respect of the minority interest in Sanlitun Village was recognised in the accounts. The recognition of the put option, together with the movement in its fair value during the year, resulted in a reduction in net finance charges of HK$107 million.

2010 Outlook

Current occupancy at The Village South is approximately 94%. The Village North is 67% leased.

Sanlitun Village has already become a destination of choice for young, affluent Beijing residents. Its appeal will be reinforced in 2010 by the progressive opening of a range of international retail outlets at The Village North.

Sanlitun Village is reshaping the Sanlitun area of Beijing by introducing a modern, cosmopolitan element to a popular area of the city.

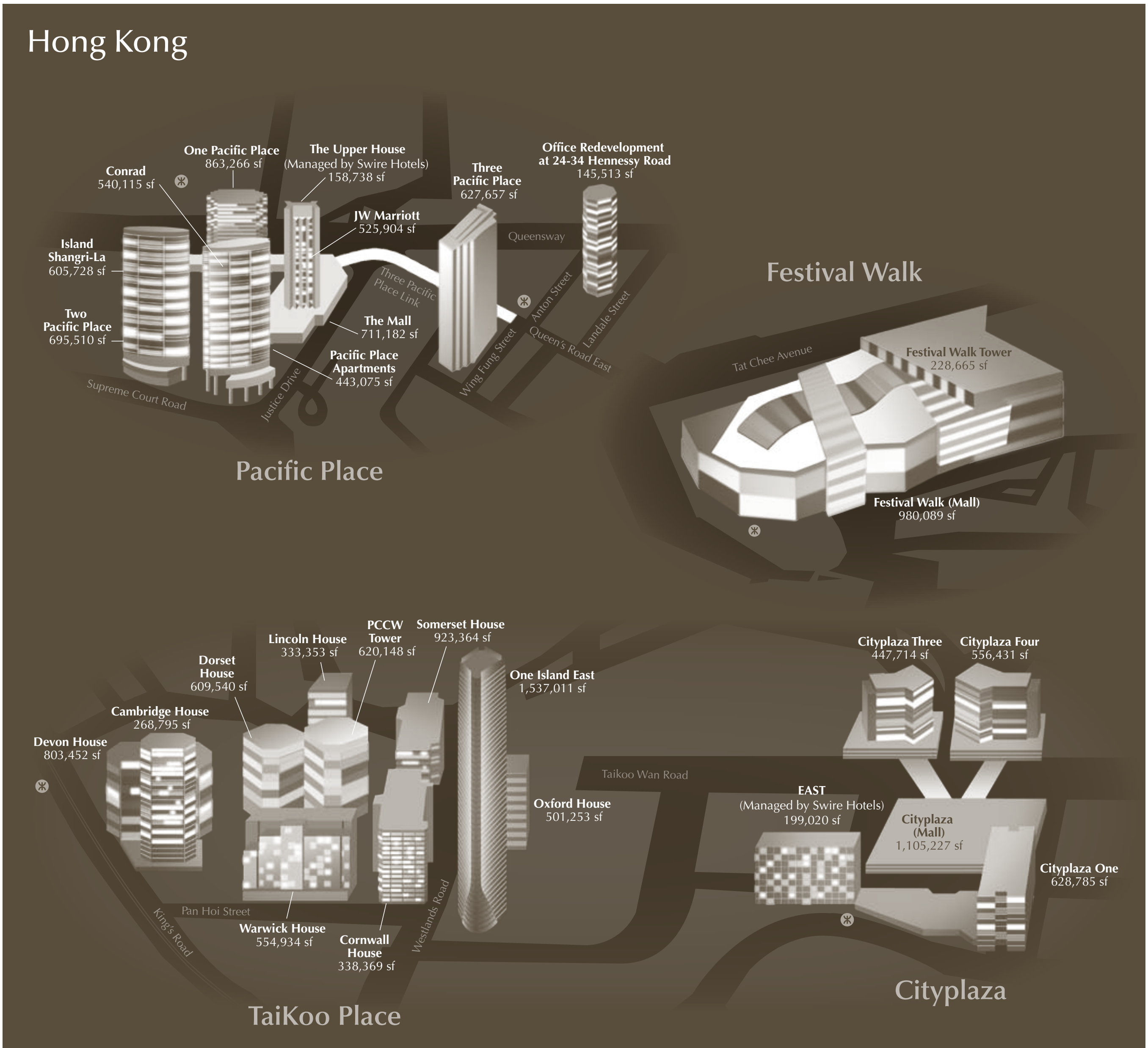
Swire Properties is making investments at Sanlitun Village designed to improve footfall and circulation.

Retail conditions are expected to benefit in 2010 from the continued strength of the Mainland China economy, with growth of both footfall and sales. Results from Sanlitun Village are expected to improve accordingly.

Investment Properties Under Construction

A phased opening of the TaiKoo Hui mixed-use development in central Guangzhou is expected from late 2010. The development will comprise a prime retail mall, office towers, a hotel, serviced apartments and a cultural centre, with total commercial space of approximately 3.7 million square feet.

Pre-letting of the retail space at TaiKoo Hui is very encouraging with 78% of the mall already committed. A significant number of leading international and national brands have confirmed that they will open shops at the mall.



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

Site clearance and resettlement works continue at the Dazhongli Project in the Jing An district of Shanghai. The expected opening of this 3.5 million square foot mixed-use development has been deferred to 2014 due to the need to complete site clearance and to accommodate the construction of a metro station adjacent to the site and due to the likely suspension of works because of the 2010 Expo in Shanghai.

A phased opening of the 1.9 million square foot mixed-use development at Jiang Tai in the Chaoyang district of Beijing is expected in the second half of 2011.

Valuation of Investment Properties

As a result of the adoption of the revised HKAS 40 from 1st January 2009, the portfolio of properties accounted for as investment properties has been expanded to include investment properties being developed, principally TaiKoo Hui, Dazhongli and Jiang Tai. (The valuations of properties under construction at Dazhongli and Jiang Tai are reflected in the Group's investment in jointly controlled companies.) Previously, only completed investment properties and existing investment properties undergoing redevelopment were accounted for as investment properties. In total, HK$4,336

Note: Except for Sanlitun Village, the properties in Mainland China are under construction. These diagrams are not to scale and are for illustration purposes only.

million of investment properties being developed (including The Village North at Sanlitun, which was completed during the first half of 2009) were transferred to the investment properties category at 1st January 2009 from property, plant and equipment, leasehold land and land use rights.

The portfolio of investment properties was valued at 31st December 2009 (98% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation (before associated deferred tax) was HK$154,408 million compared to HK$134,539 million at 31st December 2008 and HK$138,777 million at 30th June 2009.

The valuation at 31st December 2009 largely reflects a reduction in capitalisation rates applicable to the Hong Kong portfolio and the inclusion of TaiKoo Hui and The Village North in Mainland China as investment properties.

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

Audited Financial Information

Investment Properties

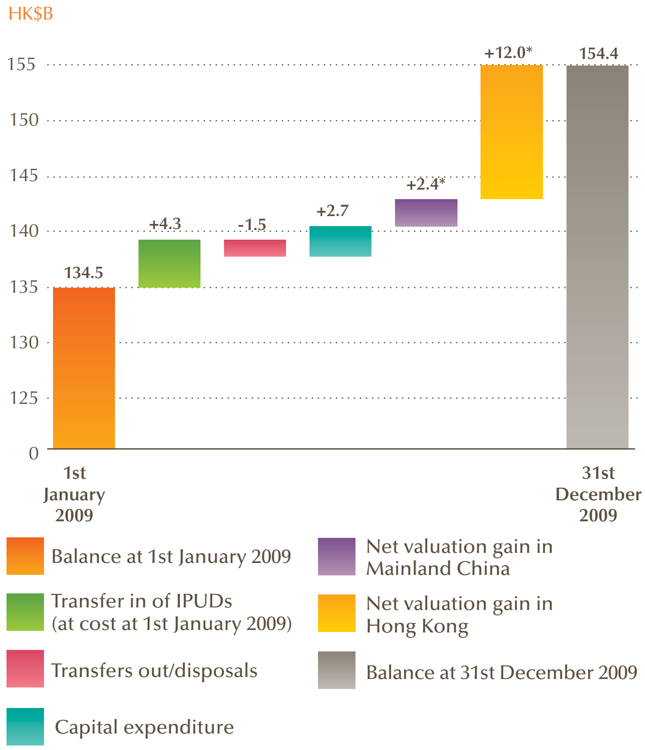
	Group			Company
		Under		
	Completed	Construction	Total	Total
	HK$M	HK$M	HK$M	HK$M
At 1st January 2009	**128,640**	**5,899**	**134,539**	**1,195**
Translation differences	**1**	**8**	**9**	**–**
Transferred from property, plant and equipment and leasehold land on adoption of revised HKAS 40	**–**	**4,336**	**4,336**	**–**
Additions	**525**	**2,136**	**2,661**	**88**
Disposals	**–**	**(59)**	**(59)**	**(169)**
Transfer upon completion	**3,115**	**(3,115)**	**–**	**–**
Transfers between category	**(1,417)**	**1,417**	**–**	**–**
Other net transfers to property, plant and equipment	**(31)**	**3**	**(28)**	**–**
Other net transfers to leasehold land	**(121)**	**–**	**(121)**	**–**
Other net transfers to property under development for sale	**–**	**(1,335)**	**(1,335)**	**–**
Fair value gains	**10,417**	**3,989**	**14,406**	**81**
	141,129	**13,279**	**154,408**	**1,195**
Add: Initial leasing costs	**85**	**–**	**85**	**–**
At 31st December 2009	**141,214**	**13,279**	**154,493**	**1,195**
At 1st January 2008	115,284	12,825	128,109	1,274
Additions	624	2,280	2,904	80
Transfers between category	9,687	(9,687)	–	–
Net transfers from property, plant and equipment	3,584	–	3,584	–
Net transfers to leasehold land	(235)	–	(235)	–
Fair value (losses)/gains	(304)	481	177	(159)
	128,640	5,899	134,539	1,195
Add: Initial leasing costs	86	–	86	–
At 31st December 2008	128,726	5,899	134,625	1,195

Geographical Analysis of Investment Properties

	Group		Company	
	2009	2008	**2009**	2008
	HK$M	HK$M	**HK$M**	HK$M
Held in Hong Kong:				
On medium-term leases (10 to 50 years)	**34,534**	31,324	**–**	162
On long-term leases (over 50 years)	**106,061**	97,894	**1,195**	1,033
	140,595	129,218	**1,195**	1,195
Held in Mainland China				
On medium-term leases (10 to 50 years)	**13,813**	5,321		
	154,408	134,539		

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

Movement in Investment Properties



* Gain of HK$14.4 billion as show in consolidated income statement.

As a visual arts patron, Swire Properties commissions and collects art pieces leading to the creation of one of Hong Kong's most significant collections on permanent display. One such piece can be seen on the walls of The Upper House atrium – a stainless steel sculpture called 'Rise', by Osaka-born artist Hirotoshi Sawada.

Hotels

Hong Kong

Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung.

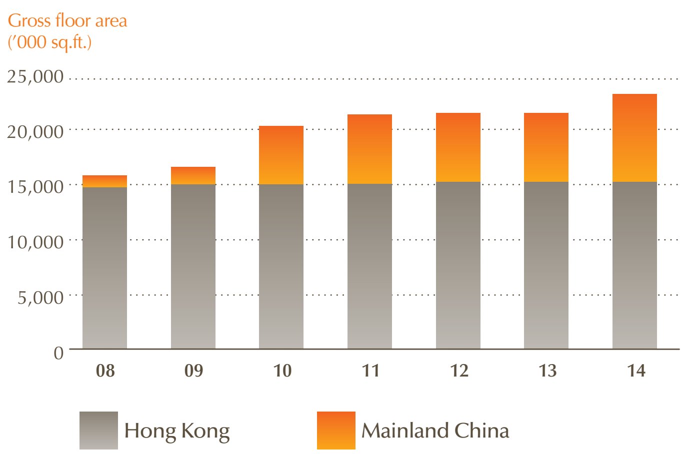
As a consequence of the global financial crisis, hotel occupancy levels and room rates experienced downward pressure, particularly in the first half of 2009.

Demand recovered somewhat in the second half of the year, and is expected to improve further in 2010 as the Hong Kong economy continues to recover.

The Upper House, a luxury 117-room hotel at Pacific Place, opened in October 2009. The Upper House is wholly-owned by the Swire Properties group and is managed by Swire Hotels, a wholly-owned subsidiary of Swire Properties. Initial results have been positive, with an excellent customer response.

The 345-room EAST hotel at Cityplaza, which is wholly-owned by the Swire Properties group and is managed by Swire Hotels, opened in January 2010.

Hong Kong and Mainland China Completed Property Investment Portfolio



Mainland China

The Opposite House, a 99-room luxury hotel at Sanlitun Village, Beijing opened in 2008. The Opposite House is wholly-owned by the Swire Properties group and is managed by Swire Hotels.

Luxury hotels in Beijing experienced pressure on occupancy levels and room rates throughout 2009. Demand is expected to improve in 2010.

United Kingdom

The Group owns four small hotels in Bristol, Exeter, Cheltenham and Brighton.

Occupancy levels at the hotels in Bristol and Brighton held up amid weak economic conditions. The hotels in Cheltenham and Exeter are closed for refurbishment, with work on the former underway. The hotels are expected to re-open in late 2010 and 2011 respectively.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami.

Results for 2009 were worse than in 2008 as the poor economic climate continued to depress demand. The market is expected to remain difficult during 2010.

The 22m stainless steel swimming pool at The Opposite House.

Capital Commitments for Investment Properties and Hotels

Profile of Capital Commitments for Investment Properties and Hotels

(HK$M)	Expenditure	Forecast year of expenditure				Commitments
	2009	2010	2011	2012	2013 & beyond	**at 31st Dec 2009**
Hong Kong projects	**1,964**	878	1,010	354	24	**2,266**
Mainland China projects	**3,724**	4,019	2,541	1,699	572	**8,831**
UK hotels	**32**	216	12	–	–	**228**
USA hotels	**21**	45	–	–	–	**45**
Total	5,741	5,158	3,563	2,053	596	11,370*

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies. The Group is committed to funding HK$268 million of the capital commitments of jointly controlled companies.

Capital expenditure in 2009 on Hong Kong investment properties and hotels, including completed projects, amounted to HK$1,964 million (2008: HK$3,379 million). Outstanding capital commitments at 31st December 2009 were HK$2,266 million (31st December 2008: HK$2,808 million).

Capital expenditure on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of jointly controlled companies, in 2009 amounted to HK$3,724 million (2008: HK$3,037 million). Outstanding capital commitments at 31st December 2009 were HK$8,831 million, including the Group's share of the capital commitments of jointly controlled companies of HK$5,316 million. Outstanding capital commitments at 31st December 2008 were HK$10,389 million, including the Group's share of the capital commitments of jointly controlled companies of HK$5,352 million. The Group is committed to funding HK$227 million (31st December 2008: HK$1,195 million) of the capital commitments of jointly controlled companies in Mainland China.

Property Trading

Swire Properties' trading portfolio comprises completed apartments for sale at the Asia development in Miami, Florida, and Island Lodge in Hong Kong, as well as properties and land under development in Hong Kong and Florida.

Audited Financial Information

Property Trading Portfolio at Cost	Group	
	2009 HK$M	2008 HK$M
Properties held for development		
Freehold land	**441**	471
Properties for sale		
Completed properties		
– development costs	**407**	421
Completed properties		
– freehold land	**10**	13
Properties under development		
– development costs	**293**	155
Leasehold land under development for sale	**2,562**	1,253
	3,272	1,842

Hong Kong

172 of the 184 units at Island Lodge in North Point have been sold, with recent sale prices reflecting favourable market conditions. Swire Properties is entitled to reimbursement of redevelopment costs and a share of the net proceeds of sales under an agreed arrangement with China Motor Bus, which owns the property.

Construction work at the 206,306 square foot residential development at 2A-2E Seymour Road, in which Swire Properties has a controlling interest, is progressing on schedule, with completion expected in 2012.

Construction work at the 75,805 square foot residential development at 51-53 Seymour Road is on schedule, with completion expected in 2012.

At the 151,944 square foot residential development at Sai Wan Terrace, in which Swire Properties has a controlling interest, construction work has commenced, with completion expected in 2013.

The 17,663 square foot residential development at 5 Star Street, Wanchai is due to be completed in 2010. Since year-end, 17 of the 25 residential units have been pre-sold.

Site foundation work at 25A-29A Seymour Road is underway. The expected 166,000 square foot residential development, including additional sites acquired since year-end, is planned to be completed in 2014.

Ground investigation work at 92-96 Caine Road is underway. The expected 196,000 square foot residential development, including additional sites acquired since year-end, is planned to be completed in 2015.

USA

Sales of 80 of the 123 units have been closed at the Asia residential development in Miami since completion in March 2008, and a further 12 units have been leased.

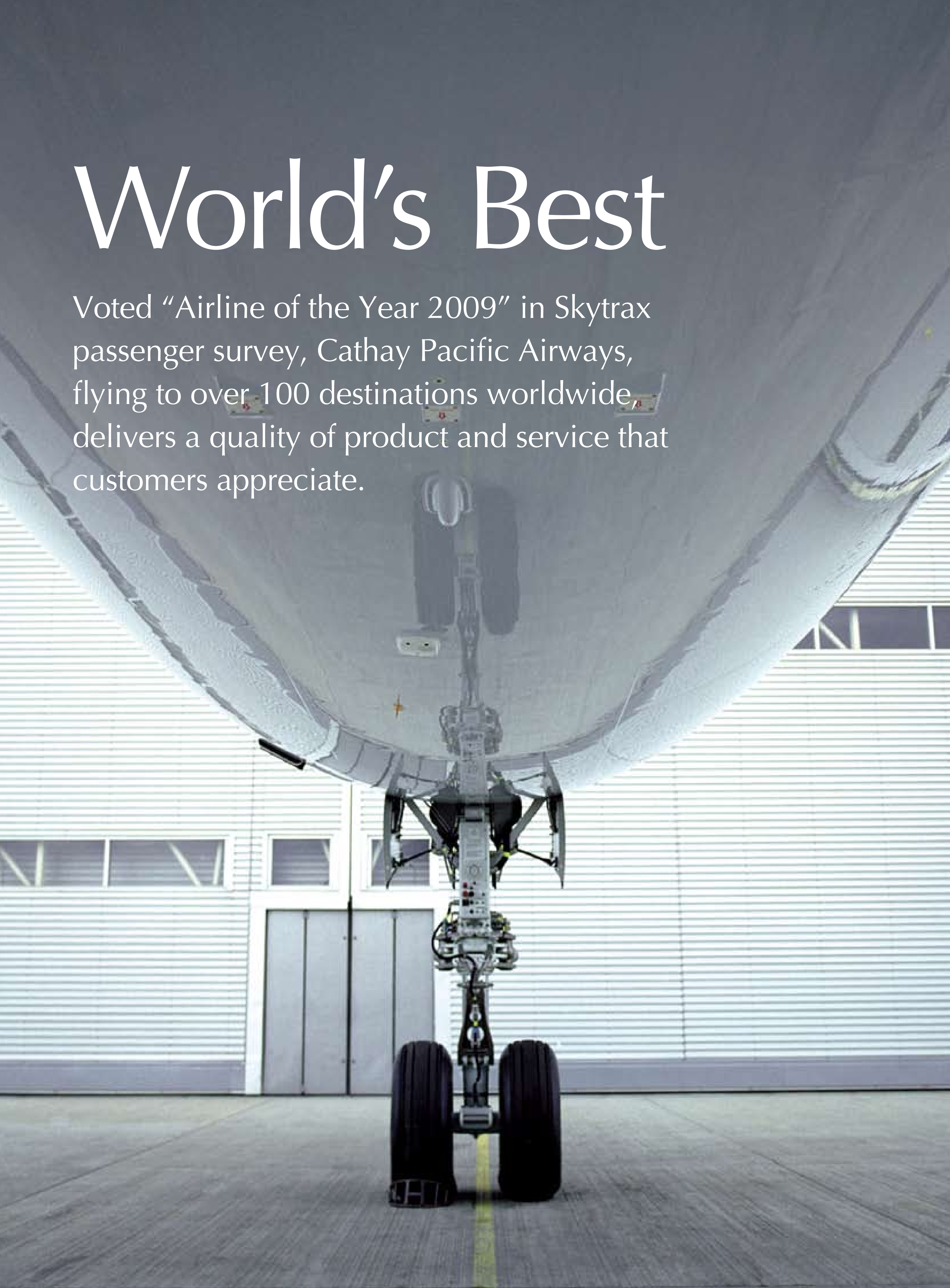
The real estate market in South Florida continues to suffer from difficult economic conditions and tight credit availability. Swire Properties has provided vendor financing in a small number of transactions.

Martin Cubbon


CATHAY PACIFIC
Asia's world city

World's Best

Voted "Airline of the Year 2009" in Skytrax passenger survey, Cathay Pacific Airways, flying to over 100 destinations worldwide, delivers a quality of product and service that customers appreciate.



Aviation Division

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

	2009 HK$M	2008 HK$M
Share of post-tax profits/(losses) from associated companies		
Cathay Pacific group*	**1,349**	(3,607)
Hong Kong Aircraft Engineering group	**314**	505
Hong Kong Air Cargo Terminals	**234**	274
	1,897	(2,828)
Attributable profit/(loss)	**1,821**	(2,922)

Turnover of these associated companies at entity level is:

	2009 HK$M	2008 HK$M
Cathay Pacific group*	**66,978**	86,563
Hong Kong Aircraft Engineering group	**4,045**	4,901
Hong Kong Air Cargo Terminals	**2,676**	2,886

Swire Pacific's Aviation Division includes the following associated companies:

	Shareholding at 31st December 2009			
	Direct or by Swire Aviation**	By Cathay Pacific group	Total	Swire Pacific effective interest
Cathay Pacific group	42.0%	–	42.0%	42.0%
Hong Kong Aircraft Engineering Company	46.0%	15.0%	61.0%	52.3%
Hong Kong Air Cargo Terminals***	30.0%	10.0%	40.0%	20.0%

* Figures for the comparative period have been restated following the adoption of HK(IFRIC)-Int 13 (Customer Loyalty Programmes). Refer to note 1(a) to the accounts for further details.
The share of profit attributable to Cathay Pacific's holding in HAECO has been included in the attributable figures for that company.

** Swire Aviation, which holds a 30% interest in Hactl, is a 66.7% held subsidiary company of Swire Pacific.

*** Cathay Pacific accounts for its shareholding in Hactl as an investment interest and consequently the Swire Pacific Group does not include this holding in the interest shown above.

Cathay Pacific and Dragonair

Key Operating Highlights

		2009	2008 (Restated)	Change
Available tonne kilometres ("ATK")*	Million	**22,249**	24,410	**-8.9%**
Available seat kilometres ("ASK")*	Million	**111,167**	115,478	**-3.7%**
Revenue passenger kilometres ("RPK")*	Million	**89,440**	90,975	**-1.7%**
Revenue passengers carried	'000	**24,558**	24,959	**-1.6%**
Passenger load factor*	%	**80.5**	78.8	**+1.7%pt**
Passenger yield*	HK¢	**51.1**	63.5	**-19.5%**
Cargo and mail carried	Tonnes '000	**1,528**	1,645	**-7.1%**
Cargo and mail load factor*	%	**70.8**	65.9	**+4.9%pt**
Cargo and mail yield*	HK$	**1.86**	2.54	**-26.8%**
Cost per ATK*	HK$	**2.76**	3.80	**-27.4%**
Cost per ATK without fuel	HK$	**2.00**	1.89	**+5.8%**
Aircraft utilisation	Hours per day	**11.2**	11.5	**-2.6%**
On-time performance*	%	**86.8**	81.4	**+5.4%pt**

* Refer to Glossary on page 192 for definition.

2009 Overview

The Aviation Division reported an attributable profit of HK$1,821 million in 2009, compared to a loss of HK$2,922 million in 2008. This reflects improved results in the Cathay Pacific group, which more than offset reduced profits in the HAECO group and Hactl.

As part of a realignment of the principal shareholdings in Cathay Pacific, Swire Pacific acquired an additional 2% shareholding in Cathay Pacific from CITIC Pacific in September 2009 for a consideration of HK$1,013 million. As a result, Swire Pacific's stake in Cathay Pacific increased from 39.97% to 41.97%.

In October 2009, Swire Pacific acquired an additional 12.45% shareholding in HAECO from Cathay Pacific for a consideration of HK$1,901 million. As a result, Swire Pacific's direct interest in HAECO increased from 33.52% to 45.96% and Cathay Pacific's direct interest in HAECO decreased from 27.45% to 15.00%.

Cathay Pacific Group

2009 Results

The Cathay Pacific group's attributable profit was HK$4,694 million in 2009, compared to a loss of HK$8,696 million in 2008. Turnover for the year fell by 22.6% to HK$66,978 million.

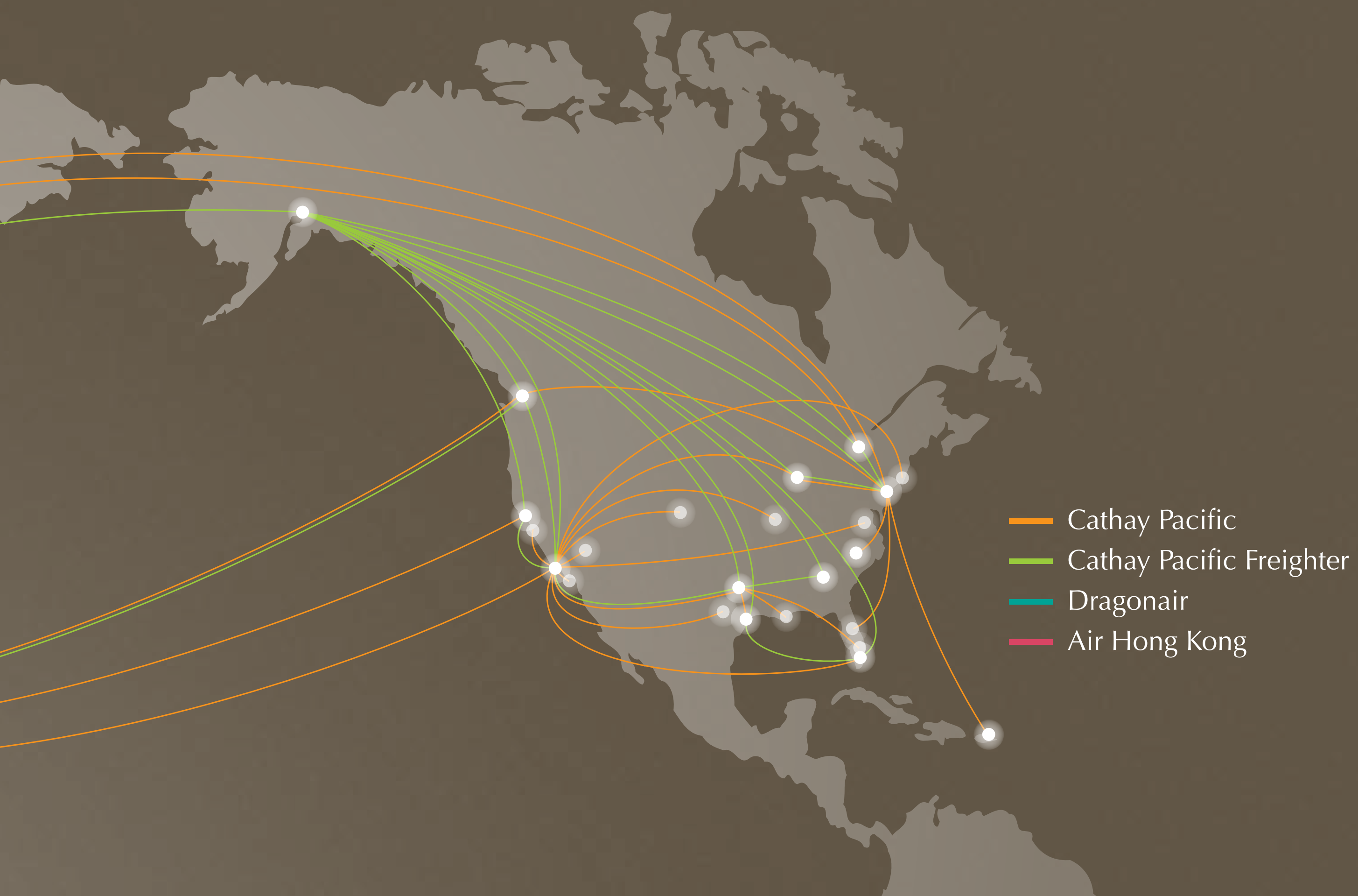
The improved results principally reflect mark-to-market gains in respect of fuel hedging contracts and the profit on disposal of a 12.45% stake in HAECO to Swire Pacific. The profit on disposal of the stake in HAECO has been eliminated on consolidation in the Swire Pacific Group accounts. These gains (and some recovery in operating profit in the latter part of the year) more than offset the adverse effect on results of the severe economic downturn during much of 2009.

Fuel prices in the first half of 2009 were significantly lower than in 2008. However, they started to rise again in the middle of 2009. This rise was reflected in mark-to-market gains of HK$2,018 million in 2009 in respect of fuel hedging contracts for the period 2010 to 2011. These gains reversed a large part of the substantial losses recorded in 2008 in respect of fuel hedging contracts.

Airline profit after tax for the year was HK$4,127 million, compared to a loss of HK$8,402 million in 2008. Passenger demand, in particular for premium class travel, was substantially reduced in the first three quarters of the year. Cargo demand was exceptionally weak in the first-half, reflecting global economic conditions. There was a recovery in cargo demand from October onwards, albeit from a low base.

The Cathay Pacific group took a number of measures designed to address the significant reduction in business. Capacity, operating costs and capital expenditure were reduced, an unpaid leave scheme for staff was introduced, a number of aircraft were parked and deferral of aircraft deliveries and

Network Coverage



other concessions were requested from suppliers. Despite these measures, the network was kept substantially intact and the airlines went to great efforts to ensure that the quality of their product and service was not diminished and that the passenger experience was not compromised.

Passenger Services

Cathay Pacific and Dragonair

Cathay Pacific and Dragonair carried a total of 24.6 million passengers in 2009, a decrease of 1.6% from 2008. Capacity fell by 3.7% compared to 2008 as a result of reduced frequencies and the temporary suspension of operations to six Dragonair destinations. The load factor for the year was 80.5%, up 1.7 percentage points compared to 2008. Passenger turnover fell by 20.8% to HK$45,920 million. Yield for the year decreased by 19.5% to HK¢51.1, principally reflecting weak demand from premium class travellers and competitive pressure on economy class yield.

Cathay Pacific launched a new four-times-weekly service to Jeddah in October and began a new codeshare service to Fiji with Air Pacific in December. In May, Dragonair temporarily suspended services to Dalian, Fukuoka, Guilin, Shenyang, Taichung and Xian. Dragonair launched a twice daily service to Guangzhou in September.

The substantial increase in direct cross-Strait services between Mainland China and Taiwan which started to take effect in August had a significant impact on demand for travel from Taiwan via Hong Kong. However, inbound business was more robust as a result of growing interest in Taiwan as a leisure destination for Hong Kong travellers.

Cargo

Cathay Pacific and Dragonair

Demand for air cargo was substantially reduced as a result of the global economic downturn. All major markets were affected, particularly in the first half of the year, when the

Dragonair provides connectivity to 17 cities in Mainland China.

resultant drop in volumes put pressure on prices and therefore on yields and revenue. Demand improved from October onwards, albeit from a low base and this, combined with capacity reductions as the industry parked equipment, helped to increase load factors, yields and revenue. Cargo and mail tonnage carried by Cathay Pacific and Dragonair fell by 7.1% to 1,527,948 tonnes compared to a capacity reduction of 13.1%. The load factor rose by 4.9 percentage points while yield fell by 26.8%.

The freighter network was strengthened by the introduction of a new service to Jakarta and Ho Chi Minh City in January 2009 and a three-times-weekly service to Miami and Houston in March 2009. Three additional frequencies were added to the Milan service in February 2009.

AHK Air Hong Kong ("AHK")

AHK, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express (the remaining 40% shareholder) to 11 Asian cities with a fleet of eight Airbus A300-600F freighters and three wet-leased aircraft. One of the wet-leased aircraft is a Boeing 747-400BCF converted freighter, wet leased from Cathay Pacific.

AHK recorded a lower profit in 2009 compared with 2008, reflecting a substantial reduction in yield. Capacity increased by 16%, load factor improved marginally but yield decreased by 24%.

Fleet Size

Cathay Pacific and Dragonair

The total fleet size increased by one to 155.

Cathay Pacific took delivery of ten new aircraft, comprising five Boeing 777-300ER extended range passenger aircraft, four Boeing 747-400ERF extended range freighters and one Boeing 747-400BCF converted freighter.

Five Boeing 747-200F "Classic" freighters were retired in 2009, bringing to an end the fleet's 27 year history at Cathay Pacific. The last Dragonair Classic left in January 2009 and the last Cathay Pacific Classic left in July. In response to the downturn in demand, a total of ten aircraft, comprising five Boeing 747-400BCF converted freighters, one Boeing 747-400 passenger aircraft and four Airbus A340-300 passenger aircraft were withdrawn from service. One Boeing 747-400BCF converted freighter was wet-leased to AHK. Two leased Airbus A330-300 and one leased Airbus A320-200 passenger aircraft were returned to the lessors when their leases expired.

At 31st December 2009, the Cathay Pacific group had a total of 36 aircraft on firm order, seven of which will arrive in 2010. The delivery of ten Boeing 747-8F advanced freighters was originally due to commence in late 2009 but will now begin in 2011 as a result of a delay in the manufacturing programme.

2010 Outlook

Cathay Pacific and Dragonair

While business improved in the latter part of 2009, the Cathay Pacific group remains cautious about the prospects for 2010. Revenues and yields remain below levels experienced prior to the recent downturn and there has not yet been a sustained improvement in premium passenger demand, which accounts for a significant proportion of total revenue. There are concerns that the adverse changes seen in the pattern of passenger and freight demand could be structural rather than cyclical. In addition, the cost of fuel, which rose steadily from the middle of 2009, remains stubbornly high and threatens to undermine profitability.

A number of projects and initiatives were launched at the beginning of 2009, designed to improve further Cathay Pacific's and Dragonair's service. These will help put the airlines in a stronger position if the current recovery in the world economy is sustained.

Air China

Air China, in which Cathay Pacific holds an 18.1% interest, is Mainland China's national flag carrier and a leading provider of passenger, cargo and other airline related services, serving 88 domestic and 56 international (regional) destinations.

The Cathay Pacific group's share of Air China's profit is based on accounts drawn up three months in arrears and consequently the 2009 annual results include Air China's results for the 12 months ended 30th September 2009. The Cathay Pacific group's share of Air China's profit for 2009 excludes the share of Air China's fuel hedging losses of HK$1 billion incurred in the fourth quarter of 2008, since these were accounted for in the Cathay Pacific group's 2008 annual results.

In February 2010, Cathay Pacific announced that it had entered into a framework and other agreements with Air China Limited and others under which Cathay Pacific and Air China Limited have agreed to establish a jointly owned cargo airline. The agreements are conditional upon the obtaining of all necessary approvals of regulatory bodies and the approvals of independent shareholders of Cathay Pacific and Air China Limited. The joint venture company is Air China Cargo Limited, in which Cathay Pacific will, upon completion of the agreements, have a 25% equity interest and an additional 24% economic interest. Cathay Pacific's investment in the joint venture will be funded by the sale to the joint venture company of four 747-400BCF converted freighters and two spare engines. The formation of the cargo joint venture represents an important development in the cooperation between Cathay Pacific and Air China.

Hong Kong Aircraft Engineering Company ("HAECO")

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

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

2009 Results

The HAECO group's profit attributable to shareholders fell by 40% to HK$688 million in 2009, primarily reflecting reduced demand for airframe heavy maintenance and line maintenance services following the deterioration in aviation market conditions. The attributable profit of the HAECO group comprised:

	2009 HK$M	2008 HK$M	Change
HAECO	**227**	420	-46%
TAECO	**106**	275	-61%
Share of profit of:			
HAESL and SAESL	**363**	397	-9%
Other interests	**(8)**	46	-117%
Total	**688**	1,138	-40%
Swire Pacific share	**314**	505	-38%

The airframe heavy maintenance business in both Hong Kong and Xiamen was significantly weakened by the downturn and had substantial unsold capacity for the first time in several years. Demand for line maintenance operations fell, in line with the level of aircraft movements at Hong Kong International Airport. Both HAECO and TAECO reported significant reductions in profits despite the fact that various cost saving initiatives were carried out. HAESL recorded a 9% decline in profit, principally due to fewer engines being serviced.

HAECO's engineering expertise is well respected in the aviation industry.

In Hong Kong, HAECO opened its third hangar in September 2009. Taikoo (Shandong) Aircraft Engineering Company opened its fifth hanger in Jinan in May 2009. Taikoo Spirit AeroSystems (Jinjiang) Composite Company opened its specialist composite repair facility in Fujian Province in November 2009. Dunlop Taikoo (Jinjiang) Aircraft Tyres Company opened its tyre retreading facility in November 2009.

The HAECO group's headcount decreased marginally during the year to 12,615 at the end of 2009, reflecting the decline in business. The HAECO group will continue to train staff and improve productivity to remain competitive.

Significant Developments

Notwithstanding the difficult operating environment faced by the HAECO group, it has continued to invest in projects designed to expand its facilities and the range of aviation maintenance and repair services it can offer to customers.

TAECO's sixth hangar in Xiamen is expected to open in the first half of 2011. Under an agreement with Airbus, TAECO is creating a cabin completion centre in Mainland China for Airbus corporate and business aircraft. It is expected to be operational by the end of 2010.

HAESL's component repair extension is expected to commence operations in the first quarter of 2011.

There was good progress in upgrading the facilities of Taikoo Engine Services (Xiamen) Company, and the company is scheduled to commence operations in the second quarter of 2010.

Taikoo Sichuan Aircraft Engineering Services Company is constructing its first hangar in Chengdu, with operations scheduled to commence in the second half of 2010.

2010 Outlook

In recent months there has been some recovery from the difficult market conditions which the HAECO group encountered for much of 2009. This recovery is expected to continue although the speed at which it does so remains uncertain. The group expects increased aircraft movements at Hong Kong International Airport and better utilisation of its hangars in 2010. Start-up losses at the new joint ventures in Mainland China will affect the group's results in 2010. Overall, 2010 will be another challenging year. The group will endeavour to contain costs while continuing to deliver quality service to customers.

Other Operations

Cathay Pacific Catering Services group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, operates six flight kitchens in Asia and North America. It produced 20.9 million meals in 2009 and this accounted for 63.4% of the airline catering market in Hong Kong. The decline in business volume and cost saving by airlines reduced the profit margin from that achieved in 2008 despite effective efforts to reduce operating costs.

Hong Kong Airport Services ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at Hong Kong International Airport. The number of customers using its passenger handling service increased from 13 to 17 during 2009. Service delivery has improved since 2008, when HAS expanded its business to include passenger handling.

The results for the year were unsatisfactory despite a number of cost saving measures intended to mitigate the adverse impact of the economic downturn.

Hong Kong Air Cargo Terminals ("Hactl")

Hactl suffered from the global economic downturn and recorded an 8% reduction in cargo throughput. Attributable profit to the Swire Pacific Group decreased by 15% from the 2008 level.

Tony Tyler
John R Slosar

HAESL provides specialist aero engine and component repair services.

One of the world's largest flight kitchens at Cathay Pacific Catering Services in Hong Kong.


Coca-Cola
BOTTLE AND TRADE MARK REGD.

Focused on Delivering

Swire Beverages is one of the largest Coca-Cola bottlers in the world and the number one bottler in Mainland China with a powerful production and distribution platform.

Beverages Division

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

	2009 HK$M	2008 HK$M
Turnover	**8,399**	8,001
Operating profit	**619**	510
Share of post-tax profits from jointly controlled and associated companies	**381**	269
Attributable profit	**753**	585

Segment information

	Turnover		Attributable profit	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
Hong Kong	**1,904**	1,799	**179**	157
Taiwan	**1,489**	1,358	**46**	21
USA	**3,560**	3,512	**247**	256
Mainland China*	**1,446**	1,332	**274**	169
Central costs	**–**	–	**7**	(18)
Total	**8,399**	8,001	**753**	585

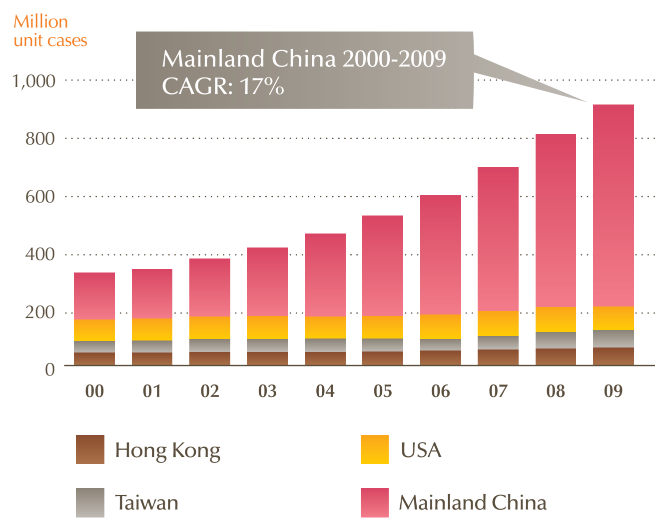
* Mainland China turnover is attributable mainly to the Fujian Coca-Cola franchise. Other interests in Mainland China are jointly controlled or associated companies, the total turnover of which in Mainland China (excluding sales among the jointly controlled and associated companies) was HK$14,340 million (2008: HK$12,190 million).

2009 Results Summary

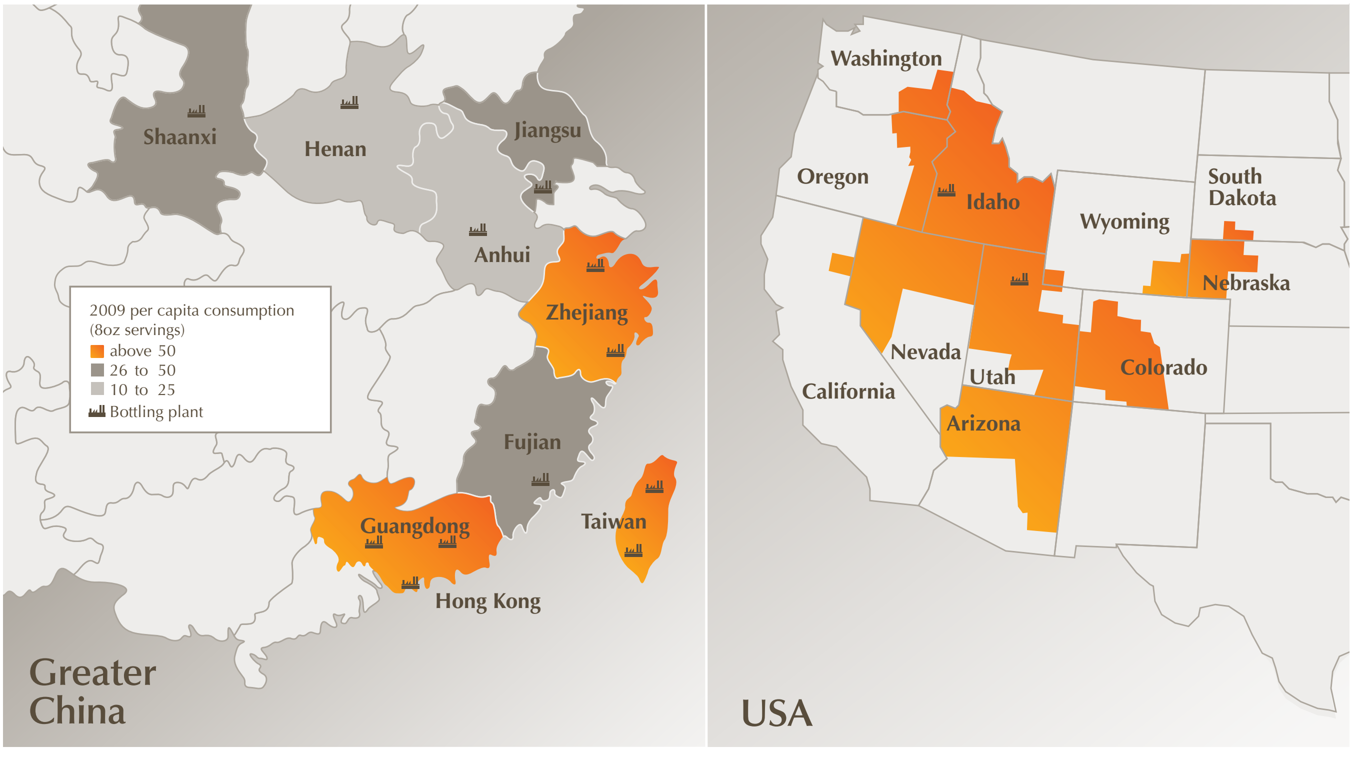
The Beverages Division made an attributable profit of HK$753 million, a 29% increase over 2008. This was mainly due to a good performance in Mainland China.

Overall sales volume grew by 13% to 904 million unit cases. This principally reflected strong growth in Mainland China as the product portfolio continued to expand and the distribution network was further extended into rural areas. Raw material costs were lower in all markets for much of the year but sugar costs increased significantly towards the end of the year.

Sales Volume in Million Unit Cases

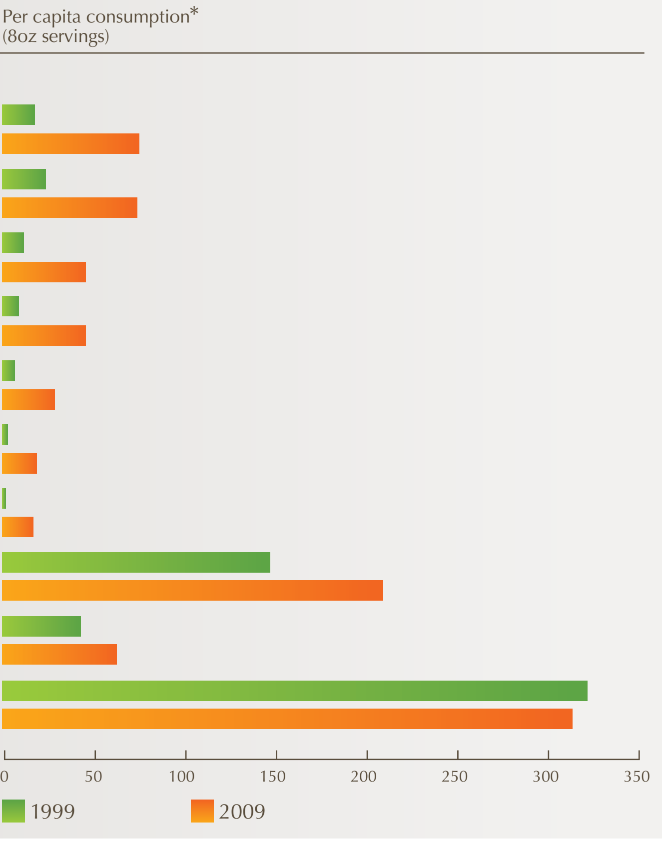


Coca-Cola Franchise Territories



Per Capita Consumption in Franchise Territories

	Population (million)	GDP per capita (US$)	Sales volume (million unit cases) 2009	1999
Mainland China				
Zhejiang	47.2	6,802	**148**	32
Guangdong	66.0	7,250	**203**	45
Fujian	36.7	4,951	**70**	17
Jiangsu	55.6	4,878	**106**	21
Shaanxi	38.4	3,079	**47**	11
Henan	99.8	3,157	**79**	12
Anhui	67.8	2,168	**47**	5
Hong Kong	7.0	29,800	**61**	42
Taiwan	23.1	16,891	**61**	40
USA	6.2	40,726	**82**	68



* Per capita consumption of Coca-Cola beverages.

Swire Beverages works closely with The Coca-Cola Company on brand development and marketing. Glacéau vitaminwater was introduced to the Hong Kong market in October 2009.

Hong Kong

2009 Results

Attributable profit increased by 14% over 2008 to HK$179 million, a new record.

Sales volume grew by 7% (compared with total market growth of 2%) to 61 million unit cases, in part due to increased marketing efforts in the restaurant trade. Sparkling sales grew by 1%, with Coca-Cola continuing to be the market leader in the sparkling category.

Still sales increased by 12% with the successful re-launch of Minute Maid in late 2008 being sustained in 2009 by flavour extensions. Minute Maid became the market leader in the juice drink category.

Bonaqua sales volume grew by 7%, supported by an extensive marketing campaign. Bonaqua is the leading water brand in Hong Kong.

A "superchill" vending machine was successfully developed and introduced to the market. This machine serves ice cold sparkling beverages and proved very popular with consumers in the peak summer season.

Margins improved, principally due to a reduction in raw material costs. However, rising sugar prices started to affect margins adversely towards the end of the year.

The trading environment improved in the course of the year. Sales for immediate consumption outside the home, which were assisted by a recovery in the number of tourist arrivals to Hong Kong, grew more strongly than those for consumption in the home.

Taiwan

2009 Results

Attributable profit, at HK$46 million, was more than double that of 2008. After excluding the restructuring costs of HK$10 million that were recorded in 2008, the increase in profit was 48%. Sales volume grew by 5% to 61 million unit cases, compared to a market growth rate of 3%.

Sparkling beverage sales volume declined by 1% despite packaging and product innovations. A low priced 350ml mini PET (plastic) bottle was introduced in order to broaden the price range available to consumers. 2009 also saw the launch of Schweppes mixers and flavoured sparkling beverages and Fanta Furu Furu, a sparkling jelly drink.

Still beverage sales volume grew by 16%, with sales of Minute Maid growing strongly as a result of flavour extensions.

Pricing was mostly flat except for heavy discounting during festival promotion periods. Raw material costs fell, but variable production costs were higher. This reflected increased reliance on co-packers for Minute Maid production as a result of strong sales volume exceeding internal production capacity.

Taiwan's export-oriented economy was particularly badly affected by the global economic crisis. Retail spending began to recover in the second half of the year but consumer confidence remains fragile.

USA

2009 Results

Attributable profit from the US operations was HK$247 million, representing a 4% decline from 2008. Sales volume fell by 5% to 82 million unit cases. This reflected the weak US economy.

Sparkling beverage sales volume declined by 4% compared to a market decline of 2%. Strong growth in sales of Coke Zero was not sufficient to prevent an overall decline. Private label brands recorded higher sales volumes as consumers became more price conscious. Margins were adversely affected by weak convenience store sales of 20oz PET packages for immediate consumption. Sales of these packages have represented an important source of profit in previous years.

The weak economy had an adverse effect on sales of premium priced still beverages. Growth in sales of higher margin energy and enhanced water products was reduced. Sales of Dasani bottled water fell by 19% as consumers switched to tap water or private label brands for environmental or economic reasons. However, in the sports drink category, sales of a re-formulated Powerade grew strongly.

Pricing benefited from the fact that price increases made in 2008 were in effect for the full year. However, this was partly offset by heavy promotional discounting during the peak holiday periods.

Raw material costs for sweetener and fuel were high but aluminium prices were lower than in 2008.

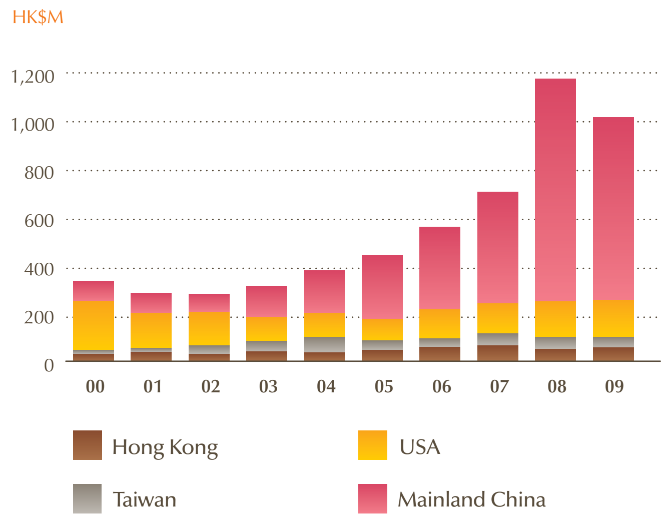
Mainland China

2009 Results

Mainland China operations contributed an attributable profit of HK$274 million, a 62% increase over 2008. Sales volume grew by 17% to 700 million unit cases, largely as a result of continued strong growth of still beverages sales.

Sparkling sales volume grew by 10%. Sales of single serve PET bottles grew by 19% as continued investment in cold drink equipment increased the availability of chilled beverages for immediate consumption.

Capital Expenditure by Operation



Delivering to a franchise population of over 440 million in Mainland China, Taiwan, Hong Kong and the USA.

Swire Beverages manages a growing portfolio of products.

Still sales volume grew by 19%. Sales of Minute Maid grew by 36%, assisted by the introduction of Tropical, Lemon and White Grape flavours. Water sales were strong, but competition intensified in the tea category. Yuan Ye, a mainstream tea, did not maintain the momentum of its successful launch in 2008.

Towards the end of the year, a dairy version of the Minute Maid Pulpy brand was introduced. The product is fruit flavoured and contains coconut pulp. It does not require chilled storage or distribution and is formulated for drinking at ambient temperature. Early sales have been encouraging.

Raw material costs were generally lower than in 2008. However, the resulting savings were offset by the effect of pricing and marketing promotions undertaken in response to competitors' activities.

Market conditions were more difficult in the coastal provinces, which are dependent on export industries, than in the inland provinces, where economic growth has benefited from government stimulus spending. For example, sales in Zhejiang grew by 10%, while sales in the inland provinces of Henan and Anhui grew by 27% and 26% respectively.

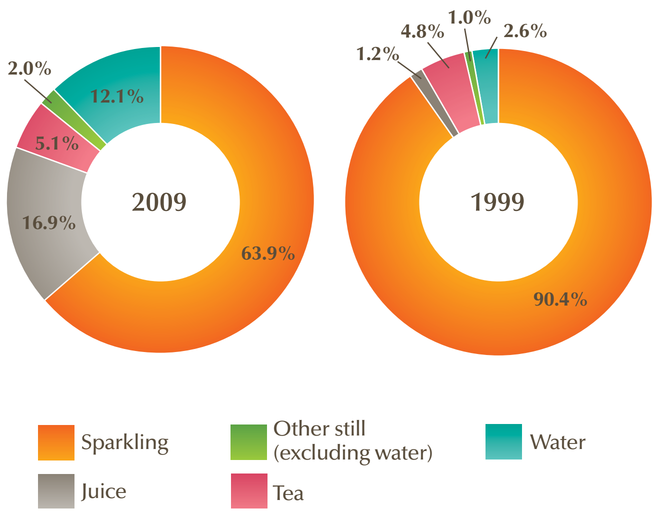
2010 Outlook

Market conditions are expected to continue to recover in Hong Kong and Taiwan. However, those in the USA are expected to continue to be affected by economic uncertainty. Consolidation of the bottling operations of the division's major competitor in the USA is expected to increase competition.

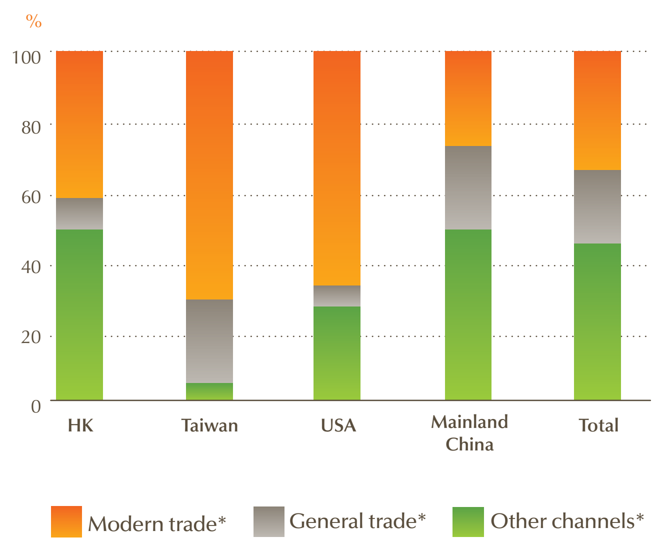
In Mainland China, continued expansion of the product portfolio, in particular the Minute Maid Pulpy brand, can be expected to assist sales growth and to provide a competitive advantage. Extending distribution further into rural areas should improve growth prospects. Sales in the coastal provinces are expected to continue to grow at a slower rate than those in the inland provinces.

Raw material cost increases started to affect results towards the end of 2009 and are expected to continue to do so in 2010. It is hoped that the effect of these will be partially offset by improvements in production efficiency, greater use of light-weight packaging and revenue management measures, including improvements in the sales mix.

Breakdown of Total Volume by Category



Breakdown of 2009 Volume by Channel



* Refer to Glossary on page 192 for definition.

Glacéau vitaminwater (which has been a successful entrant to the enhanced water market in a number of other territories) was launched in Hong Kong in the final quarter of 2009. The brand has exciting potential in Hong Kong.

Geoff L Cundle


PACIFIC ROVER
RFD
RFD

Supporting Commitment

Playing a major role in supporting the offshore oil and gas industry worldwide, Swire Pacific Offshore has one of the most modern, high specification fleets in the industry, with a strong commitment to quality management, health and safety and sustainable development.

Marine Services Division

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

	2009 HK$M	2008 HK$M
Swire Pacific Offshore group		
Turnover	**3,892**	4,007
Operating profit	**1,594**	1,750
Attributable profit*	**1,559**	1,691
* Including post-tax profits from the jointly controlled companies shown below.		
Share of post-tax profits from jointly controlled companies		
Swire Pacific Offshore group	**3**	–
HUD group	**78**	76
	81	76
Attributable profit	**1,637**	1,767
	2009	2008
Fleet size (number of vessels)		
Swire Pacific Offshore group	**70**	69
HUD group – Hongkong Salvage & Towage	**17**	19
Total	**87**	88

2009 Results Summary

Attributable profit from the Marine Services Division totalled HK$1,637 million, a decrease of 7% from 2008.

Swire Pacific Offshore group ("SPO")

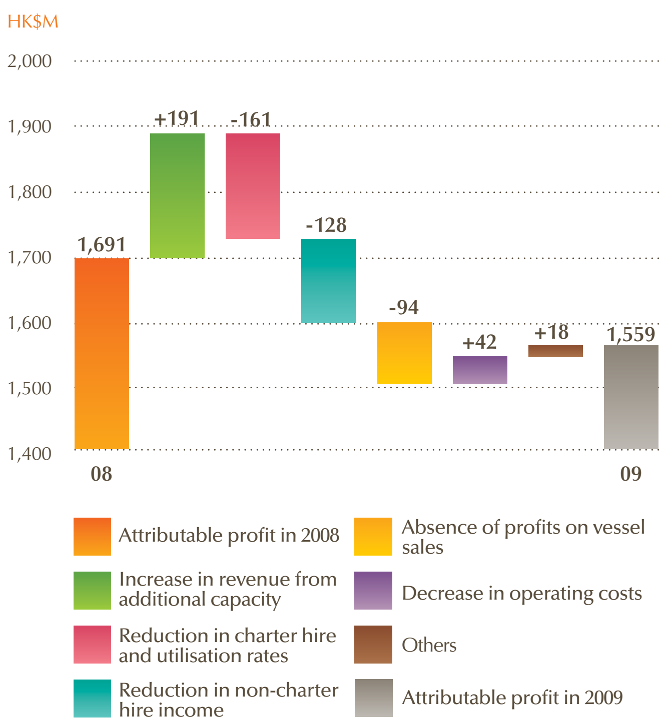
2009 Results

SPO reported an attributable profit of HK$1,559 million, a decrease of 8% from 2008. After excluding the HK$94 million profit on sale of vessels in 2008, the decrease was 2%.

No vessels were sold during the year. Two new V-class 8,810 brake horse power anchor handling tug supply vessels were delivered and one B-class vessel was returned to the owner on completion of a long-term bareboat charter, increasing the fleet size to 70 vessels.

Despite SPO entering the year with 58% of the 2009 fleet capacity pre-booked, SPO faced considerable challenges as 2009 progressed. A combination of deferred project spending

SPO - Movement in Attributable Profit



SPO Fleet Size Growth

Vessel class	Brake horse power		Vessels in operation			Vessels on order expected to be received in:		
			Acquired	Disposed	Year-end			
		2008	2009			2010	2011	2012
Anchor Handling Tug Supply Vessels								
J-class	2,600-4,200	11	–	–	11	–	–	–
T-class	3,600	4	–	–	4	–	–	–
P-class	4,800	8	–	–	8	4	4	–
S-class	5,440	4	–	–	4	–	–	–
6000 series	6,000-6,500	2	–	–	2	–	–	–
UT704	7,040-9,000	2	–	–	2	–	–	–
R-class	7,200	8	–	–	8	–	–	–
V-class	8,810	5	2	–	7	3	–	–
W-class	10,800	8	–	–	8	–	–	–
B-class	12,240	7	–	1	6	–	–	–
D-class	18,250	–	–	–	–	–	2	2
Platform Supply Vessels								
A-class	6,310	5	–	–	5	–	–	–
Ice Breaking Supply Vessels								
E-class	23,170	2	–	–	2	–	–	–
Seismic and Hydrographic Survey Vessels								
Survey	2,600-6,400	3	–	–	3	–	1	–
Accommodation Barges								
I-class		–	–	–	–	2	–	–
		69	2	1	70	9	7	2

by oil majors, low oil prices for much of the year and a significant increase in the number of newly built vessels entering the market put pressure on day rates and utilisation for all vessel classes in the SPO fleet in the second half of the year. Towards the end of the year, rising oil prices encouraged SPO's customers to start planning new oil and gas exploration projects. However, the time lag between project evaluation and commencement of marine activities means that many of the projects approved in the latter part of the year will not start before late 2010.

Despite the difficult market conditions, fleet utilisation during the year remained high, averaging 89%, slightly below the 91% achieved in 2008. Average charter hire rates were 2% less than in 2008.

The new V-class vessels delivered during 2009, together with the full-year effect of the new vessels delivered in 2008, generated HK$191 million of additional revenue.

There was a reduction in non-charter hire income of HK$128 million, principally reflecting the absence of liquidated damages payable in 2008 in respect of late deliveries of vessels and less revenue earned on the mobilisation of vessels.

Despite an increase in the number of vessels dry-docked during 2009, vessel operating costs were kept under control. This was reflected in a 1% reduction in operating costs.

Total capital expenditure on new vessels and equipment amounted to HK$811 million, compared to HK$1,396 million in 2008.

During the year, SPO acquired an additional 30.1% in Lamor Swire Environmental Solutions ("LSES"), bringing SPO's total shareholding to 80.1%. Having a majority interest in LSES means that SPO can exercise full management control. It also facilitates the marketing of LSES's oil spill response services through the existing SPO marketing network.

2010 Outlook

The 2009 result benefited from a continuation, for much of the year, of the favourable market conditions of 2008. 2010 by contrast will continue to suffer from the poor market conditions of the latter part of 2009. With a large number of newly built vessels entering the offshore market, increased competition is expected to result in average day rates in 2010 being materially lower than those of 2009.

41% of SPO's 2010 fleet capacity was pre-booked at 31st December 2009. This represents 49% of the expected revenue for 2010. SPO expects utilisation rates to be in line with those of 2009.

Assuming a continuation of the global economic recovery, exploration activity should gradually increase. With nine newly built vessels to be delivered in 2010, SPO is well placed to take advantage of the recovery.

At 31st December 2009, SPO had 18 vessels on order, representing a total capital expenditure commitment of HK$2,711 million (31st December 2008: HK$3,244 million). No new building contracts were signed in 2009. Of the 18 new builds currently on order, nine will be delivered in 2010, seven in 2011 and the remaining two in 2012.

With a modern and high quality fleet, experienced personnel and an established track record, SPO is a "best in class" offshore vessel operator. In its commitment to quality management, health and safety and sustainable development, SPO is ahead of many of its competitors.

In February 2010, SPO completed the acquisition of Blue Ocean Ships A/S, a Danish company which specialises in providing services to the offshore wind turbine industry. The company, which has been renamed Swire Blue Ocean A/S, aims to be a leading service provider in this industry.

SPO continues to consolidate its market position in areas where it is well established, namely South East Asia, far eastern Russia, Australia, New Zealand, the Middle East and Africa. SPO is also expanding into areas with greater potential for growth in Europe and South America.

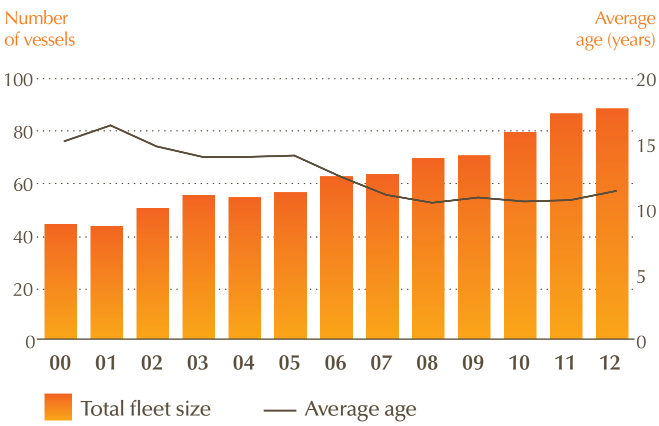
Hongkong United Dockyards ("HUD") group

The HUD group, jointly owned by Swire Pacific and Hutchison Whampoa, provides harbour and sea-going ship repair and general engineering services from its facilities on Tsing Yi Island, Hong Kong. In addition, the HUD group's salvage and towage division, operating as Hongkong Salvage & Towage ("HKST"), is the largest towage operator in Hong Kong, deploying 11 tugs. HKST also manages six container vessels on long-term contracts to transport refuse for the Hong Kong Government.

SPO – Profile of Capital Commitments

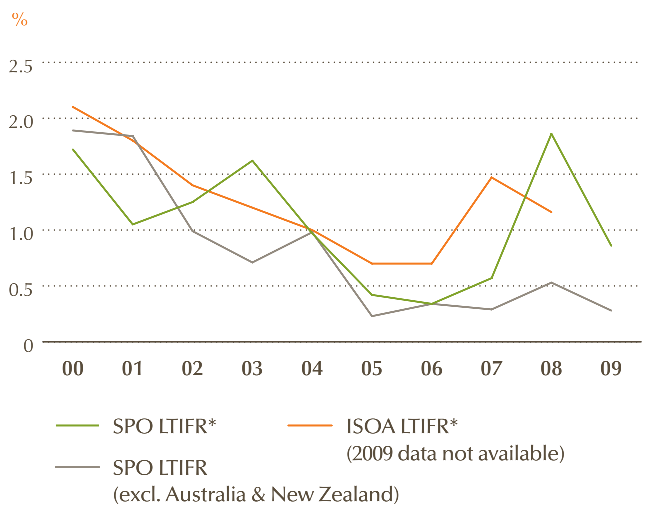
(HK$M)	Expenditure	Forecast year of expenditure			Commitments
	2009	2010	2011	2012	**at 31st Dec 2009**
Vessels	**800**	1,773	671	207	**2,651**
Other equipment	**11**	60	–	–	**60**
Total	**811**	1,833	671	207	**2,711**

SPO – Fleet Size and Average Age of Vessels



Projected fleet size and average age based on current fleet and vessels on order at 31st December 2009.

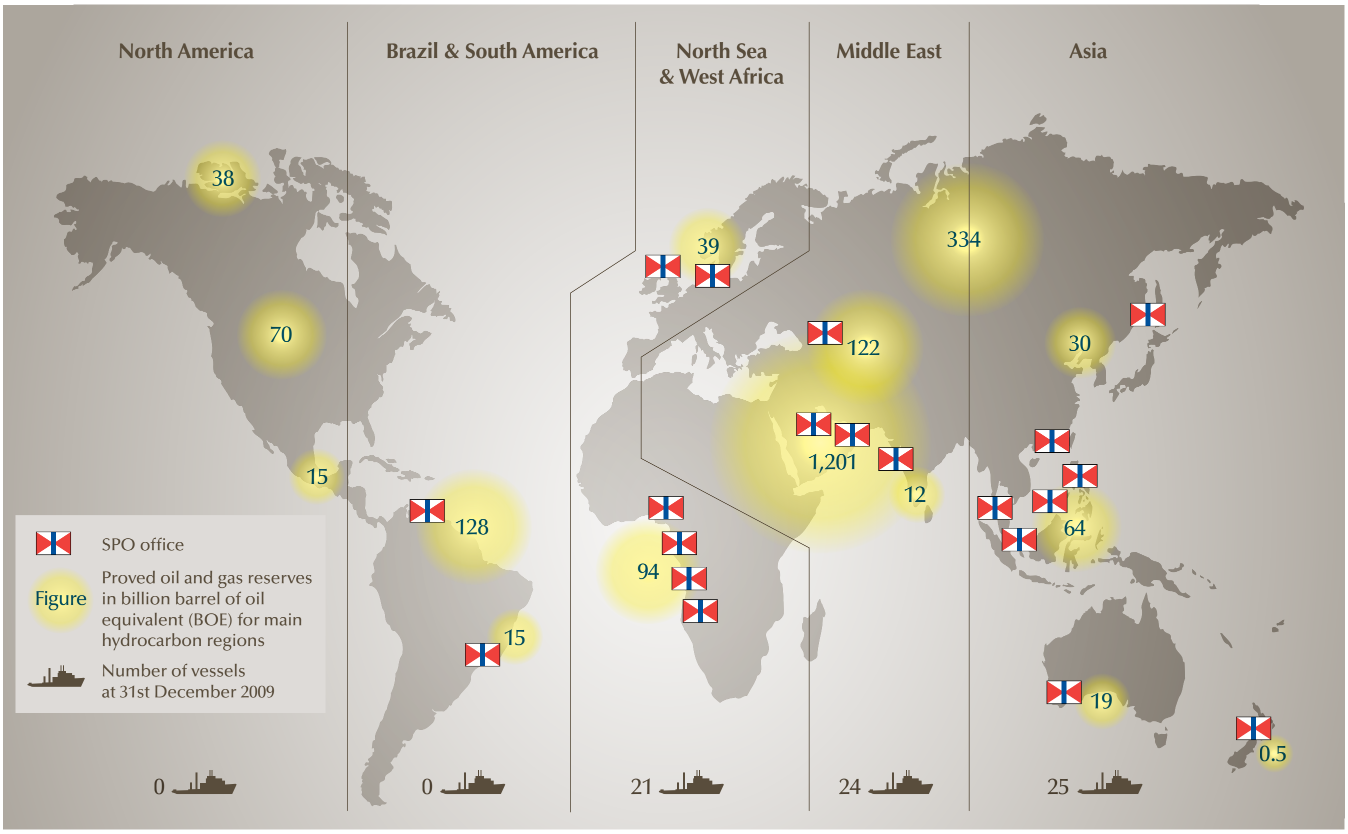
SPO – Lost Time Injury Rates



* Refer to Glossary on page 192 for definition.

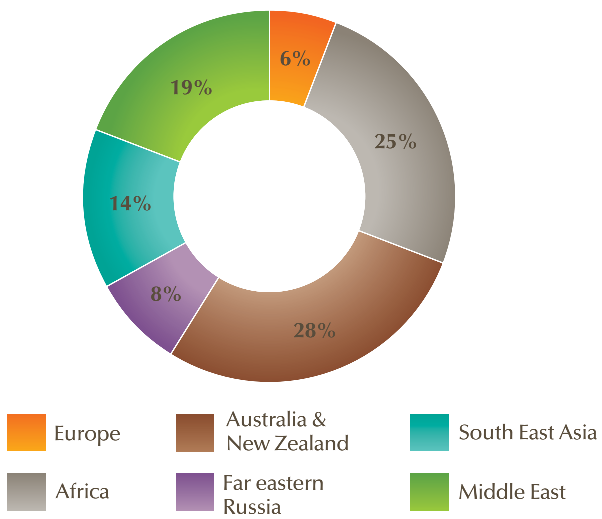
Pacific Responder, an R-class anchor handling tug supply vessel.

SPO – Global Footprint



Pacific Endurance, an E-class ice breaking supply vessel.

SPO – 2009 Turnover by Region



Hongkong Salvage & Towage operates Hong Kong's largest tug fleet.

2009 Results

Attributable profit from the HUD group for 2009 was HK$78 million, compared to HK$76 million in 2008. The results for 2009 include capital profits of HK$22 million on the sale of two tugs.

There is typically a considerable time lag between changes in the shipping industry (which themselves reflect changes in the wider economy) and changes in the ship repair business. This meant that the downturn in the shipping industry did not adversely affect demand for ship repair services until the second half of 2009. However, increased availability of repair dock space in Asia then started to cause significant pressure on tariffs.

The salvage and towage division was adversely affected by the downturn in the general economy. Tug movements in 2009 fell by 13% from those of 2008. In response, two tugs were redeployed to more profitable sea-going charters and two old tugs were sold.

2010 Outlook

Although there are signs of recovery in the general economy, the effects on the shipping industry are not expected to be immediate. Ship owners and operators are likely to continue to consider cost as a very significant factor when awarding ship repair contracts. Accordingly, ship repair tariffs are unlikely to recover significantly and 2010 is expected to be a difficult year for the ship repair division, with continued intense pressure on pricing.

The salvage and towage division will continue to focus on maintaining its leadership position in Hong Kong waters. At the same time, it will look for opportunities to obtain sea-going work with a view to maximising fleet utilisation.

Two new 5000-bhp tugs are being designed. Orders are expected to be placed in 2010.

J B Rae-Smith
Davy Ho


MARATHON SPORTS

Understanding Consumers

The market leader in Hong Kong in multi-brand sports retailing, Swire Resources offers customers a comprehensive selection of international branded products that caters to a variety of individual lifestyles and sporting tastes.

Trading & Industrial Division

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

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

	2009 HK$M	2008 HK$M
Turnover		
Swire Resources group	**1,835**	1,776
Taikoo Motors group	**2,158**	2,534
Taikoo Sugar	**401**	445
Other subsidiary companies	**5**	58
	4,399	4,813
Operating profits/(losses)		
Swire Resources group	**74**	49
Taikoo Motors group	**53**	10
Taikoo Sugar	**10**	13
Other subsidiary companies and central costs	**(11)**	(34)
Valuation gain on investment property	**–**	14
	126	52
Attributable profits/(losses)		
Swire Resources group*	**100**	87
Taikoo Motors group	**33**	4
Taikoo Sugar	**9**	11
Other subsidiary companies and central costs	**(5)**	(31)
Net valuation gain on investment property	**–**	23
	137	94

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

	2009 HK$M	2008 HK$M
Share of post-tax profits from jointly controlled and associated companies		
Swire Resources group	**41**	50
Akzo Nobel Swire Paints	**141**	132
CROWN Beverage Cans group	**72**	81
	254	263
Attributable profit before the following items:	**350**	307
Share of post-tax profit from Swire SITA group	**–**	72
Profit on sale of interest in Swire SITA group	**–**	1,721
Attributable profit	**350**	2,100

	2009	2008
Shoes sold (millions of pairs)	**3.1**	3.2
Items of apparel sold (millions)	**5.3**	5.6
Retail outlets in Hong Kong	**113**	124
Retail outlets in Mainland China	**74**	109
Vehicles sold:		
– to third party distributors	**3,637**	3,705
– to retail customers	**2,661**	2,670
Sugar sold (millions of pounds):		
– to bulk users	**149.1**	217.9
– to retail and catering users:		
– Hong Kong	**15.5**	16.1
– Mainland China	**13.6**	10.6

2009 Results Summary

Attributable profit from the Trading & Industrial Division was HK$350 million. Swire Resources, Taikoo Motors and Akzo Nobel Swire Paints recorded increases in profits. The other interests recorded decreases in profits.

Swire Resources group

The Swire Resources group distributes and retails sports and casual footwear and apparel brands in Hong Kong and Mainland China. Currently it is a distributor for 13 brands in Hong Kong and five brands in Mainland China.

2009 Results

Attributable profit for 2009 was HK$100 million, representing a 15% improvement over 2008, as better results from wholly-owned businesses more than offset a lower contribution from the group's PUMA associate.

Turnover in Hong Kong was slightly above that of 2008, as a fall in wholesale volume was offset by increased retail business, reflecting more sales promotions at the group's multibrand store chains. Overall retail turnover in Hong Kong grew by 2% compared to 2008. The group managed 113 retail outlets in Hong Kong at the end of 2009.

The trading environment in Hong Kong during 2009 was difficult, with gross margins falling slightly as a result of price discounting and sales promotions.

Turnover in Mainland China grew by 9%, a slower rate of growth than in 2008, which had benefited from the Olympics. Growth in sales of Columbia and Rockport products was partly offset by the effect of the closure of loss-making retail outlets selling other brands.

Overall, margins in Mainland China improved slightly as a result of increased local purchasing.

The contribution from the group's PUMA associate fell by 15% as the brand's momentum slowed and sales fell by 12% compared to 2008.

Swire Resources managed 74 retail outlets in Mainland China at the end of 2009.

2010 Outlook

The highly competitive and mature Hong Kong market continues to be challenging. However, our multibrand retail chains have a strong competitive advantage and should perform well despite an expected increase in occupancy costs.

In Mainland China continued growth in sales of Columbia and Rockport products and reduced losses reflecting the closure of loss-making retail outlets in 2009 should improve overall profitability.

The group is pursuing additional distributorships.

Taikoo Motors group

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

2009 Results

Attributable profit for 2009 was HK$33 million, compared with HK$4 million in 2008.

Taikoo Motors sold 6,298 vehicles in 2009, representing a marginal fall from 2008.

The overall Taiwan passenger car market and its import segment grew by 35% and 56% respectively in 2009 compared with 2008. The growth principally reflected the government's temporary stimulus plan, which lowered the cost of small and hybrid vehicles by NT$30,000 each.

Taikoo Motors is a respected distributor and retailer of motor vehicles in Taiwan.

Akzo Nobel Swire Paints manufactures and distributes Dulux decorative paint.

Volkswagen passenger car sales grew by 19% over 2008. This was attributable to new model launches in the second-half, including the Mark VI Golf.

863 Volkswagen light commercial vehicles were sold in 2009, slightly above the 2008 level. The overall market for imported light commercial vehicles fell by 2%.

Sales of Volvo commercial vehicles fell by 62% compared to 2008 and to a 41% fall in the commercial vehicle segment overall. Eight Volvo buses were sold in the year.

Harley-Davidson performed well. 250 motorcycles were sold in the first full year of operation, compared with 150 in 2008.

The group operated ten showrooms at the end of 2009.

The group's distributorship agreements with Audi and KIA cars expired in February and May 2009 respectively. As a result, 854 fewer Audi and KIA cars were sold in 2009 than in 2008.

2010 Outlook

The Taiwan economy is expected to improve in 2010 although the positive impact of this on vehicle sales in the first half of the year may be muted by the adverse effect of the end of the government stimulus plan in December 2009.

Volkswagen cars will remain Taikoo Motors' principal brand. With a strong product portfolio the brand's prospects are good.

In late 2009 the group was appointed as the official importer in Taiwan of Skoda cars. Sales commenced in the first quarter of 2010.

Taikoo Sugar

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

2009 Results

Taikoo Sugar reported a profit of HK$9 million in 2009, compared to a profit of HK$11 million in 2008.

Hong Kong turnover fell by 17%, reflecting a significant reduction in bulk sales.

The average gross margin in Hong Kong remained at the 2008 level as the impact of higher sugar costs was offset by increased selling prices and a favourable product mix.

In Mainland China 13.6 million pounds of sugar were sold to retail and catering users, an increase of 28% over 2008. However, higher sugar costs and increased logistics costs and advertising and promotion spending resulted in a lower profit.

In March, the company moved to larger packaging facilities in Guangzhou, more than doubling its production capacity to 2,300 metric tonnes per annum.

2010 Outlook

Prospects for growth in sales in 2010 are good. However, profits are expected to fall, compared to 2009, due to higher sugar costs and investment in expanding the distribution network in Mainland China.

Akzo Nobel Swire Paints

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

2009 Results

Attributable profit increased by 7% from 2008, to HK$141 million.

Sales volume in Mainland China grew by 13% from 2008, reflecting greater stability in the property market during the second half of the year.

Margins in Mainland China increased as lower raw material costs more than offset the effect of a less favourable product mix.

The contribution from the mature Hong Kong business was flat as a marginal increase in sales volume was offset by the effect of an unfavourable product mix.

Taikoo Sugar is a premium brand in Hong Kong and Mainland China.

2010 Outlook

The Mainland China market is expected to grow strongly. However, promotional activities intended to strengthen brand awareness and expand the distribution network are expected to result in a fall in profits in 2010.

CROWN Beverage Cans group

CROWN Beverage Cans group consists of joint ventures with Crown Holdings Inc., which manufacture aluminium beverage cans in Mainland China and Vietnam.

2009 Results

CROWN Beverage Cans group contributed an attributable profit of HK$72 million compared to HK$81 million in 2008.

Overall profitability in Mainland China and Hong Kong declined. This principally reflected a 7% fall in sales volume, in line with the fall in the market overall, and higher operating costs.

Sales volume in Vietnam was similar to 2008, although profit increased as a result of an improved customer mix.

2010 Outlook

Conditions in Mainland China are positive although competitive pressure will continue to be challenging.

The Vietnam business is expected to perform in line with 2009.

Swire SITA group

The division sold its interest in Swire SITA in 2008. Cash proceeds of HK$1,888 million were received during the second half of 2009.

J B Rae-Smith

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally reverse the impact of HKAS 40 and HKAS-Int 21 on investment properties and deferred taxation respectively. Further analysis compares the impact of other significant items in the current and prior years.

Underlying profit	Note	**2009 HK$M**	2008 HK$M
Profit attributable to the Company's shareholders per accounts	(a)	**19,917**	5,853
Adjustments re investment properties:			
Revaluation of investment properties	(b)	**(14,506)**	(234)
Deferred tax on revaluation movements	(c)	**2,799**	318
Deferred tax written back on change in tax rate		**–**	(949)
Realised profit on sale of investment properties	(d)	**27**	–
Depreciation of investment properties occupied by the Group	(e)	**13**	13
Minority interests' share of revaluation movements less deferred tax		**88**	237
Impairment of hotels held as part of mixed-use developments less deferred tax	(f)	**137**	–
Underlying profit attributable to the Company's shareholders		**8,475**	5,238
Other significant items:			
Profit on sale of interest in Swire SITA		**–**	(1,721)
Profit on sale of shareholdings in other investments		**(46)**	(53)
Profit on sale of vessels		**–**	(94)
Profit on sale of investment properties		**(53)**	–
Profit on sale of properties previously occupied by the Group		**(110)**	–
Impairment of stand-alone hotels less deferred tax		**61**	–
Impairment of properties held for development		**29**	77
Adjusted profit		**8,356**	3,447

Underlying equity

	Note	2009 HK$M	2008 HK$M
Equity attributable to the Company's shareholders per accounts	(a)	**152,503**	134,741
Deferred tax on revaluation of investment properties		**18,300**	15,531
Unrecognised valuation gains on hotels held as part of mixed-use developments	(f)	**512**	–
Revaluation of investment properties occupied by the Group		**1,421**	1,311
Cumulative depreciation of investment properties occupied by the Group		**84**	74
Underlying equity attributable to the Company's shareholders		**172,820**	151,657
Underlying minority interests		**877**	1,531
Underlying equity		**173,697**	153,188

Notes:

(a) The adoption of HK(IFRIC)-Int 13 (Customer Loyalty Programmes) has resulted in the restatement of the 2008 comparative figures. Refer to note 1(a) to the accounts for further details.

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

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

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

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

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

Commentary on major balances and year on year variances in the Accounts

References are to "Notes to the Accounts" on pages 109 to 154.

Consolidated Income Statement

	2009 HK$M	2008 HK$M	Reference
Turnover	**24,909**	24,670	Notes 4 and 7

The increase in turnover of HK$239 million compared to 2008 was principally derived from the Property Division (HK$385 million) and the Beverages Division (HK$398 million), which more than offset decreases in turnover from the Swire Pacific Offshore group ("SPO") (HK$115 million) and the Trading & Industrial Division (HK$426 million).

In the Property Division, gross rental income from property investment increased by HK$610 million, principally reflecting full year contributions from One Island East and The Village South at Sanlitun, which opened in March 2008 and July 2008 respectively. Rental reversions for both the office and retail portfolio were generally positive despite the weaker market in the first half of 2009. Turnover from property trading fell. In the Beverages Division, turnover increased in Hong Kong (HK$105 million), Taiwan (HK$131 million) and Mainland China (HK$114 million), with all three markets benefiting from strong growth in sales of still beverages, in particular Minute Maid. Turnover in the USA improved marginally (HK$48 million) as the positive effect of pricing increases was mostly offset by a fall in sales of sparkling beverages and bottled water. At SPO, the effect of a reduction in charter hire and utilisation rates in the second half of 2009 and a reduction in non-charter hire income was only partly offset by an increase in revenue from additional capacity. In the Trading & Industrial Division, the Taikoo Motors group's turnover in Taiwan fell by HK$376 million. A reduction in sales of Audi and KIA cars, reflecting the expiry of the group's distributorship agreements during 2009, was partly offset by growth in sales of Volkswagen cars. Turnover from the Swire Resources group increased by HK$59 million with retail sales in Hong Kong and Mainland China growing by 2% and 9% respectively.

Consolidated Income Statement (continued)

	2009 HK$M	2008 HK$M	Reference
Operating Profit The increase in operating profit of HK$12,580 million compared to 2008 was principally derived from the Property Division (HK$14,278 million) and the Beverages Division (HK$109 million), which more than offset decreases in operating profit at SPO (HK$156 million) and the Trading & Industrial Division (HK$1,647 million). In the Property Division, net valuation gains on investment properties were HK$14,199 million higher than in 2008. Income from property investment rose by HK$595 million, including profits of HK$130 million on sale of a house at 36A Island Road and eight units at Westlands Centre in Quarry Bay. Property trading profit fell by HK$128 million, reflecting fewer unit closings at Asia, although this was partly offset by unit closings at Island Lodge. The hotel business incurred losses of HK$474 million due to the write-off of pre-operating costs on the two new hotels in Hong Kong and the adverse effect of the global economic conditions, particularly in the first half of 2009. The results include impairment losses on hotels of HK$267 million. The higher operating profit in the Beverages Division reflects higher turnover and lower raw material costs. The fall in operating profit for SPO reflects the absence of profits on vessel sales, the effect of lower charter hire and utilisation rates in the second half of 2009 and a reduction in non-charter hire income, offset in part by profits earned in respect of additional vessels. Operating profit from the Trading & Industrial Division increased by HK$74 million, disregarding the profit on disposal of its interest in Swire SITA of HK$1,721 million in 2008. This reflects the exit from loss-making stores in Mainland China by the Swire Resources group and lower operating costs in the Taikoo Motors group.	**21,733**	9,153	Notes 5 and 7
Net Finance Charges The increase reflects the higher level of borrowings in the Group to finance the acquisition of additional interests in Cathay Pacific and HAECO, investment properties under construction and new vessels. This was partially offset by a gain of HK$107 million from the recognition, and the movement in fair value of, a put option in relation to the minority interest in Sanlitun Village.	**940**	912	Note 9
Share of Profits Less Losses of Jointly Controlled Companies In the Property Division, lower net valuation gains were recorded on investment properties held by jointly controlled companies. The Mandarin Oriental Hotel in Miami incurred an operating loss in 2009 compared to a small profit in 2008, reflecting the global economic downturn. Contributions from jointly controlled companies in the Beverages Division increased by HK$94 million due to strong volume growth in Mainland China and lower raw material costs. In the Trading & Industrial Division, the share of profits from jointly controlled companies fell as a result of the absence of contribution from Swire SITA. Akzo Nobel Swire Paints reported a higher profit in 2009 due to sales volume growth in Mainland China and lower raw material costs. The contribution from CROWN Beverage Cans group fell, principally due to a fall in sales volume in Mainland China and Hong Kong.	**624**	638	Notes 7 and 20

Consolidated Income Statement (continued)

	2009 HK$M	2008 HK$M	Reference
Share of Profits Less Losses of Associated Companies The Cathay Pacific group contributed a profit of HK$1,349 million, including unrealised mark-to-market fuel hedging gains of HK$847 million. Premium passenger demand fell substantially though economy class passenger numbers held up well. Cargo demand was exceptionally weak in the first half of 2009, but was stronger from October onwards. The share of profit from HAECO fell by HK$191 million, reflecting reduced demand for airframe heavy maintenance services in Hong Kong and Xiamen, less line maintenance work at Hong Kong International Airport and fewer jet engines being serviced by HAESL. In the Property Division, the share of valuation gain on PCCW Tower was HK$50 million (after deferred tax) against a valuation loss of HK$21 million in 2008. The three associate hotels at Pacific Place contributed lower profits due to pressure on occupancy levels and room rates, particularly during the first half of 2009. In the Beverages Division, the share of profit from Coca-Cola Bottlers Manufacturing Holdings Limited increased by HK$18 million. The contribution from PUMA in the Trading & Industrial Division fell by 15% to HK$39 million as the brand's momentum slowed.	**2,154**	(2,606)	Notes 7 and 21
Taxation The increase primarily reflects the deferred tax charge on the valuation gains on investment properties held by the Group.	**3,407**	47	Notes 7 and 10
Profit Attributable to the Company's Shareholders The increase in attributable profit is mainly due to the valuation gains on investment properties and the increased contribution from the Cathay Pacific group, partially offset by the absence of significant capital profits.	**19,917**	5,853	Note 7

Consolidated Statement of Financial Position

	2009 HK$M	2008 HK$M	Reference
Property, Plant and Equipment The decrease is mainly due to the transfer of properties under construction, namely The Village North at Sanlitun and TaiKoo Hui in Guangzhou (totalling HK$3,887 million) to investment properties at the start of 2009 following the adoption of the revised HKAS 40. Additions during the year mainly include development costs at the new hotels in Hong Kong and at TaiKoo Hui, the acquisition of vessels by SPO and the purchase of production, marketing and distribution equipment in the Beverages Division.	**14,549**	17,010	Note 14
Investment Properties The increase reflects net valuation gains (before deferred tax) of HK$14,406 million and the transfer of The Village North at Sanlitun and TaiKoo Hui from property, plant and equipment and leasehold land (totalling HK$4,336 million) as noted in the paragraphs above and below. Additions during the year mainly include construction costs incurred on The Village North and TaiKoo Hui as well as renovation costs at The Mall at Pacific Place.	**154,493**	134,625	Note 15
Leasehold Land and Land Use Rights The decrease represents the transfer of the land element of The Village North and TaiKoo Hui (totalling HK$449 million) to investment properties at the start of 2009 following the adoption of the revised HKAS 40.	**2,234**	2,586	Note 16
Investments in Jointly Controlled Companies The increase primarily reflects further capital injections into the joint venture project at Jiang Tai (Beijing) and loans advanced to the Mandarin Oriental Hotel in Miami.	**9,048**	8,505	Note 20

Consolidated Statement of Financial Position (continued)

	2009 HK$M	2008 HK$M	Reference
Investments in Associated Companies The increase is largely due to the acquisition of additional interests in Cathay Pacific (2%) and HAECO (12.45%) in September and October 2009 and profits retained by these companies. The Beverages Division also made a further capital injection into a manufacturing plant for still beverages in Dongguan, Mainland China.	**23,454**	18,442	Note 21
Properties for Sale The increase is principally due to the reclassification of properties under development for sale at Seymour Road, Hong Kong of HK$1,335 million from the investment properties category. The construction costs for the unsold units at Island Lodge, previously recorded in trade and other receivables, were also reclassified to properties for sale. The effect of these reclassifications was partially offset by unit closings at the Asia development in Miami.	**3,272**	1,842	Note 25
Available-for-sale Assets The decrease mainly reflects the receipt of the monies in escrow (HK$1,888 million) in respect of the disposal of Swire SITA and the sale of a small number of listed investments held by the Beverages Division and Head Office. These were partially offset by mark-to-market gains on the remaining listed investments held by the Group at 31st December 2009.	**392**	2,188	Note 23
Cash and Cash Equivalents The reduction is primarily attributable to the uplift of HK$1.9 billion of deposits during the year for repayment of bank loans.	**2,322**	4,146	Note 28
Trade and Other Payables The increase is mainly due to the recognition of the financial liability of HK$690 million in respect of the put option exercisable by the minority interest in Sanlitun Village. Additional accruals of HK$305 million for construction costs on investment properties also account for the increase during the year.	**8,865**	7,717	Note 29
Bank Overdrafts and Short-term Loans The decrease represents the repayment of short-term loans.	**1,083**	2,083	Note 32
Long-term Loans and Bonds The increase represents additional borrowings to finance the Group's property developments and the acquisition of new vessels.	**29,624**	29,196	Note 32
Deferred Tax Liabilities The increase is principally attributable to net valuation gains on investment properties held by the Group.	**20,303**	17,382	Note 33
Equity Attributable to the Company's Shareholders The increase represents the total comprehensive income for the year attributable to the Group (HK$20,892 million) less the dividends paid to shareholders.	**152,503**	134,741	Notes 35 and 36
Minority Interests The decrease principally reflects the derecognition of the minority interest in Sanlitun Village at 1st January 2009, following the recording of the financial liability in respect of the put option exercisable by the minority interest.	**846**	1,447	Note 37

Consolidated Statement of Cash Flows

	2009 HK$M	2008 HK$M	Reference
Cash Generated from Operations The increase mainly represents higher net rental income and higher operating profits from the Beverages and Trading & Industrial Divisions (disregarding the effect of the profit on disposal of Swire SITA in 2008), which more than offset a reduction in operating profit at SPO and lower proceeds from sales of trading properties.	**8,740**	7,580	Note 42(a)
Interest Paid The increase in interest paid is attributable to the higher level of borrowings to finance the acquisition of additional interests in Cathay Pacific and HAECO and capital expenditure.	**1,449**	1,389	
Dividends Received from Jointly Controlled and Associated Companies and Available-for-sale Assets The decrease is due to the fact that Cathay Pacific did not declare any 2008 final or 2009 interim dividends. The dividends received from Cathay Pacific during 2008 amounted to HK$975 million.	**890**	1,812	
Purchase of Property, Plant and Equipment The additions in 2009 mainly represent the construction costs of The Upper House and EAST hotels in Hong Kong and the hotel at TaiKoo Hui in Guangzhou. They also include the purchase of vessels by SPO and of plant and equipment by the Beverages Division.	**2,228**	3,686	Note 42(b)
Additions of Investment Properties The additions in 2009 include the construction costs of TaiKoo Hui and The Village North at Sanlitun and the renovation costs at The Mall at Pacific Place.	**2,300**	3,680	
Purchase of Shares in Jointly Controlled Companies The outflow mainly represents further amounts injected into the joint venture property project at Jiang Tai in Beijing.	**282**	–	
Purchase of Shares in Associated Companies The outflow represents the acquisition of further interests in Cathay Pacific (2%) and HAECO (12.45%) for HK$1,016 million and HK$1,904 million respectively. It also includes a further capital injection into a manufacturing plant for still beverages in Dongguan, Mainland China.	**3,065**	543	
Loans to Jointly Controlled Companies The decrease principally reflects lower amounts advanced to the joint venture property projects at Dazhongli and Jiang Tai compared to 2008. This was partially offset by a shareholder loan advanced to the HUD group for the period March to November 2009 (refer to "Repayment of loans by jointly controlled companies" below).	**741**	2,988	
Repayment of Loan from a Jointly Controlled Company This represents loan repayment to a jointly controlled company in the Property Division.	**3,500**	–	
Repayment of Loans by Jointly Controlled Companies This principally represents the repayment of a loan by a jointly controlled company in relation to a completed Hong Kong trading property, as well as the repayment of a shareholder loan by the HUD group (refer to "Loans to jointly controlled companies" above).	**4,184**	535	
Proceeds from Disposals of Available-for-sale Assets The proceeds from the sale of the Group's interest in Swire SITA (HK$1,888 million) were received in the second half of the year. In addition, proceeds were received on the sale of a small number of investments listed in Hong Kong.	**1,948**	–	
Loans Drawn and Refinancing This represents additional financing raised during the year, including new bonds issued under the Medium-Term Note Programme and additional bank loans, and the draw-down of existing financing. Refer to the Financing section on page 64 for further details.	**8,263**	12,161	

Investment Appraisal and Performance Review

	Net assets employed		Capital commitments*	
	2009 HK$M	2008 HK$M (Restated)	**2009 HK$M**	2008 HK$M
Property investment				
– at cost	**65,761**	62,635	**10,326**	11,220
– valuation surplus	**96,001**	81,636	**–**	–
– deferred taxation	**(20,087)**	(17,125)	**–**	–
– other net liabilities	**(1,878)**	926	**–**	–
	139,797	128,072	**10,326**	11,220
Property trading	**3,808**	2,602	**–**	–
Hotels	**5,471**	3,957	**1,044**	2,521
Property – overall	**149,076**	134,631	**11,370**	13,741
Aviation	**21,654**	17,016	**–**	–
Beverages	**4,570**	4,040	**251**	176
Marine Services	**7,882**	7,430	**2,803**	3,295
Trading & Industrial	**1,527**	3,629	**48**	64
Head Office	**321**	(112)	**–**	–
Total net assets employed	**185,030**	166,634	**14,472**	17,276
Less net debt	**(31,681)**	(30,446)		
Less minority interests	**(846)**	(1,447)		
Equity attributable to the Company's shareholders	**152,503**	134,741		

	Equity attributable to the Company's shareholders**		Return on average equity attributable to the Company's shareholders**	
	2009 HK$M	2008 HK$M (Restated)	**2009**	2008 (Restated)
Property investment	**108,637**	96,494	**15.3%**	4.3%
Property trading	**1,420**	1,605	**1.5%**	7.1%
Hotels	**4,131**	2,627	**-9.8%**	3.9%
Property – overall	**114,188**	100,726	**14.3%**	4.3%
Aviation	**21,617**	16,991	**9.4%**	-15.2%
Beverages	**3,511**	2,955	**23.3%**	20.4%
Marine Services	**8,421**	6,814	**21.5%**	26.9%
Trading & Industrial	**1,948**	1,887	**18.3%**	19.8%
– including profit on sale of Swire SITA	**–**	1,721	**–**	75.8%
Head Office	**2,818**	3,647	**–**	–
Total	**152,503**	134,741	**13.9%**	4.3%

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

** Refer to Glossary on page 192 for definition.

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

The tables on page 62 show where the Group's net assets are employed, capital commitments by division and changes in returns on equity attributable to the Company's shareholders.

Property Division
Net assets employed in property investment increased by HK$11,725 million (9.2%) during the year, principally due to continued investment in property projects in Mainland China, capital expenditure on The Upper House and EAST hotels and the cost of the Pacific Place design improvement project.

Capital commitments at the year-end include the Group's share of the capital commitments of the property projects in Mainland China, as well as amounts relating to the Pacific Place design improvement project.

The increase in the return on average equity from property investment from 4.3% in 2008 to 15.3% in 2009 reflects the rise in attributable profit resulting from the property valuation gains in 2009.

The increase in net assets employed in property trading was principally due to the transfer of certain investment properties under construction to the trading property portfolio, partly offset by closings at the Island Lodge and Asia residential developments.

Aviation Division
Net assets employed in aviation increased by HK$4,638 million (27.3%) reflecting the share of profit from the Cathay Pacific and HAECO groups, as well as the acquisition of further interests in these associates.

The return on average equity improved from -15.2% in 2008 to 9.4% in 2009.

Beverages Division
Net assets employed increased by HK$530 million (13.1%), principally as a result of the investment in Coca-Cola Bottlers Manufacturing Holdings and additional retained profits in the jointly controlled and associated companies in Mainland China.

The return on average equity increased from 20.4% in 2008 to 23.3% in 2009 reflecting the 29% increase in attributable profit.

Marine Services Division
Net assets employed increased by HK$452 million (6.1%). The increase principally reflects the instalments paid on vessels under construction.

The return on average equity fell from 26.9% in 2008 to 21.5% in 2009 reflecting the 7% reduction in attributable profit.

Trading & Industrial Division
Net assets employed fell by HK$2,102 million (57.9%), reflecting the receipt during 2009 of the monies in escrow (HK$1,888 million) in respect of the disposal of the Group's interest in Swire SITA.

The return on average equity, excluding the effect of the profit on disposal of Swire SITA, fell from 19.8% in 2008 to 18.3% in 2009 reflecting the 8% reduction in attributable profit.

Financing

Financing

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

Capital Structure

The Group aims to maintain a capital structure that is appropriate for long-term credit ratings of A3 to A1 on Moody's scale, A- to A+ on Standard & Poor's scale, and A- to A+ on Fitch's scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 31st December 2009 the Company's long-term credit ratings were A3 from Moody's, A- from Standard & Poor's, and A from Fitch.

Changes in Financing

Analysis of Changes in Financing During the Year

Audited Financial Information

	2009 HK$M	2008 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**35,272**	27,038
Loans drawn and refinancing	**8,263**	12,161
Repayment of loans and bonds	**(9,077)**	(3,914)
Other non-cash movements	**44**	(13)
At 31st December	**34,502**	35,272

During the year, the Group raised HK$8,940 million. This included:

- the issue of three series of four-year medium-term notes totalling HK$500 million
- the issue of a ten-year US dollar medium-term note of US$500 million
- a two-year bilateral combined term and revolving credit loan facility of RMB300 million
- a five-year bilateral term loan facility of RMB2,000 million
- a two-year bilateral revolving credit facility of US$38 million
- a four-year bilateral term loan facility of HK$500 million
- two five-year bilateral term loan facilities totalling HK$1,000 million

Significant debt repayments during the year included the repayment of a HK$500 million bilateral term loan facility and a HK$600 million five-year medium-term note.

Sources of Finance

At 31st December 2009, committed loan facilities and debt securities amounted to HK$46,151 million, of which HK$12,521 million (27%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$4,429 million. Sources of funds at 31st December 2009 comprised:

Audited Financial Information

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	16,729	16,729	–	–
Bank loans, overdrafts and other loans	27,096	14,575	2,455	10,066
Perpetual capital securities	2,326	2,326	–	–
Total committed facilities	46,151	33,630	2,455	10,066
Uncommitted facilities				
Bank loans, overdrafts and other loans	5,398	969	4,295	134
Total	51,549	34,599	6,750	10,200

Loans and Bonds

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

Audited Financial Information

	2009			2008		
	Drawn, before unamortised loan fees HK$M	**Unamortised loan fees HK$M**	**Carrying value HK$M**	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M
Bank overdrafts and short-term loans – unsecured	**1,083**	**–**	**1,083**	2,083	–	2,083
Long-term loans and bonds at amortised cost	**31,190**	**(97)**	**31,093**	30,944	(80)	30,864
Less: amount due within one year included under current liabilities	**(1,469)**	**–**	**(1,469)**	(1,668)	–	(1,668)
	29,721	**(97)**	**29,624**	29,276	(80)	29,196

Short-term loans at 31st December 2008 and 2009 include amounts of HK$113.6 million borrowed under an entrusted loan arrangement. On 15th September 2008, a subsidiary of the Company, Beijing Sanlitun South Property Management Co. Ltd. entered into entrusted loan agreements with Akzo Nobel Swire Paints (Guangzhou) Limited (formerly known as ICI Swire Paints (China) Limited) and Akzo Nobel Swire Paints (Shanghai) Limited, jointly controlled companies of the Company, and a bank. Akzo Nobel Swire Paints (Guangzhou) Limited and Akzo Nobel Swire Paints (Shanghai) Limited provided principal amounts of RMB40 million and RMB60 million respectively as loans to Beijing Sanlitun South Property Management Co. Ltd.

Perpetual Capital Securities

Audited Financial Information

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

The perpetual capital securities are recorded in the statement of financial position at amortised cost. At 31st December 2009 the fair value was HK$2,327 million (2008: HK$1,907 million). The perpetual capital securities are listed on the Luxembourg Stock Exchange.

Bank Balances and Short-term Deposits

The Group had bank balances and short-term deposits of HK$2,395 million at 31st December 2009, excluding security deposits, compared to HK$4,239 million at 31st December 2008.

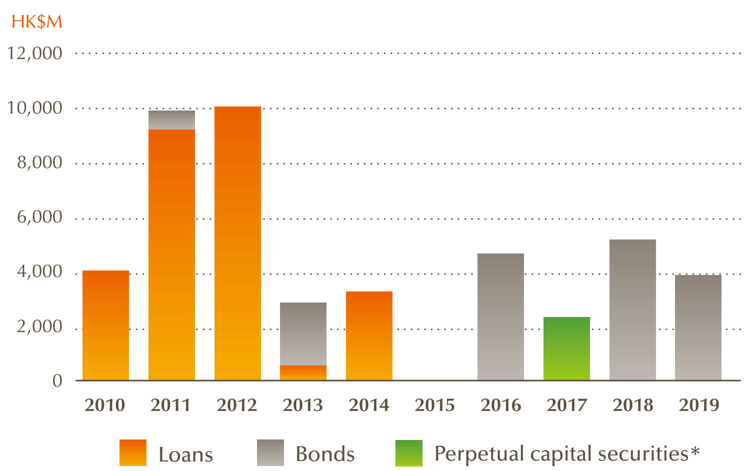
Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2019 (2008: up to 2018).

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

	2009	2008
Weighted average term of debt	**4.3 years**	4.5 years
Weighted average term of debt (excluding perpetuals)	**4.1 years**	4.3 years
Weighted average cost of debt	**4.1%**	4.8%
Weighted average cost of debt (excluding perpetuals)	**3.8%**	4.4%

Total Available Committed Facilities by Maturity – at 31st December 2009



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

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

Audited Financial Information

	2009 HK$M	2008 HK$M
Bank loans (secured):		
Repayable within one year	**169**	169
Repayable between one and two years	**169**	169
Repayable between two and five years	**42**	211
Bank loans (unsecured):		
Repayable within one year	**1,300**	899
Repayable between one and two years	**5,290**	1,798
Repayable between two and five years	**7,445**	14,706
Other borrowings (unsecured):		
Repayable within one year	**–**	600
Repayable between one and two years	**725**	–
Repayable between two and five years	**2,297**	2,521
Repayable after five years	**13,656**	9,791
	31,093	30,864
Amount due within one year included under current liabilities	**(1,469)**	(1,668)
	29,624	29,196

Currency Profile

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

Audited Financial Information

	2009		2008	
	HK$M	%	HK$M	%
Currency				
Hong Kong dollar	**28,983**	**84%**	29,633	84%
United States dollar	**1,238**	**3%**	1,385	4%
Renminbi	**4,107**	**12%**	3,631	10%
New Taiwan dollar	**111**	**1%**	600	2%
Others	**63**	**–**	23	–
Total	**34,502**	**100%**	35,272	100%

Finance Charges

At 31st December 2009, 68% of the Group's gross borrowings were on a fixed rate basis and 32% were on a floating rate basis (2008: 57% and 43% respectively).

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

Audited Financial Information

		Fixed interest rate maturing in:			
	Floating interest rate HK$M	1 year or less HK$M	1 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31st December 2009	**10,953**	**169**	**7,397**	**13,657**	**32,176**
At 31st December 2008	15,027	769	7,360	9,791	32,947

Interest charged and earned during the year was as follows:

Audited Financial Information

	2009		2008	
	HK$M	**HK$M**	HK$M	HK$M
Interest charged on:				
Bank loans and overdrafts		**(340)**		(679)
Other loans and bonds:				
Wholly repayable within five years	**(144)**		(131)	
Not wholly repayable within five years	**(846)**		(662)	
		(990)		(793)
Fair value (losses)/gains on derivative instruments:				
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**(20)**		32	
Interest rate swaps: fair value hedges	**15**		27	
Interest rate swaps: not qualifying as hedges	**–**		(5)	
		(5)		54
Adjustments to financial liabilities – fair value hedges		**–**		(26)
Amortised loan fees – loans at amortised cost		**(26)**		(18)
Other financing costs		**(45)**		(57)
Deferred into properties under development for sale		**32**		10
Capitalised on:				
Investment properties	**190**		80	
Hotel properties	**43**		299	
Vessels	**5**		45	
		238		424
		(1,136)		(1,085)
Interest income on:				
Short-term deposits and bank balances	**11**		83	
Other loans	**78**		90	
Fair value gain on put option over minority interest in existing subsidiary company	**107**		–	
		196		173
Net finance charges		**(940)**		(912)

The capitalised interest rates used on funds both borrowed generally and used for the development of investment properties and properties for sale were between 3.38% and 5.15% per annum (2008: 3.91% and 8.32% per annum).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$1,335 million (2008: HK$1,444 million).

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

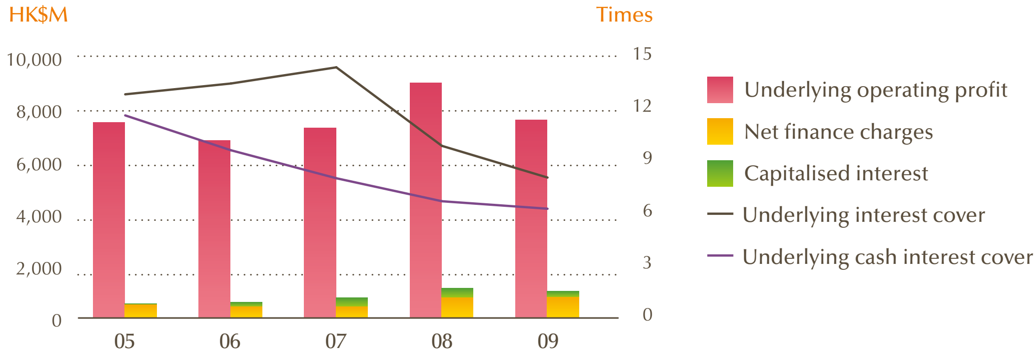
Audited Financial Information

	2009				2008			
	HK$	**US$**	**RMB**	**Others**	HK$	US$	RMB	Others
	%	%	%	%	%	%	%	%
Bank overdrafts and short-term loans	**–**	**–**	**3.11-6.11**	**0.90**	–	2.19	5.04-7.97	1.33-1.86
Long-term loans and bonds	**0.22-5.05**	**2.55-6.25**	**4.86-5.94**	**1.41**	2.39-5.05	3.83-6.25	8.32	3.24
Perpetual capital securities	**–**	**8.84**	**–**	**–**	–	8.84	–	–

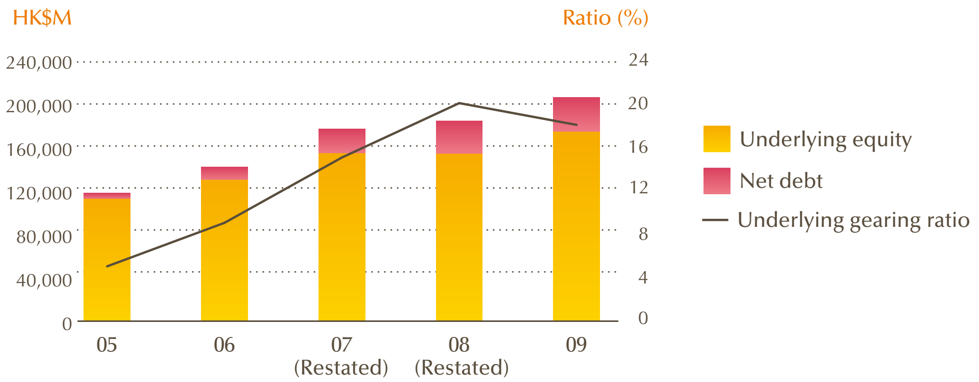
Interest Cover and Gearing Ratios

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

Underlying Interest Cover



Underlying Gearing Ratio



Note:
The calculation of underlying equity is shown in the Financial Review on page 56.

	2009	2008 (Restated)
Gearing ratio*		
Per accounts	**20.7%**	22.4%
Underlying	**18.2%**	19.9%
Interest cover – times*		
Per accounts	**23.1**	10.0
Underlying	**8.0**	9.9
Cash interest cover – times*		
Per accounts	**18.0**	6.8
Underlying	**6.3**	6.7

* Refer to Glossary on page 192 for definition.

Covenants and Credit Triggers

Audited Financial Information

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

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

	Covenant limits	2009	2008 (Restated)
Gearing			
Consolidated borrowed money*/adjusted consolidated net worth*	≤ 200%	**20.7%**	22.4%
Secured consolidated borrowed money/adjusted consolidated net worth	≤ 100%	**0.2%**	0.4%
	HK$M	**HK$M**	HK$M
Maintenance of minimum adjusted consolidated tangible net worth			
Adjusted consolidated tangible net worth*	≥ 20,000	**152,478**	135,321

* Refer to Glossary on page 192 for definition.

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

To date, none of the covenants has been breached.

Capital Management

Audited Financial Information

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

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

In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, issue or repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2009 and 31st December 2008 were as follows:

	2009 HK$M	2008 HK$M (Restated)
Perpetual capital securities	**2,326**	2,325
Borrowings net of security deposits	**31,796**	32,398
Total borrowings	**34,122**	34,723
Less:		
Short-term deposits and bank balances (excluding security deposits)	**(2,395)**	(4,239)
Certain available-for-sale investments	**(46)**	(38)
	(2,441)	(4,277)
Net debt	**31,681**	30,446
Total equity	**153,349**	136,188
Gearing ratio	**20.7%**	22.4%

The reduction in the gearing ratio during 2009 principally reflects the net investment property valuation gain at 31st December 2009 which more than offset the increase in net debt.

Key Credit Ratios

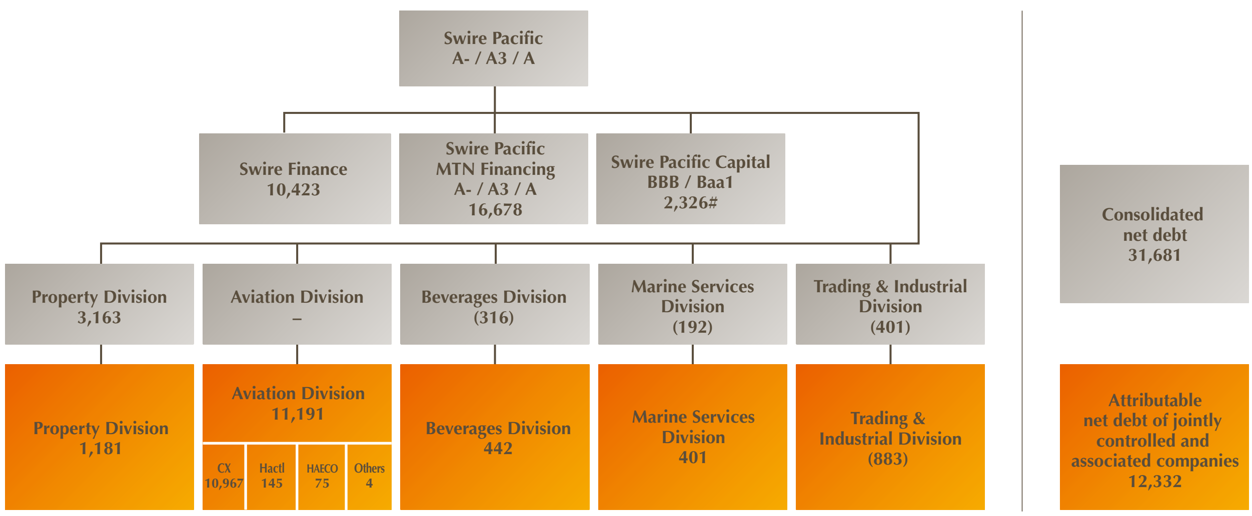
The table below sets out those credit ratios of the Group which credit agencies commonly assess when determining credit ratings:

	Note	2005	2006	2007 (Restated)	2008 (Restated)	**2009**
Operating margin	1, 5					
– per accounts		107.7%	126.2%	126.7%	40.4%	**90.9%**
– underlying		42.3%	38.6%	37.1%	39.7%	**34.0%**
EBIT/net interest expenses	2, 4, 5					
– per accounts		34.2	36.8	31.5	8.2	**18.7**
– underlying		15.0	13.1	10.2	8.1	**7.0**
FFO + net finance charges/net interest expenses	3, 4, 5					
– per accounts		16.0	12.5	10.0	8.2	**7.2**
– underlying		14.7	12.5	10.0	8.2	**7.2**
FFO/net debt	3, 5					
– per accounts		177.9%	69.5%	38.3%	33.2%	**24.4%**
– underlying		162.3%	69.5%	38.3%	33.2%	**24.6%**
Net debt/total equity plus net debt	5					
– per accounts		5.1%	9.4%	14.2%	18.3%	**17.1%**
– underlying		4.6%	8.5%	12.8%	16.6%	**15.4%**
Property rental income/net interest expenses	4	5.2	5.4	5.0	4.1	**5.0**

Notes:
1 Operating margin = Operating profit before depreciation and amortisation/turnover.
2 EBIT = Operating profit plus dividends received from jointly controlled and associated companies.
3 FFO (Funds from operations) = Operating profit (including profit or loss on sale of investment properties and property, plant and equipment) less net finance charges less change in fair value of investment properties less tax paid plus depreciation and amortisation plus dividends from jointly controlled companies and associated companies plus non-cash items.
4 Net interest expenses include capitalised interest.
5 Underlying credit ratios are calculated by adjusting for the impact of HKAS 40 and HKAS-Int 21 on investment properties and deferred tax.

Attributable Net Debt

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



Represents US$300 million perpetual capital securities.

Debt in Jointly Controlled and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its jointly controlled and associated companies. These companies had the following net debt positions at the end of 2009 and 2008:

	Total net debt/(cash) of jointly controlled and associated companies		Portion of net debt/(cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M
Property Division	**4,123**	4,406	**1,181**	1,241	**486**	491
Aviation Division						
Cathay Pacific group	**26,131**	25,198	**10,967**	10,074	**–**	–
HAECO group	**143**	(216)	**75**	(96)	**–**	–
Hactl	**724**	225	**145**	45	**–**	–
Other Aviation Division companies	**7**	14	**4**	7	**–**	–
Beverages Division	**1,389**	908	**442**	294	**–**	–
Marine Services Division	**802**	705	**401**	352	**500**	500
Trading & Industrial Division	**(2,284)**	(1,624)	**(883)**	(608)	**–**	–
	31,035	29,616	**12,332**	11,309	**986**	991

If the attributable portion of the net debt in jointly controlled and associated companies were to be added to the Group's net debt, gearing would rise to 29% and underlying gearing would rise to 25%.

Attributable Profit Correlation

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

	Property Division	Aviation Division	Marine Services Division	Beverages and Trading & Industrial Divisions	Divisions combined, excluding Property Division
Underlying attributable profit 2009* (HK$M)	**3,966**	**1,821**	**1,637**	**1,103**	**4,561**
Correlation coefficient:					
Property Division	**1.000**	**-0.342**	**0.741**	**0.752**	**-0.030**
Aviation Division	**-0.342**	**1.000**	**-0.393**	**-0.089**	**0.920**
Marine Services Division	**0.741**	**-0.393**	**1.000**	**0.724**	**-0.014**
Beverages and Trading & Industrial Divisions	**0.752**	**-0.089**	**0.724**	**1.000**	**0.269**
Divisions combined, excluding Property Division	**-0.030**	**0.920**	**-0.014**	**0.269**	**1.000**

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

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

Corporate Governance

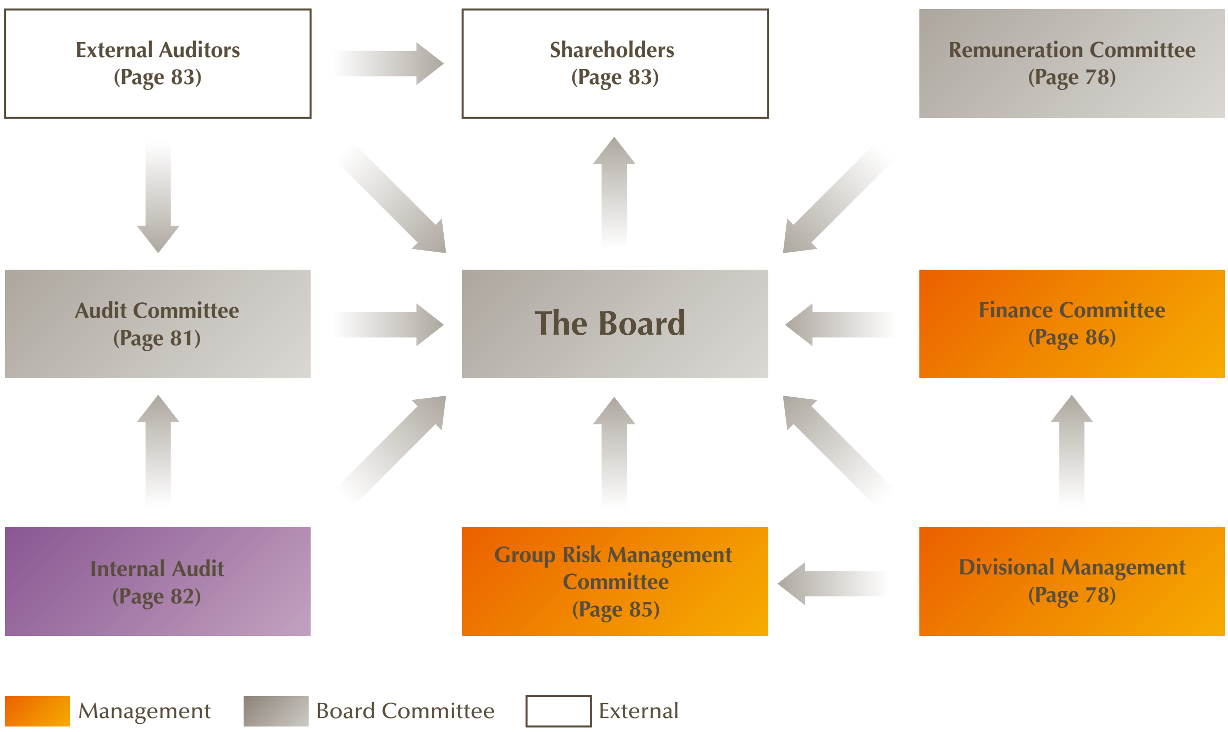
Governance Culture

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

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

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

Governance Structure



Corporate Governance Statement

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

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

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

Corporate governance does not stand still; it evolves with each business and its operating environment. Swire Pacific is always ready to learn and adopt best practice. As part of its commitment to enhance corporate governance standards within the region, Swire Pacific is a member of the Asian Corporate Governance Association.

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

- **Section C.1.4 of the CG Code, recommending the production of quarterly statements.** The Company has chosen not to comply with this recommended reporting practice because it is its judgement that, as a matter of principle and practice, quarterly reports would not bring net overall benefits to shareholders
- **Section A.4.4 of the CG Code recommending the establishment of a nomination committee.** The Board has considered the merits of establishing a nomination committee as recommended but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by both the potential Director and the Board as to suitability for the role

The Board of Directors

Role of the Board

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

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

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

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see page 81) and the Remuneration Committee (see page 78).

Chairman and Chief Executive

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

The Chairman is responsible for:

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

Each division of the Group has one or more Executive Directors or Officers who are responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's individual businesses (see page 78). These executives are: M Cubbon (Property), A N Tyler and J R Slosar (Aviation), G L Cundle (Beverages), D Ho (Marine Services), and J B Rae-Smith (Marine Services and Trading & Industrial).

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

Board Composition

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

The Board currently comprises the Chairman, six Executive Directors and ten Non-Executive Directors. Their biographical details are set out on pages 89 and 90 of this report and are posted on the Group website.

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

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

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

The Independent Non-Executive Directors:

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

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

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

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

Full details of changes in the Board during the year and to the date of this report are provided in the Directors' Report on page 92.

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

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

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

Through the Company Secretary, Directors are able to obtain appropriate professional training or advice should this be required.

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

Details of Directors' other appointments are shown in their biographies on pages 89 and 90.

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

The dates of the 2009 Board meetings were determined in 2008 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met six times in 2009. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 77. Average attendance at Board meetings was 90%. All Directors attended Board meetings in person during the year.

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

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

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

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

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

A typical Board meeting would consist of:

- review of a report by each Executive Director or Officer on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
- the raising of new initiatives and ideas

- presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for Directors' consideration
- any declarations of interest

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

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. One such meeting was held in 2009.

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

	Meetings attended/held			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**2009 Annual General Meeting**
Executive Directors				
C D Pratt – Chairman	6/6			✓
P N L Chen	5/6			✓
M Cubbon	6/6			✓
D Ho	6/6			✓
K G Kerr (retired on 14th May 2009)	2/2			N/A
P A Kilgour (appointed on 1st April 2009)	4/4			✓
J R Slosar	5/6			✓
A N Tyler	6/6			✓
Non-Executive Directors				
Baroness Dunn	5/6			✓
J W J Hughes-Hallett	5/6			✓
P A Johansen	6/6	5/5	3/3	✓
M B Swire (appointed on 1st January 2009)	6/6			✓
Independent Non-Executive Directors				
C K M Kwok	4/6	5/5	3/3	✓
C Lee	5/6	5/5	3/3	✗
M C C Sze	6/6			✓
M M T Yang	5/6			✓
M Leung	4/6			✗
T G Freshwater	6/6			✓
Average attendance	90%	100%	100%	88%

Directors' and Officers' Insurance

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

Conflicts of Interest

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

Delegation by the Board

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

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

- detailed monthly management accounts consisting of income statements, statements of financial position and cash flows compared to budget and forecast
- the output of internal and external audit reports
- significant controls breakdowns
- feedback from external parties such as customers, business partners, trade associations and service providers

Securities Transactions

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

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

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

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

Directors' interests as at 31st December 2009 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 93 and 94. In addition, one of the Executive Officers of the Company, J B Rae-Smith, is interested personally in 10,000 'B' shares of the Company and 73,066 ordinary shares and 18,821 preference shares of John Swire & Sons Limited, an associated corporation of the Company, and is also interested as one of the beneficiaries of trusts which hold 5,000 'A' shares of the Company and 97,659 ordinary shares and 9,628 preference shares of John Swire & Sons Limited.

Remuneration Committee

Full details of Directors' and Executive Officers' remuneration are provided in note 8 to the accounts. The Remuneration Committee comprises three Non-Executive Directors, two of whom – C K M Kwok and C Lee – are Independent Non-Executive Directors. The Committee is chaired by P A Johansen.

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

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

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

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

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors and Officers at its meeting in November 2009. At this meeting the Committee considered a report prepared for it by Mercer Human Resource Consulting Limited ("Mercer"), an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors and Officers, as disclosed in note 8 to the accounts was comparable with that paid to equivalent executives in peer group companies.

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

On the recommendation of the Remuneration Committee, the Board approved the following fee levels:

Fee	**2009 HK$**	2010 HK$
Director's Fee	**600,000**	600,000
Fee for Audit Committee Chairman	**200,000**	200,000
Fee for Audit Committee Member	**150,000**	150,000
Fee for Remuneration Committee Chairman	**65,000**	65,000
Fee for Remuneration Committee Member	**50,000**	50,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

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

Internal Controls

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's system of internal controls with a view to ensuring that shareholders' investments and the Company's assets are safeguarded. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 81 and 82.

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

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

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

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

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

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

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

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

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

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

The GRMC, discussed further on pages 85 and 86, focuses on business, operational, safety, security and reputational risks. The Finance Committee, discussed further on page 86, focuses on broad financial and treasury risks.

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

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

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

- analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
- direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
- information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports

- physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
- performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
- segregation of duties: dividing and segregating duties amongst different people, with a view to strengthening checks and minimising the risk of errors and abuse

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

Internal Audit: Independent of management, the Internal Audit department reports directly to the Chairman and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 82 and 83.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, C K M Kwok, C Lee and P A Johansen, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, C K M Kwok, is Chairman. All the members served for the whole of 2009.

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

The Audit Committee met five times in 2009. Regular attenders at the Audit Committee meetings are the Group Finance Director, the Head of Internal Audit and the external auditors. The Audit Committee meets regularly with the external auditors without the presence of management. Each meeting receives written reports from the Group Risk Management Committee, the external auditors and Internal Audit. Other attendees during the year included the independent property valuers, legal advisers and the Deputy Finance Director.

The work of the Committee during 2009 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2008 annual and 2009 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's internal controls and risk management systems and its compliance with the CG Code
- the Group's risk management processes
- the approval of the 2010 annual Internal Audit programme and review of progress on the 2009 programme
- periodic reports from Internal Audit and progress in resolving any matters identified therein
- significant accounting and audit issues
- the Company's policy regarding connected party transactions and the nature of such transactions
- the relationship with the external auditors as discussed on page 83

In 2010, the Committee has reviewed, and recommended to the Board for approval, the 2009 accounts.

Assessing the Effectiveness of Internal Controls

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

This assessment considers:

- the scope and quality of management's ongoing monitoring of risks and of the systems of internal control, the work of Internal Audit and the assurances provided by the Group Finance Director

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

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

Internal Audit Department

Swire Pacific has had an Internal Audit department ("IA") in place for 14 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 18 audit professionals and conducts audits of the Group and certain associates. The 18 professionals include a team based in Mainland China which reports to IA in Hong Kong.

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

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

Scope of Work

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

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the Group Risk Management Committee and management's views. Each business is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 49 assignments were conducted for Swire Pacific in 2009.

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

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

Audit Conclusion and Response

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

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

External Auditors

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

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

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

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

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

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

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

Fees paid to the auditors are disclosed in note 6 to the accounts.

Shareholders

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

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

- the Group Finance Director makes himself available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In 2009 the Group Finance Director held 29 meetings with analysts and investors in Hong Kong, conducted two analyst briefings, three investor group briefings and three overseas roadshows and spoke at five investor conferences
- through the Group website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses
- through publication of interim and annual reports
- through the AGM as discussed below

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 14th May 2009. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 77.

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

- receiving the report of the Directors and the audited accounts for the year ended 31st December 2008
- declaration of final dividends
- re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share repurchases
- a general mandate authorising the Directors to allot and issue shares up to 20% of the then issued share capital, provided that the aggregate nominal amount of the shares of any class so allotted wholly for cash would not exceed 5% of the aggregate nominal amount of the shares then in issue

Minutes of the meeting together with voting results are available on the Group website.

Other Information for Shareholders

Key shareholder dates for 2010 are set out on the inside back cover of this report and in the Financial Calendar on the Group website.

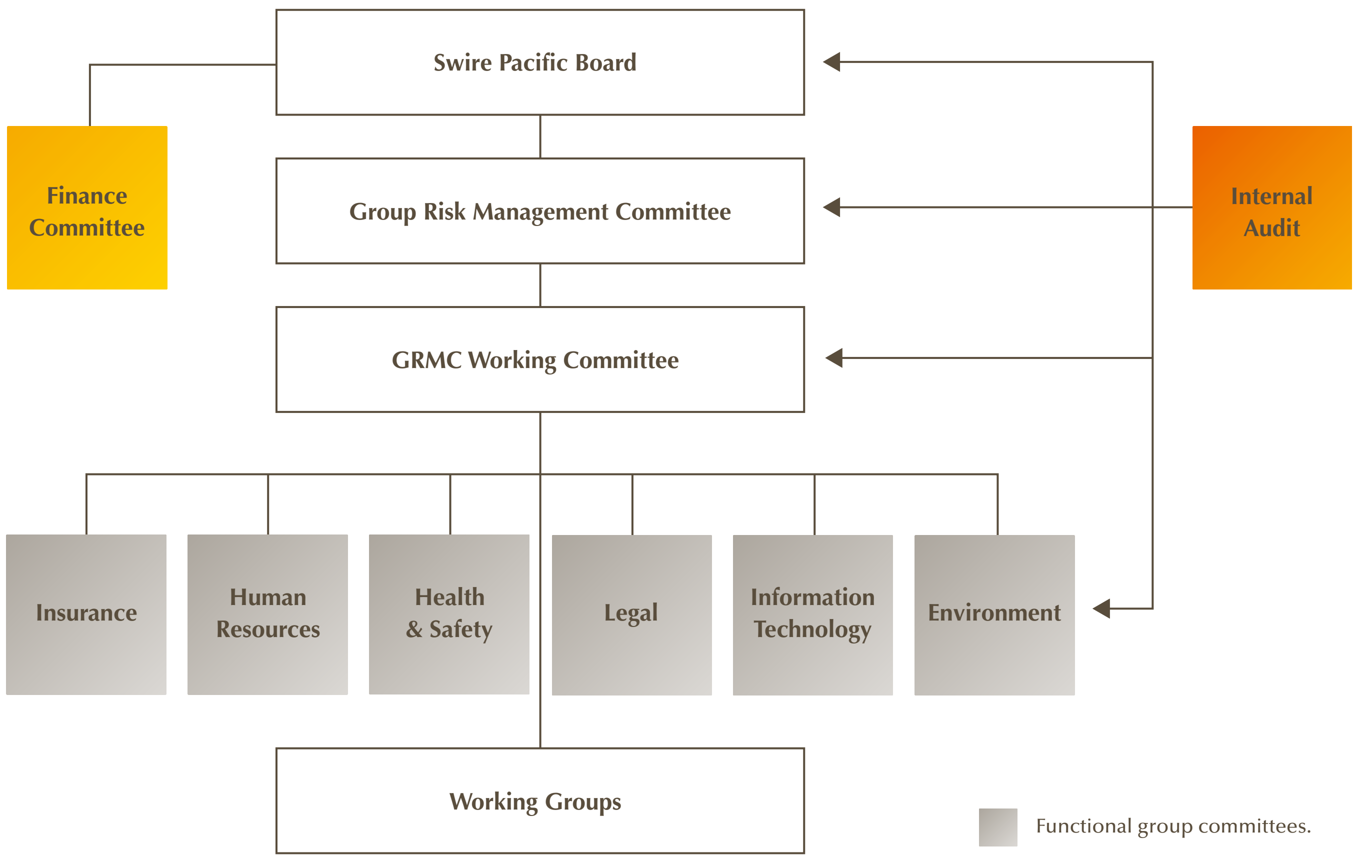
From information publicly available to the Company and within the knowledge of its Directors, at least 25% of each class of the Company's total issued share capital is held by the public. Details of the shareholder profile of the Company are included in the Directors' Report on page 95.

Risk Management

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

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

Risk Governance Structure



Group Risk Management Committee

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

The GRMC oversees six functional group committees and three working groups. These cover the following areas: Insurance, Human Resources, Health & Safety, Legal, Information Technology, Environment, Environmental Best Practices, Supply Chain Sustainability and Enterprise Risk Management. The GRMC's oversight role includes those areas which can be collectively categorised as Sustainable Development.

In 2009, the GRMC met three times and its functional group committees and working groups met a total of 28 times.

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

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

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

Finance Committee

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

The Finance Committee consists of the Group Finance Director, the Group Deputy Finance Director, four Divisional Finance Directors, the General Manager Corporate Finance, the Treasury Manager, the Group Finance Manager and the Group Taxation Manager. In 2009, the Finance Committee met five times.

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

Financial Risk Management

Audited Financial Information

Structure and Policies

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

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

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

It is the Group's policy not to enter into derivative transactions for speculative purposes. Derivatives are used solely for management of an underlying risk and the Group minimises its exposure to market risk since gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. Accounting for derivative financial instruments and hedging activities is discussed on pages 160 and 161.

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

Financial Risk Management (continued)

Audited Financial Information (continued)

Interest Rate Exposure

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

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

On a quarterly basis, the Treasury department calculates the effect of the Group's exposure to interest rate fluctuations on forecast earnings and cash flows by performing sensitivity testing which varies forecast interest rates. The Treasury department reports the results of this testing to the Finance Committee. Refer to page 111 for details of the sensitivity testing performed at 31st December 2009.

Currency Exposure

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

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

Exposure to movements in exchange rates on transactions other than borrowings is minimised by using forward foreign exchange contracts where active markets for the relevant currencies exist. At 31st December 2009, the Group had hedged its significant foreign currency funding exposures.

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

Foreign currency funding and deposit exposure is monitored by the Treasury department on a continuous basis and hedging proposals are presented to the Finance Committee. On a quarterly basis, the Treasury department performs sensitivity testing by varying forecast foreign exchange rates. The results of this testing are used to assess whether positions should remain unhedged. Refer to page 112 for details of the sensitivity testing performed at 31st December 2009.

Credit Exposure

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

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

Financial Risk Management (continued)

Audited Financial Information (continued)

Credit Exposure (continued)

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

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

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

Liquidity Risk

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

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

The Treasury department produces a forecast funding plan for the Group on a quarterly basis and a summary forecast on a monthly basis, in order to assess committed and probable funding requirements. The plan includes an analysis of debt refinancing by year and by source of funds. The Treasury Manager presents the forecast funding plan together with funding proposals to the Group Finance Director on a regular basis, and to the Finance Committee. Refer to page 112 for details of the Group's contractual obligations at 31st December 2009.

Price Risk

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

Directors and Officers

Executive Directors

* **Pratt, Christopher Dale, CBE**, aged 53, has been a Director and the Chairman of the Company since February 2006. He is also Chairman of Cathay Pacific Airways Limited, Hong Kong Aircraft Engineering Company Limited, John Swire & Sons (H.K.) Limited, Swire Properties Limited and Swire Beverages Limited and a Director of Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. He joined the Swire group in 1978 and has worked with the group in Hong Kong, Australia and Papua New Guinea.

* **Chen, Nan Lok Philip,** aged 54, has been a Director of the Company since May 2005. He is also Chairman of John Swire & Sons (China) Limited, Deputy Chairman of Cathay Pacific Airways Limited, and a Director of Air China Limited, Swire Properties Limited and Swire Beverages Limited. He joined the Swire group in 1977 and in addition to Hong Kong has worked with the group in Mainland China and elsewhere in the Asia Pacific region.

* **Cubbon, Martin,** aged 52, has been a Director of the Company since September 1998. He is also a Director and Chief Executive of Swire Properties Limited. He joined the Swire group in 1986.

* **Ho, Cho Ying Davy,** aged 62, has been a Director of the Company since March 1997. He will retire as a Director with effect from 1st April 2010. He is Chairman of the Swire group's Taiwan operations and of a number of Swire group companies with shipping and travel interests. He is also a Director of Hong Kong Aircraft Engineering Company Limited and an Independent Non-Executive Director of DP World Limited. He joined the Swire group in 1970 and has worked with the group in Hong Kong and Taiwan.

* **Kilgour, Peter Alan**, aged 54, has been Finance Director of the Company since April 2009. He is also a Director of Cathay Pacific Airways Limited, Swire Properties Limited and Swire Beverages Limited. He joined the Swire group in 1983.

* **Slosar, John Robert,** aged 53, has been a Director of the Company since May 2006. He is also a Director and Chief Operating Officer of Cathay Pacific Airways Limited, and a Director of Hong Kong Dragon Airlines Limited. He joined the Swire group in 1980 and has worked with the group in Hong Kong, the United States and Thailand.

* **Tyler, Antony Nigel**, aged 54, has been a Director of the Company since January 2008. He is also a Director and Chief Executive of Cathay Pacific Airways Limited and Chairman of Hong Kong Dragon Airlines Limited. He joined the Swire group in 1977 and has worked with the group in Hong Kong, Australia, the Philippines, Canada, Japan, Italy and the United Kingdom.

Non-Executive Directors

Baroness Dunn, Lydia Selina, DBE, aged 70, has been a Director of the Company since February 1981 and until January 1996, had responsibility for the Trading Division. She is also a Director of John Swire & Sons Limited. She joined the Swire group in 1963 and has worked with the group in Hong Kong and London.

Hughes-Hallett, James Wyndham John, **SBS**, aged 60, has been a Director of the Company since January 1994 and was appointed Deputy Chairman in March 1998 and Chairman in June 1999. He stepped down as Chairman in December 2004 to become Chairman of John Swire & Sons Limited. He is also a Director of Cathay Pacific Airways Limited, Swire Properties Limited and HSBC Holdings plc. He joined the Swire group in 1976 and has worked with the group in Hong Kong, Taiwan, Japan, Australia and London.

+# **Johansen, Peter André**, aged 67, has been a Director of the Company since January 1983 and was Finance Director until April 1997. He joined the Swire group in 1973 and worked in Hong Kong, Japan and the United Kingdom before retiring from John Swire & Sons Limited on 31st December 2008. He is also a Director of Hong Kong Aircraft Engineering Company Limited.

Swire, Merlin Bingham, aged 36, has been a Director of the Company since January 2009. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is a Director and shareholder of John Swire & Sons Limited and a Director of Hong Kong Aircraft Engineering Company Limited and Swire Properties Limited.

Independent Non-Executive Directors

Freshwater, Timothy George, aged 65, has been a Director of the Company since January 2008. He is Vice Chairman and a Director of Goldman Sachs (Asia) L.L.C., a Non-Executive Director of Chong Hing Bank Limited and Aquarius Platinum Limited, Chairman and Non-Executive Director of Grosvenor Asia Pacific Limited, and an Independent Non-Executive Director of Cosco Pacific Limited. He is also a Director of the Community Chest of Hong Kong and a member of the Hong Kong Trade Development Council.

+# **Kwok, King Man Clement,** aged 50, has been a Director of the Company since September 2002. He is Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited. He is also a Director of the Community Chest of Hong Kong.

+# **Lee, Chien,** aged 56, has been a Director of the Company since January 1993. He is a Director of Hysan Development Company Limited and an Independent Non-Executive Director of Television Broadcasts Limited. He is also a member of the Council of the Chinese University of Hong Kong and St. Paul's Co-educational College.

Leung, Margaret, aged 57, has been a Director of the Company since March 2008. She is Vice Chairman and Chief Executive of Hang Seng Bank Limited, and a Director of The Hongkong and Shanghai Banking Corporation Limited. She is also a Director of Wells Fargo HSBC Trade Bank NA and Hutchison Whampoa Limited.

Sze, Cho Cheung Michael, GBS, CBE, ISO, JP, aged 64, has been a Director of the Company since November 2004. He was a former Executive Director of the Hong Kong Trade Development Council, a position he held for eight years prior to his retirement on 1st May 2004. Before that, he worked for 25 years in various capacities in the Hong Kong Government. He is also a Non-Executive Director of Lee Kum Kee Co., Ltd.

Yang, Mun Tak Marjorie, aged 57, has been a Director of the Company since October 2002. She is a member of the Executive Council of the Government of Hong Kong SAR. She is also Chairman of Esquel Group, and a Director of The Hongkong and Shanghai Banking Corporation Limited and Novartis AG. She sits on various advisory boards of educational institutions including Massachusetts Institute of Technology, Hong Kong University of Science and Technology and Tsinghua School of Economics and Management.

Executive Officers

* **Cundle, Geoffrey Leslie,** aged 53, has been Executive Director of the Beverages Division since July 2007. He joined the Swire group in 1979 and has worked with the group in Hong Kong, Australia, Korea, Japan and Papua New Guinea.

* **Rae-Smith, John Bruce**, aged 46, has been Executive Director of Swire Pacific Offshore since January 2008 and Executive Director of the Trading & Industrial Division since January 2009. He joined the Swire group in 1985 and has worked with the group in Australia, Papua New Guinea, Japan, Taiwan, Hong Kong, the United States and Singapore.

Secretary

Fu, Yat Hung David, aged 46, has been Company Secretary since January 2006. He joined the Swire group in 1988.

Notes:
* These Directors and Executive Officers are also Directors of John Swire & Sons (H.K.) Limited.
+ These Directors are members of the Audit Committee.
# These Directors are members of the Remuneration Committee.

All the Executive Directors and Executive Officers, Baroness Dunn, J W J Hughes-Hallett and M B Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31st December 2009, which are set out on pages 103 to 174.

Principal Activities

The principal activity of Swire Pacific Limited (the "Company") is that of a holding company, and the principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 164 to 174. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 7 to the accounts.

Dividends

The Directors recommend the payment of final dividends for 2009 of HK¢220.0 per 'A' share and HK¢44.0 per 'B' share which, together with the interim dividends paid on 5th October 2009 of HK¢60.0 per 'A' share and HK¢12.0 per 'B' share, make total dividends for the year of HK¢280.0 per 'A' share and HK¢56.0 per 'B' share: an increase of 17.6% from those for 2008. This represents a total distribution for the year of HK$4,213 million. Subject to the approval of the 2009 final dividends by the shareholders at the Annual General Meeting on 13th May 2010, it is expected that those dividends will be paid on 2nd June 2010 to shareholders registered on the record date, being 13th May 2010. The share registers will be closed from 10th May 2010 to 13th May 2010, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for entitlement to the final dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 7th May 2010.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 36 to the accounts.

Share Capital

During the year under review and up to the date of this report, the Company did not purchase, sell or redeem any of its shares and the Group has not adopted any share option scheme.

Accounting Policies

The principal accounting policies of the Group are set out on pages 155 to 163.

Auditors

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Financial Review

A review of the consolidated results, financial position and cash flows is shown on pages 56 to 63. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown on pages 4 and 5.

Corporate Governance

The Company has complied throughout the year with all the code provisions and most of the recommended best practices in the Code on Corporate Governance Practices as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with the exceptions of Section C.1.4, the production of quarterly statements, and Section A.4.4, the establishment of a nomination committee. Details of the Company's corporate governance practices are set out on pages 73 to 84.

Donations

During the year, the Group made donations for charitable purposes of HK$30 million and donations towards various scholarships of HK$1 million.

Fixed Assets

For details of movements in fixed assets refer to notes 14 and 15 to the accounts.

The annual valuation of the Group's investment property portfolio, whether complete or in the course of development, was carried out by professionally qualified valuers (98% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value at 31st December 2009. This valuation resulted in an increase of HK$14,406 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its jointly controlled and associated companies is given on pages 179 to 189.

Borrowings

For details of the Group's borrowings refer to pages 64 to 72.

Interest

Refer to page 68 for details of the amount of interest capitalised by the Group.

Major Customers and Suppliers

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

Directors

The Directors of the Company as at the date of this report are listed on pages 89 and 90. With the exception of P A Kilgour, who was appointed as an Executive Director on 1st April 2009, all the Directors at the date of this report served throughout the calendar year 2009. K G Kerr served as an Executive Director until his retirement on 14th May 2009.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors listed on page 90 confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent. The confirmation from T G Freshwater refers to his directorship of Goldman Sachs (Asia) L.L.C. and the confirmations from M Leung and M M T Yang refer to their directorships of The Hongkong and Shanghai Banking Corporation Limited. These directorships are mentioned under "Directors and Officers – Independent Non-Executive Directors" on page 90.

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third Annual General Meeting following their election by ordinary resolution. In accordance therewith, P A Johansen and J R Slosar will retire this year and being eligible, will offer themselves for re-election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Fees and Emoluments

Full details of Directors' fees and emoluments are set out in note 8 to the accounts.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$4,050,000. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2009, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Swire Pacific Limited						
'A' shares						
P N L Chen	–	2,000	–	2,000	0.0002	
P A Johansen	31,500	–	–	31,500	0.0035	
C D Pratt	41,000	–	–	41,000	0.0045	
M B Swire	58,791	–	1,256,539	1,315,330	0.1452	
M C C Sze	6,000	–	–	6,000	0.0007	
'B' shares						
P N L Chen	65,000	10,142	–	75,142	0.0025	
D Ho	100,000	–	–	100,000	0.0033	
P A Johansen	200,000	–	–	200,000	0.0067	
C Lee	750,000	–	21,605,000	22,355,000	0.7464	1
C D Pratt	100,000	–	–	100,000	0.0033	
M B Swire	2,241,483	–	4,044,427	6,285,910	0.2099	2

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Capacity: Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	
M B Swire	2,759,273	–	18,421,869	21,181,142	21.18	2
8% Cum. Preference Shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	
M B Swire	837,101	–	5,415,441	6,252,542	20.84	2

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Total no. of shares	Percentage of issued capital (%)
Cathay Pacific Airways Limited				
Ordinary Shares				
P N L Chen	9,000	–	9,000	0.00023
A N Tyler	5,000	–	5,000	0.00013

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Total no. of shares	Percentage of issued capital (%)
Hong Kong Aircraft Engineering Company Limited				
Ordinary Shares				
T G Freshwater	10,000	1,200	11,200	0.0067
M C C Sze	12,800	–	12,800	0.0077

Notes:
1. All the Swire Pacific Limited 'B' shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
2. M B Swire is a trustee of trusts which hold 9,965,029 ordinary shares and 2,881,716 preference shares in John Swire & Sons Limited and 1,256,539 'A' shares and 3,143,695 'B' shares in Swire Pacific Limited included under "Trust interest" and does not have any beneficial interest in those shares.

Other than as stated above, no Director or chief executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

At no time during the year did any Director, other than as stated in this report, have a beneficial interest, whether directly or indirectly, in a contract to which the Company or any of its associated corporations was a party, being a contract which was of significance and in which the Director's interest was material.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Competing Businesses

None of the Directors or their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Substantial Shareholders' and Other Interests

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st December 2009, the Company had been notified of the following interests and short position in the Company's shares:

Long position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Substantial shareholders					
John Swire & Sons Limited	179,041,158	19.77	2,038,165,765	68.05	1
Commonwealth Bank of Australia	72,548,000	8.01	–	–	2
J.P. Morgan Chase & Company	63,343,562	6.99	–	–	3
The Northern Trust company (ALA)	54,506,860	6.02	–	–	4
Aberdeen Asset Management plc	61,717,564	6.82	391,066,362	13.06	5

Short position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
J.P. Morgan Chase & Company	150,610	0.02	–	–	6

Notes:
1. John Swire & Sons Limited is deemed to be interested in a total of 179,041,158 'A' shares and 2,038,165,765 'B' shares of the Company as at 31st December 2009, comprising:
   (a) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (b) 39,580,356 'A' shares and 1,482,779,167 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (c) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 121,438,500 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 5,390,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited and 99,221,635 'B' shares held by Tai-Koo Limited.
2. The interest in these shares was attributable to wholly-owned controlled corporations of Commonwealth Bank of Australia.
3. The shares held by J.P. Morgan Chase & Company are held in the following capacities:

Capacity	No. of shares
Beneficial owner	628,578
Investment manager	11,612,020
Custodian Corporation/Lending agent	51,102,964

4. This notification was filed as a notice under Section 5(4) of the Securities and Futures (Disclosure of Interests – Securities Borrowing and Lending) Rules. Details of the capacities in which the shares are held were not given.
5. The interests in these shares were reported by Aberdeen Asset Management plc under Section 329 of the SFO. Details of the capacities in which the shares are held were not given.
6. This short position is held in the capacity as beneficial owner, and includes holdings in the following categories of derivatives:

Categories of derivatives	No. of shares
Physically settled unlisted derivatives	42,610

At 31st December 2009, the Swire group owned interests in shares of the Company representing 38.99% of the issued capital and 56.84% of the voting rights.

Public Float

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's issued share capital was held by the public at all times during the period under review.

Agreements for Services

There are agreements for services ("Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and some of its subsidiary and associated companies advice and expertise of the directors and senior officers of the Swire group, full or part time services of members of the staff of the Swire group, other administrative and similar services and such other services as may have been agreed from time to time, and procured for the Company and its subsidiary, jointly controlled and associated companies the use of relevant trademarks owned by Swire.

In return for these services, JSSHK received annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associated and jointly controlled companies of the Company, where there were no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and minority interests after certain adjustments. The fees for each year were payable in cash in arrears in two instalments; an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimbursed the Swire group at cost for all expenses incurred in the provision of the services.

The Agreements took effect from 1st January 2005 and were renewed on 1st October 2007 for a term of three years from 1st January 2008 to 31st December 2010. They are renewable for successive periods of three years thereafter unless either party to them gives to the other notice of termination of not less than three months expiring on any 31st December.

Under the Agreement between JSSHK and the Company, JSSHK is obliged to procure for the Company and its subsidiary, jointly controlled and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use.

The Swire group owned approximately 38.99% of the issued capital of the Company and approximately 56.84% of voting rights attached to such issued share capital as at 31st December 2009. JSSHK, as a wholly-owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the Agreements are continuing connected transactions in respect of which announcements dated 1st December 2004 and 1st October 2007 were published.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2009 are given in note 41 to the accounts.

As directors and employees of the Swire group, P N L Chen, M Cubbon, D Ho, J W J Hughes-Hallett, P A Kilgour, C D Pratt, J R Slosar and A N Tyler are interested in the Agreements. Baroness Dunn and M B Swire are interested as shareholders, directors and employees of Swire.

The Independent Non-Executive Directors of the Company, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group in the ordinary and usual course of business, on normal commercial terms, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed these transactions and confirmed to the Board that these transactions have been approved by the Board of the Company and have been entered into in accordance with the relevant agreements governing the transactions; and that they have not exceeded the relevant annual caps disclosed in previous announcements.

Connected Transactions

The Company's wholly-owned subsidiary Redhill Properties Limited entered into a sale and purchase agreement with Fine Bloom Limited on 26th June 2009 for the sale of the house located at 36A Island Road, Hong Kong to Fine Bloom Limited for an aggregate cash consideration of HK$117.5 million. As Fine Bloom Limited was wholly-owned by K G Kerr, a former Director of the Company, the transaction under the sale and purchase agreement constituted a connected transaction for the Company, in respect of which an announcement dated 26th June 2009 was published.

The Company entered into a share purchase agreement with CITIC Pacific Limited on 17th August 2009 for the purchase of 78,676,891 ordinary shares of HK$0.20 each of Cathay Pacific Airways Limited ("Cathay Pacific") for an aggregate cash consideration of approximately HK$1,013 million. CITIC Pacific Limited is a substantial shareholder of the Company's subsidiary Swire Aviation Limited and therefore a connected person of the Company. The transaction under the share purchase agreement constituted a connected transaction in respect of which an announcement dated 17th August 2009 was published. The purchase was completed on 28th September 2009 and the Company's interest in Cathay Pacific increased by 2% from approximately 39.97% to approximately 41.97%.

Other Transaction

The Company entered into a sale and purchase agreement with Cathay Pacific on 16th September 2009 for the purchase of 20,700,958 ordinary shares of HK$1 each in Hong Kong Aircraft Engineering Company Limited ("HAECO") for an aggregate cash consideration of approximately HK$1,901 million. The purchase was completed on 22nd October 2009 and the Company's direct interest in HAECO increased by 12.45% from approximately 33.52% to approximately 45.96%.

On behalf of the Board

Christopher Pratt
Chairman
Hong Kong, 11th March 2010

Sustainable Development

The Group's shareholder value depends on the sustainable development of its businesses and the communities in which they operate. The Group's Sustainable Development policy recognises this and commits the Group to manage the environmental, health & safety, employment, supply chain and community issues which its operations affect. The policy also commits the Group to work with others to promote sustainable development in the industries in which it operates.

Given the diversity of the Group, the policy is implemented by individual operating entities, with committees at Group level sharing best practice and providing co-ordination. These committees are overseen by the Group Risk Management Committee, the role of which is explained on pages 85 and 86.

Each operating entity determines its sustainable development issues through its assessment of enterprise risks and by stakeholder engagement.

The Group's policy and the actions taken by the Group are reported on www.swirepacific.com/sd. This website will be updated in May 2010 so as to include the Group's 2009 Sustainable Development report and links to sustainable development reports made by its major operating entities. The principal areas to be covered by the 2009 Sustainable Development report are set out below:

Environment

The need to reduce greenhouse gas emissions as part of avoiding adverse climate change is the key long-term environmental issue for most of the Group's companies. Swire Pacific, Cathay Pacific and HAECO respond publicly to the Carbon Disclosure Project questionnaire (www.cdproject.net) each year and significant non-listed Group entities complete the questionnaire as an internal exercise. Swire Pacific is a member of The Climate Group (www.theclimategroup.com) and the Climate Change Business Forum (www.climatechangebusinessforum.com). Actions taken on climate change issues in 2009 include the following:

- Swire Pacific and Cathay Pacific joined over 950 global companies in signing the Copenhagen Communiqué on Climate Change, supporting an ambitious, robust and equitable global deal on climate change that responds credibly to the scale and urgency of the crises facing the world. We were disappointed at the limited progress made at the Copenhagen climate change conference.

- Group companies have taken action to reduce their carbon emissions per unit of activity. This includes adopting intensity metrics, setting reduction targets and implementing programmes for achieving them. Group companies are also required to estimate recurrent carbon emissions associated with major investments as part of the investment approval process.

- Swire Properties continues to enhance the energy efficiency of its buildings. Its Building Energy Efficiency programme (undertaken with Tsinghua University, Beijing) is now in its second year and, following the achievement of energy savings at the Hong Kong Festival Walk retail and office complex in 2008, was extended to cover most of the Group's buildings at TaiKoo Place, Hong Kong.

- Cathay Pacific joined other airlines in supporting IATA's four pillar strategy on greenhouse gas emissions from aviation. This strategy includes advocating a global agreement under which all airlines pay for their emissions, with a significant portion of the funds raised being spent on the reduction of greenhouse gas emissions in developing countries. In this way, airlines can make a significant contribution towards reducing greenhouse gas emissions in a manner which avoids competitive distortion and is consistent with the UN principle of common but differentiated responsibility.

- Swire Beverages improved its energy consumption per litre of beverages produced by a further 12%, bringing its cumulative saving since 2004 to over 34%.

Other actions taken in connection with environmental protection include the following:

- Swire Beverages reduced its water usage and landfill waste per litre of beverages produced by 3% and 17% respectively, thus saving 163 million litres of water and reducing waste sent to landfills by 940,000 kg per annum.

- Most of Swire Properties' buildings have received ratings under the Hong Kong Building Environmental Assessment Method ("BEAM") and the Mainland China Leadership in Energy and Environmental Design ("LEED") building rating schemes. One Island East has received a BEAM Platinum rating and Office Tower One at TaiKoo Hui has recently been pre-certified as meeting LEED Gold Certification standards.

Health & Safety

All of the Group's operations are conducted, as far as is reasonably practicable, in a manner which safeguards the health and safety of all stakeholders: employees, customers, visitors, contractors and the wider community. The health and safety of the Group's employees are of critical importance. Occupational health and safety programmes supported by seminars and training are implemented by Group companies with a view to minimising hazards in the workplace and preventing accidents, injuries and occupational disease. Unfortunately, not all such incidents can be avoided and regrettably the Group, including its jointly controlled and associated companies, suffered four work-related fatalities within its workforce during 2009.

All fatalities and other serious incidents are taken very seriously and thorough post accident investigations were conducted with a view to minimising the risk of recurrence.

Employees

Swire Pacific is an equal opportunities employer, offering its staff competitive remuneration and benefit packages. It provides training and development programmes designed to help staff realise their full potential and consults them with a view to confirming they are committed to and share the values of the Company. It strives to provide an environment that promotes diversity and respect, safeguards health and safety and encourages an appropriate work-life balance.

The Group's medical benefit schemes cover the health needs of its staff and their family members. Employee assistance programmes assist staff in relation to work and personal problems.

Swire Pacific's Human Resources Committee oversees the coordination of human resources policies and initiatives in Group companies with a view to ensuring that the Group continues to lead in being an employer of choice.

Business Partners

The Group's Supply Chain Sustainability Working Group facilitates its procurement professionals sharing best practice on working with suppliers on sustainability issues. Progress was made during the year in requiring more suppliers to meet codes of conduct covering social and environmental issues.

The Group shares best practice on managing environmental and community impacts with a number of global corporations with whom it has long-term commercial relationships.

Communities

Swire Pacific is committed to enhancing the capabilities of the communities of which it is a part and to respecting their culture and heritage. This is demonstrated by the way it conducts its businesses, through financial and material contributions and through staff volunteer programmes. Through the Swire Group Charitable Trust, to which it is the major contributor, the Group supports programmes in the following areas:

- Education — providing young people with the skills to build a better future supports the long-term development of a community. Each year, the Group provides such support through scholarships for primary, secondary and tertiary education in Hong Kong and overseas. Group staff also contribute through work on school boards and community programmes.

ArtisTree, a multi-purpose venue at Island East, is dedicated to making major art forms more accessible to audiences.

- Arts and culture in Hong Kong — the Group aspires to promote creativity and to enrich culturally the community which has helped it to grow and prosper. The Group is the principal patron of the Hong Kong Philharmonic Orchestra. The Group also sponsors Shakespeare4All and brought a number of world-class arts events to Hong Kong in 2009.

- Environment — the Group is committed to supporting wider community initiatives that aim to improve the environment. Programmes in 2009 included:

  – Commissioning WWF Hong Kong to develop the Sustainable lifestyle Target Education Programme ("STEP") to teach primary school children in Hong Kong about climate change through fun and games.

  – Funding student and staff participation in the Guangzhou to Xiamen section of the Green Long March, an annual event aimed at raising awareness among university students and the wider public of China's environmental challenges and promoting sustainable solutions.

Financial Contents

Auditor's Report and Accounts

Supplementary Information

Independent Auditor's Report

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

We have audited the accounts of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 103 to 174, which comprise the consolidated and Company statements of financial position as at 31st December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Accounts

The Directors of the Company are responsible for the preparation and the true and fair presentation of these accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 11th March 2010

Consolidated Income Statement

For the year ended 31st December 2009

	Note	2009 HK$M	2008 HK$M (Restated)
Turnover	4	**24,909**	24,670
Cost of sales		**(12,437)**	(12,627)
Gross profit		**12,472**	12,043
Distribution costs		**(2,969)**	(3,016)
Administrative expenses		**(1,850)**	(1,677)
Other operating expenses		**(320)**	(373)
Profit on sale of interests in jointly controlled companies		**–**	1,721
Other net gains	5	**261**	278
Change in fair value of investment properties		**14,406**	177
Impairment losses on hotel properties		**(267)**	–
Operating profit		**21,733**	9,153
Finance charges		**(1,136)**	(1,085)
Finance income		**196**	173
Net finance charges	9	**(940)**	(912)
Share of profits less losses of jointly controlled companies		**624**	638
Share of profits less losses of associated companies		**2,154**	(2,606)
Profit before taxation		**23,571**	6,273
Taxation	10	**(3,407)**	(47)
Profit for the year		**20,164**	6,226
Profit for the year attributable to:			
The Company's shareholders	36	**19,917**	5,853
Minority interests	37	**247**	373
		20,164	6,226
Dividends			
Interim – paid		**903**	1,364
Final – proposed/paid		**3,310**	2,227
	12	**4,213**	3,591
		HK$	HK$
Earnings per share for profit attributable to the Company's shareholders			
(basic and diluted)	13		
'A' shares		**13.24**	3.87
'B' shares		**2.65**	0.77

The notes on pages 109 to 154 and the principal accounting policies on pages 155 to 163 form part of these accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2009

	2009 HK$M	2008 HK$M (Restated)
Profit for the year	**20,164**	6,226
Other comprehensive income		
Cash flow hedges		
– recognised during the year	**365**	(113)
– deferred tax	**(68)**	22
– transferred to net finance charges	**20**	(32)
– transferred to operating profit – exchange differences	**(8)**	29
– transferred to initial cost of non-financial assets	**75**	(74)
Net fair value gains/(losses) on available-for-sale assets		
– recognised during the year	**144**	(130)
– transferred to operating profit	**(39)**	–
Share of other comprehensive income of jointly controlled and associated companies	**424**	(349)
Net translation differences on foreign operations	**78**	174
Other comprehensive income/(loss) for the year, net of tax	**991**	(473)
Total comprehensive income for the year	**21,155**	5,753
Total comprehensive income attributable to:		
The Company's shareholders	**20,892**	5,360
Minority interests	**263**	393
	21,155	5,753

Note:
Other than cash flow hedges as highlighted above, items shown within other comprehensive income have no tax effect.

The notes on pages 109 to 154 and the principal accounting policies on pages 155 to 163 form part of these accounts.

Consolidated Statement of Financial Position

At 31st December 2009

	Note	**2009 HK$M**	2008 HK$M (Restated)	2007 HK$M (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	**14,549**	17,010	16,762
Investment properties	15	**154,493**	134,625	128,109
Leasehold land and land use rights	16	**2,234**	2,586	2,349
Intangible assets	17	**871**	867	860
Properties held for development	18	**441**	471	–
Jointly controlled companies	20	**9,048**	8,505	5,761
Associated companies	21	**23,454**	18,442	22,633
Available-for-sale assets	23	**392**	300	365
Long-term receivables		**9**	8	7
Long-term security deposits		**211**	380	553
Derivative financial instruments	24	**450**	103	37
Deferred expenditure		**–**	–	38
Deferred tax assets	33	**270**	295	148
Retirement benefit assets	34	**210**	197	181
		206,632	183,789	177,803
Current assets				
Properties for sale	25	**3,272**	1,842	2,413
Stocks and work in progress	26	**1,428**	1,733	1,575
Trade and other receivables	27	**3,820**	3,767	3,053
Available-for-sale assets	23	**–**	1,888	–
Derivative financial instruments	24	**14**	3	15
Cash and cash equivalents	28	**2,322**	4,146	3,684
Short-term deposits	28	**242**	262	297
		11,098	13,641	11,037
Current liabilities				
Trade and other payables	29	**8,865**	7,717	7,423
Provisions	30	**7**	8	8
Taxation payable		**292**	345	278
Derivative financial instruments	24	**20**	36	–
Bank overdrafts and short-term loans	32	**1,083**	2,083	4,078
Long-term loans and bonds due within one year	32	**1,469**	1,668	170
		11,736	11,857	11,957
Net current (liabilities)/assets		**(638)**	1,784	(920)
Total assets less current liabilities		**205,994**	185,573	176,883
Non-current liabilities				
Perpetual capital securities	31	**2,326**	2,325	2,340
Long-term loans and bonds	32	**29,624**	29,196	20,486
Derivative financial instruments	24	**166**	274	45
Deferred tax liabilities	33	**20,303**	17,382	17,748
Retirement benefit liabilities	34	**226**	208	177
		52,645	49,385	40,796
NET ASSETS		**153,349**	136,188	136,087
EQUITY				
Share capital	35	**903**	903	910
Reserves	36	**151,600**	133,838	134,016
Equity attributable to the Company's shareholders		**152,503**	134,741	134,926
Minority interests	37	**846**	1,447	1,161
TOTAL EQUITY		**153,349**	136,188	136,087

Christopher D Pratt
Peter A Kilgour
Clement K M Kwok
Directors
Hong Kong, 11th March 2010

The notes on pages 109 to 154 and the principal accounting policies on pages 155 to 163 form part of these accounts.

Company Statement of Financial Position

At 31st December 2009

	Note	2009 HK$M	2008 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**2**	4
Investment properties	15	**1,195**	1,195
Subsidiary companies	19	**12,456**	11,632
Jointly controlled companies	20	**127**	127
Associated companies	21	**4,995**	2,045
Available-for-sale assets	23	**100**	61
Long-term receivables		**1**	1
Retirement benefit assets	34	**107**	109
		18,983	15,174
Current assets			
Trade and other receivables	27	**1,753**	224
Cash and cash equivalents	28	**256**	2,069
		2,009	2,293
Current liabilities			
Trade and other payables	29	**5,515**	2,888
Taxation payable		**9**	–
		5,524	2,888
Net current liabilities		**(3,515)**	(595)
Total assets less current liabilities		**15,468**	14,579
Non-current liabilities			
Deferred tax liabilities	33	**25**	34
NET ASSETS		**15,443**	14,545
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	35	**903**	903
Reserves	36	**14,540**	13,642
TOTAL EQUITY		**15,443**	14,545

Christopher D Pratt
Peter A Kilgour
Clement K M Kwok
Directors
Hong Kong, 11th March 2010

The notes on pages 109 to 154 and the principal accounting policies on pages 155 to 163 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31st December 2009

	Note	2009 HK$M	2008 HK$M
Operating activities			
Cash generated from operations	42(a)	**8,740**	7,580
Interest paid		**(1,449)**	(1,389)
Interest received		**89**	177
Profits tax paid		**(580)**	(468)
		6,800	5,900
Dividends received from jointly controlled and associated companies and available-for-sale assets		**890**	1,812
Net cash from operating activities		**7,690**	7,712
Investing activities			
Purchase of property, plant and equipment	42(b)	**(2,228)**	(3,686)
Additions of investment properties		**(2,300)**	(3,680)
Purchase of intangible assets		**(19)**	(14)
Proceeds from disposals of property, plant and equipment		**131**	140
Proceeds from disposals of investment properties		**80**	–
Purchase of shares in existing subsidiary companies		**–**	(27)
Purchase of shares in a new subsidiary company		**14**	–
Proceeds from disposals of interests in subsidiary companies		**–**	239
Purchase of shares in jointly controlled companies		**(282)**	–
Purchase of shares in associated companies		**(3,065)**	(543)
Loans to jointly controlled companies		**(741)**	(2,988)
Repayment of loan from a jointly controlled company		**(3,500)**	–
Loans to associated companies		**(33)**	(3)
Purchase of available-for-sale assets		**–**	(65)
Sale of shares in jointly controlled companies		**–**	24
Repayment of loans by jointly controlled companies		**4,184**	535
Repayment of loans by associated companies		**200**	130
Proceeds from disposals of available-for-sale assets		**1,948**	–
Initial leasing costs incurred		**(26)**	(77)
Net cash used in investing activities		**(5,637)**	(10,015)
Net cash inflow/(outflow) before financing		**2,053**	(2,303)
Financing activities			
Loans drawn and refinancing		**8,263**	12,161
Repayment of loans and bonds		**(9,077)**	(3,914)
	42(c)	**(814)**	8,247
Security deposits uplifted		**169**	170
Capital contribution from minority interests	37	**12**	10
Repurchase of the Company's shares	36	**–**	(649)
Dividends paid to the Company's shareholders	36	**(3,130)**	(4,896)
Dividends paid to minority interests	42(c)	**(123)**	(84)
Net cash (used in)/generated from financing activities		**(3,886)**	2,798
(Decrease)/increase in cash and cash equivalents		**(1,833)**	495
Cash and cash equivalents at 1st January		**4,146**	3,648
Currency adjustment		**9**	3
Cash and cash equivalents at 31st December		**2,322**	4,146
Represented by:			
Bank balances and short-term deposits maturing within three months	28	**2,322**	4,146

The notes on pages 109 to 154 and the principal accounting policies on pages 155 to 163 form part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2009

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Minority interests HK$M	Total equity HK$M
At 1st January 2009							
– as originally stated		**903**	**133,079**	**1,405**	**135,387**	**1,447**	**136,834**
– adjustment on adoption of HK(IFRIC)-Int 13		**–**	**(646)**	**–**	**(646)**	**–**	**(646)**
– as restated		**903**	**132,433**	**1,405**	**134,741**	**1,447**	**136,188**
Profit for the year		**–**	**19,917**	**–**	**19,917**	**247**	**20,164**
Other comprehensive income		**–**	**42**	**933**	**975**	**16**	**991**
Total comprehensive income for the year	36, 37	**–**	**19,959**	**933**	**20,892**	**263**	**21,155**
Dividend paid		**–**	**(3,130)**	**–**	**(3,130)**	**(123)**	**(3,253)**
Recognition of put option over minority interest in existing subsidiary company		**–**	**–**	**–**	**–**	**(751)**	**(751)**
Other changes in composition of Group		**–**	**–**	**–**	**–**	**10**	**10**
At 31st December 2009		**903**	**149,262**	**2,338**	**152,503**	**846**	**153,349**

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Minority interests HK$M	Total equity HK$M
At 1st January 2008							
– as originally stated		910	132,873	1,734	135,517	1,161	136,678
– adjustment on adoption of HK(IFRIC)-Int 13		–	(591)	–	(591)	–	(591)
– as restated		910	132,282	1,734	134,926	1,161	136,087
Profit for the year		–	5,853	–	5,853	373	6,226
Other comprehensive income		–	(157)	(336)	(493)	20	(473)
Total comprehensive income for the year	36, 37	–	5,696	(336)	5,360	393	5,753
Repurchase of the Company's shares							
– nominal value of shares repurchased and cancelled		(7)	(7)	7	(7)	–	(7)
– premium paid on repurchases		–	(642)	–	(642)	–	(642)
Dividend paid		–	(4,896)	–	(4,896)	(84)	(4,980)
Change in composition of Group		–	–	–	–	(23)	(23)
At 31st December 2008		903	132,433	1,405	134,741	1,447	136,188

The notes on pages 109 to 154 and the principal accounting policies on pages 155 to 163 form part of these accounts.

Notes to the Accounts

1. Changes in Accounting Standards

(a) The Group has adopted the following relevant new and revised Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations effective from 1st January 2009:

HKFRSs (Amendments)	Improvements to HKFRSs*
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Revised)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

* Except for the amendments to HKFRS 5 which will be applied from 1st January 2010.

The Improvements to HKFRSs include amendments to existing standards which consist of editorial changes only, as well as amendments that result in accounting changes. The main impact on the Group of the Improvements to HKFRSs is the amendment to HKAS 40 Investment Property/HKAS 16 Property, Plant and Equipment, which permits investment property under development to be held at fair value rather than at cost. As a result of the amendment to HKAS 40/HKAS 16, the Group has recognised a fair value gain of HK$2,654 million (net of deferred tax) in the consolidated income statement for the year ended 31st December 2009 in respect of investment property previously accounted for as property, plant and equipment. The amendment has also resulted in an increase in the share of losses in jointly controlled companies for the year ended 31st December 2009 of HK$56 million.

The revised HKAS 1 has introduced a number of changes to the presentation of the accounts, including a requirement for those fair value gains and losses previously presented in the consolidated statement of changes in equity to be presented in a new consolidated statement of comprehensive income. It also requires the presentation of a statement of financial position as at the beginning of the earliest comparative period where an accounting policy has been applied retrospectively or where there has been a restatement.

The revised HKAS 23 requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of that asset. This has had no impact on the accounts.

The adoption of HKFRS 8 has resulted in a number of changes to the presentation of segmental information in the accounts, including disclosure of total assets, total liabilities and additions to non-current assets by reportable segment.

The revised HKFRS 7 requires additional disclosure in respect of the Group's financial instruments, including disclosure of financial assets according to a fair value measurement hierarchy.

HK(IFRIC)-Int 13 clarifies that, where goods or services are sold together with a customer loyalty incentive, a portion of the consideration received from the customer should be deferred until the customer loyalty incentive is redeemed. The adoption of HK(IFRIC)-Int 13 has affected the share of profit from the Cathay Pacific group as the Cathay Pacific group has applied the new interpretation to its accounting for airline loyalty schemes. The adoption of HK(IFRIC)-Int 13 has resulted in a reduction in the Group's opening retained earnings at 1st January 2009 of HK$646 million and an increase in the Group's profit for the year ended 31st December 2009 of HK$31 million. As the adoption of HK(IFRIC)-Int 13 applies retrospectively, it has also resulted in an increase in the Group's share of loss from the Cathay Pacific group for the year ended 31st December 2008 of HK$55 million. The consolidated income statement for the year ended 31st December 2008 has been restated accordingly. The consolidated statements of financial position as at 31st December 2008 and 31st December 2007 have also been restated. The change has affected only the following notes to the accounts: note 7(a) (segmental information in respect of the total assets of the Group) and note 21 (associated companies).

The adoption of the other revisions, amendments and interpretations has had no effect on the Group's accounts.

1. Changes in Accounting Standards (continued)

(b) The following new HKFRS amendments are effective but not relevant to the Group's operations:

HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendments)	Shared-based Payment – Vesting Conditions and Cancellations

(c) The Group has not adopted early the following relevant new and revised standards, interpretations and amendments that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 9	Financial Instruments[4]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

[1] To be applied by the Group from 1st January 2010 except for certain amendments to HKAS 39 which have been applied in the year.
[2] To be applied by the Group from 1st January 2010.
[3] To be applied by the Group from 1st January 2011.
[4] To be applied by the Group from 1st January 2013.

The Improvements to HKFRSs 2009 consist of further amendments to existing standards, including amendments to HKAS 17 Leases and HKAS 38 Intangible Assets. The amendment to HKAS 17 requires the land element of long-term leases to be classified as a finance lease rather than an operating lease. The amendment to HKAS 38 provides guidance on the measurement of intangible assets acquired in a business combination. It is not expected that these amendments will have a significant effect on the Group's results or net assets.

The revised HKAS 27 will affect the accounting for future transactions with non-controlling interests. It requires changes in a parent company's interest in subsidiaries that do not result in changes of control to be accounted for within equity, with no gain or loss recognised and no remeasurement of goodwill. A gain or loss on disposal will be recognised in the income statement only if the disposal results in a loss of control.

The amendment to HKAS 39 provides additional guidance on when a financial item can be designated as a hedged item and on assessing hedge effectiveness. It is not expected that this amendment will have a significant effect on the Group's results or net assets.

The revised HKFRS 3 introduces a number of changes to the accounting for business combinations, including the requirement that where a business combination is achieved in stages, the existing interest in the acquiree should be re-measured at fair value at each acquisition date and any resulting gain or loss recognised in the income statement.

HKFRS 9 is the first part of a three-part project to replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in HKAS 39. The approach in HKFRS 9 is based on how a company manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in HKAS 39. It is not expected that the new standard will have a significant effect on the Group's results or net assets.

1. Changes in Accounting Standards (continued)

(c) (continued)

The amendment to HK(IFRIC)-Int 14 permits companies which make an early payment of contributions to cover minimum funding requirements to treat that payment as an asset. It is not expected that this amendment will have a significant effect on the Group's results or net assets.

HK(IFRIC)-Int 17 requires a dividend payable to be recognised when it has been appropriately authorised and to be measured at fair value. It is not expected that this interpretation will have a significant effect on the accounts.

HK(IFRIC)-Int 18 provides guidance on accounting for items of property, plant and equipment transferred from customers. Where the items meet the definition of an asset, the entity should recognise revenue on the transfer. It is not expected that this amendment will have a significant effect on the Group's results or net assets.

(d) The following new HKFRS interpretation has been issued which is not yet effective and not relevant to the Group's operations:

HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 86 to 88.

Interest Rate Exposure

The impact on the Group's income statement and equity of a 100 basis-points increase or decrease in market interest rates from the rates applicable at 31st December, with all other variables held constant, would have been:

	100 basis-points increase in interest rates HK$M	**100 basis-points decrease in interest rates HK$M**
At 31st December 2009		
Impact on income statement: (loss)/gain	**(84)**	**84**
Impact on equity: gain/(loss)	**108**	**(99)**
At 31st December 2008		
Impact on income statement: (loss)/gain	(110)	110
Impact on equity: gain/(loss)	166	(170)

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments
- Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
- Changes in market interest rates affect the fair value of derivative financial instruments
- All other financial assets and liabilities are held constant

2. Financial Risk Management (continued)

Currency Exposure

The impact on the Group's income statement and equity of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.76 (2008: 7.75), with all other variables held constant, would have been:

	Strengthening in HK$ to lower peg limit (7.75) HK$M	Weakening in HK$ to upper peg limit (7.85) HK$M
At 31st December 2009		
Impact on income statement: gain/(loss)	**10**	**(10)**
Impact on equity: (loss)/gain	**(8)**	**38**
At 31st December 2008		
Impact on income statement: gain	–	3
Impact on equity: gain	–	23

This analysis is based on a hypothetical situation, as in practice market exchange rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- All foreign currency cash flow hedges are expected to be highly effective
- Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the Company and its subsidiary companies

Liquidity Risk

The tables below analyse the contractual undiscounted cash flows of the Group's and the Company's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group and the Company can be required to pay:

Group

At 31st December 2009

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	29	**1,491**	**1,491**	**1,491**	**–**	**–**	**–**
Amounts due to immediate holding company	29	**119**	**119**	**119**	**–**	**–**	**–**
Amounts due to jointly controlled companies	29	**69**	**69**	**69**	**–**	**–**	**–**
Amounts due to associated companies	29	**43**	**43**	**43**	**–**	**–**	**–**
Interest-bearing advances from jointly controlled companies	29	**16**	**16**	**16**	**–**	**–**	**–**
Interest-bearing advances from associated companies	29	**149**	**149**	**149**	**–**	**–**	**–**
Advances from minority interests	29	**327**	**327**	**327**	**–**	**–**	**–**
Rental deposits from tenants	29	**1,654**	**1,724**	**465**	**407**	**686**	**166**
Put option over minority interest in existing subsidiary company	29	**690**	**690**	**690**	**–**	**–**	**–**
Other payables	29	**4,307**	**4,307**	**4,273**	**34**	**–**	**–**
Borrowings (including interest obligations)	32	**32,176**	**50,805**	**5,260**	**8,725**	**17,067**	**19,753**
Derivative financial instruments	24	**186**	**186**	**20**	**7**	**159**	**–**
Financial guarantee contracts		**–**	**54**	**54**	**–**	**–**	**–**
		41,227	**59,980**	**12,976**	**9,173**	**17,912**	**19,919**

2. Financial Risk Management (continued)

Group

At 31st December 2008

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	29	1,586	1,586	1,586	–	–	–
Amounts due to immediate holding company	29	210	210	210	–	–	–
Amounts due to jointly controlled companies	29	12	12	12	–	–	–
Amounts due to associated companies	29	46	46	46	–	–	–
Interest-bearing advances from jointly controlled companies	29	73	73	73	–	–	–
Interest-bearing advances from associated companies	29	151	151	151	–	–	–
Advances from minority interests	29	308	308	308	–	–	–
Rental deposits from tenants	29	1,547	1,643	324	383	719	217
Other payables	29	3,784	3,784	3,747	37	–	–
Borrowings (including interest obligations)	32	32,947	38,759	4,735	2,884	19,390	11,750
Derivative financial instruments	24	310	310	36	20	151	103
Financial guarantee contracts		–	44	44	–	–	–
		40,974	46,926	11,272	3,324	20,260	12,070

Company

At 31st December 2009

	Note	**Carrying amount HK$M**	**Total contractual undiscounted cash flow HK$M**	**Within 1 year or on demand HK$M**	**More than 1 year but less than 2 years HK$M**	**More than 2 years but less than 5 years HK$M**	**More than 5 years HK$M**
Amounts due to immediate holding company	29	**17**	**17**	**17**	**–**	**–**	**–**
Amounts due to subsidiary companies	29	**5,428**	**5,428**	**5,428**	**–**	**–**	**–**
Other payables	29	**70**	**70**	**70**	**–**	**–**	**–**
Financial guarantee contracts		**–**	**54**	**54**	**–**	**–**	**–**
		5,515	**5,569**	**5,569**	**–**	**–**	**–**

At 31st December 2008

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	29	33	33	33	–	–	–
Amounts due to subsidiary companies	29	2,766	2,766	2,766	–	–	–
Other payables	29	89	89	89	–	–	–
Financial guarantee contracts		–	44	44	–	–	–
		2,888	2,932	2,932	–	–	–

3. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, seldom be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Estimates of Fair Value of Investment Properties

DTZ Debenham Tie Leung ("DTZ"), an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio as at 31st December 2009. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion".

DTZ has derived the valuation of the Group's completed investment property portfolio by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions as available in the relevant property market. The assumptions are principally in respect of open market rents and yields.

DTZ has derived the valuation of the Group's investment properties under construction by making reference to recent comparable sales transactions as available in the relevant property market (on the assumption that the property had already been completed at the valuation date), and has also taken into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project. Where the valuation is prepared based on the assumption that the property's title certificate has been received but this is not the case, the Group has made an estimate of the future land cost and deducted this from the valuation.

Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment property portfolio is reasonable.

In accordance with an amendment to HKAS 40 and HKAS 16, the Group's investment properties under development have been held at fair value rather than at cost from 1st January 2009. Prior to the amendment to HKAS 40 and HKAS 16, land and buildings being developed for future use as investment properties were carried at cost less impairment rather than at fair value.

(b) Impairment of Assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets, including land and properties not held at fair value, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined using fair value less costs to sell or value-in-use calculations as appropriate. These calculations require the use of estimates. Refer to note 17 for details of goodwill impairment testing.

(c) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the year in which the outcomes become known.

4. Turnover

The Company is a limited liability company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 164 to 174.

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

	Group	
	2009 HK$M	2008 HK$M
Gross rental income from investment properties	**7,392**	6,791
Property trading	**643**	889
Hotels	**172**	156
Charter hire and related income	**3,892**	4,007
Rendering of services	**91**	83
Sales of goods	**12,719**	12,744
	24,909	24,670

5. Other Net Gains

Other net gains include the following:

	Group	
	2009 HK$M	2008 HK$M
Profit on sale of partial interests in subsidiary companies	**–**	49
Profit on sale of a subsidiary company	**–**	4
Profit on sale of available-for-sale assets	**46**	–
Profit on sale of investment properties	**21**	–
Profit on sale of property, plant and equipment	**106**	85
Loss on sale of leasehold land	**(5)**	–
Net foreign exchange (losses)/gains	**(35)**	24
Fair value gains/(losses) on derivative instruments		
– cross-currency swaps: transferred from cash flow hedge reserve	**8**	(29)

6. Expenses by Type

Expenses included in cost of sales, distribution costs, administrative and other operating expenses are analysed as follows:

		Group	
	Note	**2009 HK$M**	2008 HK$M
Direct operating expenses of investment properties that			
– generated rental income		**1,289**	1,141
– did not generate rental income		**81**	109
Cost of stocks sold		**8,313**	8,658
Write-down of properties held for development		**29**	77
Write-down of stocks and work in progress		**12**	51
Net impairment losses recognised on trade receivables		**7**	16
Depreciation of property, plant and equipment	14	**860**	764
Amortisation of			
– leasehold land and land use rights	16	**10**	7
– intangible assets	17	**15**	14
– initial leasing costs		**28**	26
Staff costs		**3,686**	3,523
Operating lease rentals			
– properties		**297**	292
– other equipment		**37**	51
Auditors' remuneration			
– audit services		**18**	15
– tax services		**11**	8
– other services		**5**	4

7. Segment Information

(a) Information about reportable segments

Analysis of Consolidated Income Statement

Year ended 31st December 2009

	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/ credit HK$M	Profit for the year HK$M	Profit attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	7,473	53	5,607	(1,185)	140	48	16	(520)	4,106	4,098	(112)
Change in fair value of investment properties	–	–	14,383	–	–	7	53	(2,754)	11,689	11,601	–
Property trading	643	–	70	(4)	1	(26)	–	(18)	23	23	–
Hotels	172	–	(474)	(26)	–	(30)	95	103	(332)	(332)	(36)
	8,288	**53**	**19,586**	**(1,215)**	**141**	**(1)**	**164**	**(3,189)**	**15,486**	**15,390**	**(148)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	1,349	–	1,349	1,349	–
HAECO group	–	–	–	–	–	–	314	–	314	314	–
Hactl	–	–	–	–	–	–	234	–	234	156	–
Others	–	–	–	–	–	2	–	–	2	2	–
	–	**–**	**–**	**–**	**–**	**2**	**1,897**	**–**	**1,899**	**1,821**	**–**
Beverages											
Hong Kong	1,904	–	215	(1)	1	–	–	(17)	198	179	(61)
Taiwan	1,489	–	64	(3)	–	1	–	(4)	58	46	(42)
USA	3,560	–	338	–	–	–	–	(91)	247	247	(138)
Mainland China	1,446	–	(5)	(37)	6	326	54	(28)	316	274	(67)
Central costs	–	–	7	–	–	–	–	–	7	7	–
	8,399	**–**	**619**	**(41)**	**7**	**327**	**54**	**(140)**	**826**	**753**	**(308)**
Marine Services											
Swire Pacific Offshore group	3,892	–	1,594	–	2	3	–	(40)	1,559	1,559	(405)
HUD group	–	–	–	–	–	78	–	–	78	78	–
	3,892	**–**	**1,594**	**–**	**2**	**81**	**–**	**(40)**	**1,637**	**1,637**	**(405)**
Trading & Industrial											
Swire Resources group	1,835	–	74	–	1	2	39	(16)	100	100	(19)
Taikoo Motors group	2,158	–	53	(1)	1	–	–	(20)	33	33	(30)
Taikoo Sugar	322	79	10	–	–	–	–	(1)	9	9	(1)
Akzo Nobel Swire Paints	–	–	–	–	–	141	–	–	141	141	–
CROWN Beverage Cans group	–	–	–	–	–	72	–	–	72	72	–
Other activities	5	–	(11)	–	19	–	–	(13)	(5)	(5)	(1)
	4,320	**79**	**126**	**(1)**	**21**	**215**	**39**	**(50)**	**350**	**350**	**(51)**
Head Office											
Net income/(expenses)	10	158	(215)	(1,104)	1,250	–	–	17	(52)	(52)	(1)
Change in fair value of investment properties	–	–	23	–	–	–	–	(5)	18	18	–
	10	**158**	**(192)**	**(1,104)**	**1,250**	**–**	**–**	**12**	**(34)**	**(34)**	**(1)**
Inter-segment elimination	**–**	**(290)**	**–**	**1,225**	**(1,225)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**24,909**	**–**	**21,733**	**(1,136)**	**196**	**624**	**2,154**	**(3,407)**	**20,164**	**19,917**	**(913)**

Note:
Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.
Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Income Statement

Year ended 31st December 2008

	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/credit HK$M	Profit for the year HK$M	Profit attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	6,858	49	5,012	(1,149)	58	28	16	(483)	3,482	3,485	(89)
Change in fair value of investment properties	–	–	184	–	–	50	(16)	650	868	631	–
Property trading	889	–	198	(1)	5	(48)	–	(50)	104	104	–
Hotels	156	–	(86)	(11)	–	13	140	17	73	73	(25)
	7,903	**49**	**5,308**	**(1,161)**	**63**	**43**	**140**	**134**	**4,527**	**4,293**	**(114)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	(3,607)	–	(3,607)	(3,607)	–
HAECO group	–	–	–	–	–	–	505	–	505	505	–
Hactl	–	–	–	–	–	–	274	–	274	183	–
Others	–	–	–	–	–	(3)	–	–	(3)	(3)	–
	–	**–**	**–**	**–**	**–**	**(3)**	**(2,828)**	**–**	**(2,831)**	**(2,922)**	**–**
Beverages											
Hong Kong	1,799	–	183	(1)	–	–	–	(9)	173	157	(57)
Taiwan	1,358	–	31	(5)	–	1	–	(1)	26	21	(43)
USA	3,512	–	340	–	2	–	–	(86)	256	256	(144)
Mainland China	1,332	–	(26)	(36)	8	232	36	(18)	196	169	(63)
Central costs	–	–	(18)	–	–	–	–	–	(18)	(18)	–
	8,001	**–**	**510**	**(42)**	**10**	**233**	**36**	**(114)**	**633**	**585**	**(307)**
Marine Services											
Swire Pacific Offshore group	4,007	–	1,750	(3)	10	–	–	(66)	1,691	1,691	(347)
HUD group	–	–	–	–	–	76	–	–	76	76	–
	4,007	**–**	**1,750**	**(3)**	**10**	**76**	**–**	**(66)**	**1,767**	**1,767**	**(347)**
Trading & Industrial											
Swire Resources group	1,776	–	49	(1)	1	4	46	(12)	87	87	(16)
Taikoo Motors group	2,534	–	10	(13)	14	–	–	(7)	4	4	(25)
Taikoo Sugar	380	65	13	–	–	–	–	(2)	11	11	(1)
Akzo Nobel Swire Paints	–	–	–	–	–	132	–	–	132	132	–
CROWN Beverage Cans group	–	–	–	–	–	81	–	–	81	81	–
Swire SITA group	–	–	–	–	–	72	–	–	72	72	–
Other activities	56	2	(34)	–	3	–	–	–	(31)	(31)	(1)
Sale of interest in Swire SITA group	–	–	1,721	–	–	–	–	–	1,721	1,721	–
Change in fair value of investment properties	–	–	14	–	–	–	–	9	23	23	–
	4,746	**67**	**1,773**	**(14)**	**18**	**289**	**46**	**(12)**	**2,100**	**2,100**	**(43)**
Head Office											
Net income/(expenses)	13	149	(167)	(1,184)	1,391	–	–	16	56	56	–
Change in fair value of investment properties	–	–	(21)	–	–	–	–	(5)	(26)	(26)	–
	13	**149**	**(188)**	**(1,184)**	**1,391**	**–**	**–**	**11**	**30**	**30**	**–**
Inter-segment elimination	**–**	**(265)**	**–**	**1,319**	**(1,319)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**24,670**	**–**	**9,153**	**(1,085)**	**173**	**638**	**(2,606)**	**(47)**	**6,226**	**5,853**	**(811)**

Note:
Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Total Assets of the Group

At 31st December 2009

	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	157,811	6,428	466	937	165,642	2,907
Property trading	3,914	87	–	103	4,104	1
Hotels	4,632	438	488	26	5,584	1,065
	166,357	**6,953**	**954**	**1,066**	**175,330**	**3,973**
Aviation						
Cathay Pacific group	–	–	17,476	–	17,476	–
HAECO group	–	–	3,656	–	3,656	–
Hactl	–	–	498	–	498	–
Others	–	24	–	–	24	–
	–	**24**	**21,630**	**–**	**21,654**	**–**
Beverages	**4,705**	**1,443**	**608**	**446**	**7,202**	**440**
Marine Services						
Swire Pacific Offshore group	8,914	–	38	573	9,525	905
HUD group	–	(91)	–	–	(91)	–
	8,914	**(91)**	**38**	**573**	**9,434**	**905**
Trading & Industrial						
Swire Resources group	349	8	224	133	714	5
Taikoo Motors group	880	–	–	264	1,144	28
Taikoo Sugar	83	–	–	8	91	–
Akzo Nobel Swire Paints	–	333	–	–	333	–
CROWN Beverage Cans group	–	378	–	–	378	–
Other activities	122	–	–	–	122	–
	1,434	**719**	**224**	**405**	**2,782**	**33**
Head Office	**997**	**–**	**–**	**331**	**1,328**	**–**
Inter-segment elimination	**–**	**–**	**–**	**–**	**–**	**(169)**
	182,407	**9,048**	**23,454**	**2,821**	**217,730**	**5,182**

Note:
In this analysis, additions to non-current assets during the year exclude financial instruments (including jointly controlled and associated companies), deferred tax assets and retirement benefit assets.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Total Assets of the Group

At 31st December 2008

	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M (Restated)	Bank deposits and securities HK$M	Total assets HK$M (Restated)	Additions to non-current assets (note) HK$M
Property						
Property investment	142,293	6,540	397	1,086	150,316	4,589
Property trading	2,669	37	–	161	2,867	323
Hotels	3,542	93	423	72	4,130	925
	148,504	**6,670**	**820**	**1,319**	**157,313**	**5,837**
Aviation						
Cathay Pacific group	–	–	13,948	–	13,948	–
HAECO group	–	–	2,414	–	2,414	–
Hactl	–	–	632	–	632	–
Others	–	22	–	–	22	–
	–	**22**	**16,994**	**–**	**17,016**	**–**
Beverages	**4,451**	**1,168**	**409**	**275**	**6,303**	**377**
Marine Services						
Swire Pacific Offshore group	8,459	49	35	692	9,235	1,412
HUD group	–	(97)	–	–	(97)	–
	8,459	**(48)**	**35**	**692**	**9,138**	**1,412**
Trading & Industrial						
Swire Resources group	455	44	184	20	703	17
Taikoo Motors group	1,178	–	–	301	1,479	83
Taikoo Sugar	74	–	–	4	78	3
Akzo Nobel Swire Paints	–	304	–	–	304	–
CROWN Beverage Cans group	–	345	–	–	345	–
Other activities	1,976	–	–	–	1,976	–
	3,683	**693**	**184**	**325**	**4,885**	**103**
Head Office	**560**	**–**	**–**	**2,215**	**2,775**	**15**
	165,657	**8,505**	**18,442**	**4,826**	**197,430**	**7,744**

Of the total assets of the Group at 31st December 2007, only the balance for associated companies has been restated. The restated balance, which totals HK$22,633 million, represents the investment in associated companies in the Property (HK$913 million), Aviation (HK$21,553 million), Marine Services (HK$33 million) and Trading & Industrial (HK$134 million) Divisions.

Note:
In this analysis, additions to non-current assets during the year exclude financial instruments (including jointly controlled and associated companies), deferred tax assets and retirement benefit assets.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Total Liabilities and Minority Interests of the Group

At 31st December 2009

	Segment liabilities HK$M	Current & deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Minority interests HK$M
Property						
Property investment	4,872	20,036	28,031	3,645	56,584	421
Property trading	148	45	2,409	82	2,684	–
Hotels	87	–	864	502	1,453	–
	5,107	**20,081**	**31,304**	**4,229**	**60,721**	**421**
Aviation						
Hactl	**–**	**–**	**–**	**–**	**–**	**37**
Beverages	**1,892**	**294**	**983**	**130**	**3,299**	**392**
Marine Services						
Swire Pacific Offshore group	**888**	**91**	**(343)**	**381**	**1,017**	**(4)**
Trading & Industrial						
Swire Resources group	388	16	(21)	–	383	–
Taikoo Motors group	371	(5)	–	–	366	–
Taikoo Sugar	56	–	–	5	61	–
Other activities	23	1	–	–	24	–
	838	**12**	**(21)**	**5**	**834**	**–**
Head Office	**559**	**117**	**(31,923)**	**29,757**	**(1,490)**	**–**
	9,284	**20,595**	**–**	**34,502**	**64,381**	**846**

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Total Liabilities and Minority Interests of the Group

At 31st December 2008

	Segment liabilities HK$M	Current & deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Minority interests HK$M
Property						
Property investment	3,806	17,352	28,419	3,178	52,755	1,067
Property trading	104	–	1,080	78	1,262	–
Hotels	101	–	943	459	1,503	–
	4,011	**17,352**	**30,442**	**3,715**	**55,520**	**1,067**
Aviation						
Hactl	**–**	**–**	**–**	**–**	**–**	**25**
Beverages	**1,733**	**255**	**806**	**199**	**2,993**	**355**
Marine Services						
Swire Pacific Offshore group	**926**	**90**	**759**	**549**	**2,324**	**–**
Trading & Industrial						
Swire Resources group	478	7	(71)	–	414	–
Taikoo Motors group	336	(12)	–	414	738	–
Taikoo Sugar	44	1	–	3	48	–
Other activities	69	8	–	–	77	–
	927	**4**	**(71)**	**417**	**1,277**	**–**
Head Office	**646**	**26**	**(31,936)**	**30,392**	**(872)**	**–**
	8,243	**17,727**	**–**	**35,272**	**61,242**	**1,447**

7. Segment Information (continued)

(a) Information about reportable segments (continued)

The Swire Pacific Group is organised on a divisional basis: Property, Aviation, Beverages, Marine Services and Trading & Industrial.

The Beverages Division is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated income statement in note 7(a) presents the results of the Beverages Division by geographical location in order to provide further information to the user of the Annual Report.

The reportable segments within each of the other four divisions are classified according to the nature of the business. The Head Office is also considered to be a reportable segment as discrete financial information is available for the Head Office activities.

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong. Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

An analysis of turnover and non-current assets of the Group by principal markets is outlined below:

	Turnover		**Non-current assets***	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
Hong Kong	**11,220**	10,037	**146,385**	134,011
Asia (excluding Hong Kong)	**6,023**	6,087	**16,463**	12,357
United States of America	**3,701**	4,402	**1,222**	1,227
United Kingdom	**73**	137	**433**	441
Ship owning and operating	**3,892**	4,007	**8,085**	7,523
	24,909	24,670	**172,588**	155,559

* In this analysis, the total of non-current assets excludes financial instruments (including jointly controlled and associated companies), deferred tax assets and retirement benefit assets.

8. Directors' and Executive Officers' Emoluments

The five highest paid individuals in the Group in both 2009 and 2008 were Directors or Executive Officers, whose total emoluments are shown below:

	Cash			Non cash				
	Salary/fees (note a) HK$'000	**Bonus (note b) HK$'000**	**Allowances and benefits HK$'000**	**Retirement schemes contributions HK$'000**	**Bonus paid into retirement schemes (note b) HK$'000**	**Housing benefits HK$'000**	**Total 2009 HK$'000**	Total 2008 HK$'000
Executive Directors								
C D Pratt	6,142	–	296	7,812	–	3,656	17,906	20,077
P N L Chen	5,082	6,273	2,114	749	–	–	14,218	15,055
M Cubbon	4,050	–	551	5,151	–	3,053	12,805	14,992
D Ho	1,592	2,307	1,104	235	–	–	5,238	5,565
K G Kerr (until 14th May 2009)	2,255	4,716	534	18,167	–	1,226	26,898	13,662
P A Kilgour (from 1st April 2009)	1,701	–	508	2,169	–	1,973	6,351	–
J R Slosar	224	–	17	285	–	128	654	739
A N Tyler	240	–	2	305	–	125	672	502
Non-Executive Directors								
Baroness Dunn	–	–	–	–	–	–	–	–
J W J Hughes-Hallett	–	–	–	–	–	–	–	–
P A Johansen	815	–	–	–	–	–	815	–
Sir Adrian Swire (until 1st January 2009)	–	–	–	–	–	–	–	–
M B Swire (from 1st January 2009)	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
V H C Cheng (until 31st January 2008)	–	–	–	–	–	–	–	50
T G Freshwater	600	–	–	–	–	–	600	600
C K M Kwok	850	–	–	–	–	–	850	850
C Lee	800	–	–	–	–	–	800	800
M Leung (from 1st March 2008)	600	–	–	–	–	–	600	500
M C C Sze	600	–	–	–	–	–	600	600
M M T Yang	600	–	–	–	–	–	600	600
Total 2009	**26,151**	**13,296**	**5,126**	**34,873**	**–**	**10,161**	**89,607**	**–**
Total 2008	26,743	24,838	4,254	5,135	2,954	10,668	–	74,592
Executive Officers								
H A S Crawford (until 31st October 2008)	–	–	–	–	–	–	–	7,319
G L Cundle	2,371	2,093	319	3,016	983	2,556	11,338	9,826
J B Rae-Smith	1,430	1,226	361	1,819	719	2,169	7,724	6,011
Total 2009	**3,801**	**3,319**	**680**	**4,835**	**1,702**	**4,725**	**19,062**	**–**
Total 2008	5,490	4,589	1,300	2,328	2,834	6,615	–	23,156

Notes:

(a) Independent Non-Executive Directors and P A Johansen receive fees as members of the Board and its committees. Executive Directors and Officers receive salaries.

(b) Bonuses are not yet approved for 2009. The amounts disclosed above are related to services as Executive Directors or Officers for 2008 but paid and charged to the Group in 2009. The nil amounts for C D Pratt, M Cubbon, J R Slosar and A N Tyler reflect the fact that they forewent their bonuses in respect of 2008. The nil amount for P A Kilgour reflects the fact that he was not an Executive Director or Officer during 2008.

(c) Emoluments for the Executive Directors and Officers represent the amounts charged to the Group.

9. Net Finance Charges

Refer to page 68 for details of the Group's net finance charges.

10. Taxation

		Group			
		2009		2008	
	Note	**HK$M**	**HK$M**	HK$M	HK$M
Current taxation:					
Hong Kong profits tax		**(418)**		(364)	
Overseas taxation		**(176)**		(170)	
Over-provisions in prior years		**69**		4	
			(525)		(530)
Deferred taxation:	33				
Change in Hong Kong tax rate		**–**		1,008	
Changes in fair value of investment properties		**(2,674)**		(207)	
Origination and reversal of temporary differences		**(208)**		(318)	
			(2,882)		483
			(3,407)		(47)

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

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

	2009 HK$M	2008 HK$M
Profit before taxation	**23,571**	6,273
Calculated at a tax rate of 16.5% (2008: 16.5%)	**(3,889)**	(1,035)
Share of profits less losses of jointly controlled and associated companies	**458**	(325)
Effect of change in Hong Kong tax rate	**–**	1,008
Effect of different tax rates in other countries	**(215)**	(218)
Income not subject to tax	**313**	632
Expenses not deductible for tax purposes	**(142)**	(113)
Unused tax losses not recognised	**(37)**	(22)
Utilisation of previously unrecognised tax losses	**56**	82
Recognition of previously unrecognised temporary difference	**–**	(82)
Over-provisions in prior years	**69**	4
Others	**(20)**	22
Tax charge	**(3,407)**	(47)

The Group's share of jointly controlled and associated companies' tax charge of HK$221 million (2008: HK$187 million) and HK$246 million (2008: tax credit of HK$384 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

11. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$3,989 million (2008: HK$4,411 million) is dealt with in the accounts of the Company.

12. Dividends

	Company	
	2009 **HK$M**	2008 HK$M
Interim dividend paid on 5th October 2009 of HK¢60.0 per ‘A’ share and HK¢12.0 per ‘B’ share (2008: HK¢90.0 and HK¢18.0)	**903**	1,364
Proposed final dividend of HK¢220.0 per ‘A’ share and HK¢44.0 per ‘B’ share (2008 actual dividend paid: HK¢148.0 and HK¢29.6)	**3,310**	2,227
	4,213	3,591

The proposed final dividend is not accounted for until it has been approved at the Annual General Meeting. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2010.

13. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company’s shareholders of HK$19,917 million (2008: HK$5,853 million) by the weighted average number of 905,578,500 ‘A’ shares and 2,995,220,000 ‘B’ shares in issue during the year (2008: 913,214,691 ‘A’ shares and 3,001,321,686 ‘B’ shares) in the proportion five to one.

14. Property, Plant and Equipment

		Group				Company
	Note	**Property HK$M**	**Plant and machinery HK$M**	**Vessels HK$M**	**Total HK$M**	**Plant and machinery HK$M**
Cost:						
At 1st January 2009		**8,656**	**5,189**	**9,286**	**23,131**	**22**
Translation differences		**46**	**32**	**6**	**84**	**–**
Transferred to investment properties on adoption of revised HKAS 40		**(3,887)**	**–**	**–**	**(3,887)**	**–**
Change in composition of Group		**–**	**98**	**–**	**98**	**–**
Additions		**1,113**	**471**	**892**	**2,476**	**–**
Disposals		**(12)**	**(303)**	**(69)**	**(384)**	**(2)**
Other net transfers from investment properties		**23**	**1**	**–**	**24**	**–**
Transfers between categories		**58**	**(58)**	**–**	**–**	**–**
Amortisation from leasehold land and land use rights capitalised	16	**7**	**–**	**–**	**7**	**–**
At 31st December 2009		**6,004**	**5,430**	**10,115**	**21,549**	**20**
Accumulated depreciation and impairment:						
At 1st January 2009		**709**	**3,514**	**1,898**	**6,121**	**18**
Translation differences		**3**	**19**	**1**	**23**	**–**
Change in composition of Group		**–**	**14**	**–**	**14**	**–**
Charge for the year	6	**92**	**406**	**362**	**860**	**1**
Provision for impairment losses		**267**	**–**	**–**	**267**	**–**
Disposals		**(3)**	**(209)**	**(69)**	**(281)**	**(1)**
Other net transfers to investment properties		**(3)**	**(1)**	**–**	**(4)**	**–**
At 31st December 2009		**1,065**	**3,743**	**2,192**	**7,000**	**18**
Net book value:						
At 31st December 2009		**4,939**	**1,687**	**7,923**	**14,549**	**2**

14. Property, Plant and Equipment (continued)

		Group				Company
	Note	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M	Plant and machinery HK$M
Cost:						
At 1st January 2008		9,540	4,762	8,187	22,489	27
Translation differences		276	(44)	(51)	181	–
Change in composition of Group		(6)	(8)	–	(14)	–
Additions		2,417	663	1,345	4,425	2
Disposals		(1)	(180)	(195)	(376)	(7)
Net transfers to investment properties		(3,590)	–	–	(3,590)	–
Other transfers		–	(4)	–	(4)	–
Amortisation from leasehold land and land use rights capitalised	16	20	–	–	20	–
At 31st December 2008		8,656	5,189	9,286	23,131	22
Accumulated depreciation and impairment:						
At 1st January 2008		654	3,309	1,764	5,727	24
Translation differences		(4)	(18)	(11)	(33)	–
Change in composition of Group		(3)	(5)	–	(8)	–
Charge for the year	6	68	384	312	764	1
Disposals		–	(154)	(167)	(321)	(7)
Net transfers to investment properties		(6)	–	–	(6)	–
Other transfers		–	(2)	–	(2)	–
At 31st December 2008		709	3,514	1,898	6,121	18
Net book value:						
At 31st December 2008		7,947	1,675	7,388	17,010	4

At 31st December 2009 and 2008 none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

Property, plant and equipment is reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors consider a number of hotels in Mainland China and the UK to be impaired at 31st December 2009 as a result of the current condition of the hotel property market in these locations. The carrying amount of these hotels has been written down by HK$267 million to their recoverable amount, which is the fair value less costs to sell, calculated using the income capitalisation approach.

Property and vessels include costs of HK$295 million (2008: HK$5,879 million) and HK$1,563 million (2008: HK$1,089 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

15. Investment Properties

Refer to page 20 for details of the Group's and Company's investment properties.

16. Leasehold Land and Land Use Rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments, the net book value of which is analysed as follows:

	Note	Group 2009 HK$M	Group 2008 HK$M
At 1st January		**2,586**	2,349
Translation differences		**(2)**	29
Transferred to investment properties on adoption of revised HKAS 40		**(449)**	–
Net transfer from investment properties		**121**	235
Disposal		**(5)**	–
Amortisation			
Charge for the year	6	**(10)**	(7)
Capitalised on property under construction	14	**(7)**	(20)
At 31st December		**2,234**	2,586
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		**240**	185
On long-term leases (over 50 years)		**1,941**	1,898
Held outside Hong Kong:			
On medium-term leases (10 to 50 years)		**53**	503
		2,234	2,586

17. Intangible Assets

	Note	Group Goodwill HK$M	Group Computer software HK$M	Group Total HK$M
Cost:				
At 1st January 2009		**832**	**89**	**921**
Translation differences		**(2)**	**–**	**(2)**
Additions		**2**	**19**	**21**
At 31st December 2009		**832**	**108**	**940**
Accumulated amortisation and impairment:				
At 1st January 2009		**–**	**54**	**54**
Amortisation for the year	6	**–**	**15**	**15**
At 31st December 2009		**–**	**69**	**69**
Net book value:				
At 31st December 2009		**832**	**39**	**871**

17. Intangible Assets (continued)

		Group		
	Note	Goodwill HK$M	Computer software HK$M	Total HK$M
Cost:				
At 1st January 2008		825	75	900
Translation differences		7	–	7
Additions		–	14	14
At 31st December 2008		832	89	921
Accumulated amortisation and impairment:				
At 1st January 2008		–	40	40
Amortisation for the year	6	–	14	14
At 31st December 2008		–	54	54
Net book value:				
At 31st December 2008		832	35	867

Amortisation of HK$15 million (2008: HK$14 million) is included in administrative expenses in the consolidated income statement.

Impairment Test of Goodwill
Goodwill is allocated to the Group's cash-generating units ("CGUs") identified by divisional business segment and geographic location.

	2009 HK$M	2008 HK$M
Investment properties – Hong Kong	**669**	669
Beverage franchises – Mainland China	**153**	154
Hotel business – United Kingdom	**8**	9
Others	**2**	–
	832	832

Goodwill attributable to investment properties in Hong Kong arose where the fair value of net assets acquired was below the fair value of consideration paid due to the recognition, required for accounting purposes, of deferred tax liabilities in respect of fair value gains on the investment properties purchased. In Hong Kong, these gains are not taxable and therefore this liability will never fall due. Consequently the related goodwill will only be impaired should the fair value of the investment property in future fall below its fair value at acquisition. The recoverable amount of goodwill attributable to this CGU is therefore assessed on a post-tax basis using fair value less costs to sell.

The recoverable amount of goodwill attributable to other CGUs is determined based on value-in-use calculations. These calculations use financial budgets and plans covering periods between five and ten years. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. The discount rates used at 31st December 2009 and 2008 were between 7% and 10%. These discount rates are pre-tax and reflect the specific risks relating to the relevant CGU.

18. Properties Held for Development

Refer to page 23 for details of the Group's properties held for development.

19. Subsidiary Companies

	Company	
	2009 **HK$M**	2008 HK$M
Unlisted shares at cost less provisions	**8,659**	4,707
Loans and other amounts due from subsidiary companies		
– Interest-free	**2,180**	6,653
– Interest-bearing at 0.04% to 4.0% (2008: 0.8% to 5.0%)	**1,617**	272
	12,456	11,632

Loans and other amounts due are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 164 to 174.

20. Jointly Controlled Companies

	Group		Company	
	2009 **HK$M**	2008 HK$M	**2009** **HK$M**	2008 HK$M
Unlisted shares at cost			**38**	38
Share of net assets, unlisted	**609**	124		
Loans due from jointly controlled companies less provisions				
– Interest-free	**8,343**	7,681	**3**	3
– Interest-bearing at 5.0% (2008: 5.0% to 6.57%)	**96**	700	**86**	86
	9,048	8,505	**127**	127

The loans due from jointly controlled companies are unsecured and have no fixed terms of repayment.

The Group's share of assets and liabilities and results of jointly controlled companies is summarised below:

	Group	
	2009 **HK$M**	2008 HK$M
Non-current assets	**9,532**	7,871
Current assets	**2,967**	3,760
Current liabilities	**(5,270)**	(5,409)
Non-current liabilities	**(6,582)**	(6,061)
Minority interests	**(38)**	(37)
Net assets	**609**	124
Revenue	**8,900**	8,742
Expenses	**(8,055)**	(7,917)
Profit before taxation	**845**	825
Taxation	**(221)**	(187)
Profit for the year	**624**	638

The principal jointly controlled companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 164 to 174.

21. Associated Companies

	Group			Company	
	2009 HK$M	2008 HK$M (Restated)	2007 HK$M (Restated)	**2009 HK$M**	2008 HK$M
Shares at cost					
– Listed in Hong Kong				**4,965**	2,045
Share of net assets					
– Listed in Hong Kong	**20,102**	16,048	20,741		
– Unlisted	**1,679**	1,269	790		
	21,781	17,317	21,531		
Goodwill	**1,030**	315	164		
	22,811	17,632	21,695		
Loans due from associated companies					
– Interest-free	**287**	254	379	**30**	–
– Interest-bearing at 1.65% (2008: 3.60%; 2007: 4.96% to 5.54%)	**356**	556	559	**–**	–
	23,454	18,442	22,633	**4,995**	2,045

The loans due from associated companies are unsecured and have no fixed terms of repayment.

The market value of the shares in the listed associated companies at 31st December 2009 was HK$31,613 million (2008: HK$17,262 million; 2007: HK$43,600 million).

The Group's share of the assets and liabilities of associated companies is summarised below:

	Group		
	2009 HK$M	2008 HK$M (Restated)	2007 HK$M (Restated)
Non-current assets	**45,604**	41,445	42,168
Current assets	**10,817**	9,462	10,097
Current liabilities	**(11,113)**	(12,572)	(10,988)
Non-current liabilities	**(22,961)**	(20,655)	(19,516)
Minority interests	**(566)**	(363)	(230)
Net assets	**21,781**	17,317	21,531

For the year ended 31st December 2009, the Group's share of revenue in associated companies was HK$33,367 million (2008: HK$40,346 million) and the Group's share of profit in associated companies was HK$2,154 million (2008: loss of HK$2,606 million). The comparative figures for 2008 have been restated.

The principal associated companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 164 to 174. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 175 to 178.

Acquisition of Shares in Cathay Pacific Airways Limited ("Cathay Pacific")
As a result of a realignment of the shareholdings in Cathay Pacific, Swire Pacific acquired an additional 2% shareholding in Cathay Pacific from CITIC Pacific for a total cash consideration of HK$1,016 million (of which stamp duty and professional fees amounted to HK$3 million). The transaction was completed on 28th September 2009, but has been accounted for from 17th August 2009, the date on which the transaction became unconditional. The goodwill on acquisition was HK$315 million.

Acquisition of Shares in Hong Kong Aircraft Engineering Company Limited ("HAECO")
Swire Pacific acquired an additional 12.45% shareholding in HAECO from Cathay Pacific for a total cash consideration of HK$1,904 million (of which stamp duty and professional fees amounted to HK$3 million). The transaction was completed on 22nd October 2009, but has been accounted for from 16th October 2009, the date on which the transaction became unconditional. The goodwill on acquisition was HK$400 million.

22. Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:

Group	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position								
At 31st December 2009								
Available-for-sale assets	23	**–**	**–**	**392**	**–**	**–**	**392**	**392**
Long-term receivables		**–**	**–**	**–**	**9**	**–**	**9**	**9**
Long-term security deposits		**–**	**–**	**–**	**211**	**–**	**211**	**211**
Derivative financial assets	24	**–**	**464**	**–**	**–**	**–**	**464**	**464**
Trade and other receivables	27	**–**	**–**	**–**	**3,820**	**–**	**3,820**	**3,820**
Bank balances and short-term deposits	28	**–**	**–**	**–**	**2,564**	**–**	**2,564**	**2,564**
Total		**–**	**464**	**392**	**6,604**	**–**	**7,460**	**7,460**
At 31st December 2008								
Available-for-sale assets	23	–	–	2,188	–	–	2,188	2,188
Long-term receivables		–	–	–	8	–	8	8
Long-term security deposits		–	–	–	380	–	380	380
Derivative financial assets	24	–	106	–	–	–	106	106
Trade and other receivables	27	–	–	–	3,767	–	3,767	3,767
Bank balances and short-term deposits	28	–	–	–	4,408	–	4,408	4,408
Total		–	106	2,188	8,563	–	10,857	10,857
Liabilities as per consolidated statement of financial position								
At 31st December 2009								
Trade and other payables	29	**–**	**–**	**–**	**–**	**8,865**	**8,865**	**8,865**
Provisions	30	**–**	**–**	**–**	**–**	**7**	**7**	**7**
Derivative financial liabilities	24	**–**	**186**	**–**	**–**	**–**	**186**	**186**
Bank overdrafts and short-term loans		**–**	**–**	**–**	**–**	**1,083**	**1,083**	**1,083**
Long-term loans and bonds due within one year		**–**	**–**	**–**	**–**	**1,469**	**1,469**	**1,466**
Perpetual capital securities		**–**	**–**	**–**	**–**	**2,326**	**2,326**	**2,327**
Long-term loans and bonds due after one year		**–**	**–**	**–**	**–**	**29,624**	**29,624**	**30,250**
Total		**–**	**186**	**–**	**–**	**43,374**	**43,560**	**44,184**
At 31st December 2008								
Trade and other payables	29	–	–	–	–	7,717	7,717	7,717
Provisions	30	–	–	–	–	8	8	8
Derivative financial liabilities	24	6	304	–	–	–	310	310
Bank overdrafts and short-term loans		–	–	–	–	2,083	2,083	2,080
Long-term loans and bonds due within one year		–	–	–	–	1,668	1,668	1,657
Perpetual capital securities		–	–	–	–	2,325	2,325	1,907
Long-term loans and bonds due after one year		–	–	–	–	29,196	29,196	28,426
Total		6	304	–	–	42,997	43,307	42,105

22. Financial Instruments by Category (continued)

The accounting policies for financial instruments have been applied to the line items below:

Company	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per statement of financial position								
At 31st December 2009								
Available-for-sale assets	23	**–**	**–**	**100**	**–**	**–**	**100**	**100**
Long-term receivables		**–**	**–**	**–**	**1**	**–**	**1**	**1**
Trade and other receivables	27	**–**	**–**	**–**	**1,753**	**–**	**1,753**	**1,753**
Short-term deposits and bank balances	28	**–**	**–**	**–**	**256**	**–**	**256**	**256**
Total		**–**	**–**	**100**	**2,010**	**–**	**2,110**	**2,110**
At 31st December 2008								
Available-for-sale assets	23	–	–	61	–	–	61	61
Long-term receivables		–	–	–	1	–	1	1
Trade and other receivables	27	–	–	–	224	–	224	224
Short-term deposits and bank balances	28	–	–	–	2,069	–	2,069	2,069
Total		–	–	61	2,294	–	2,355	2,355
Liabilities as per statement of financial position								
At 31st December 2009								
Trade and other payables	29	**–**	**–**	**–**	**–**	**5,515**	**5,515**	**5,515**
At 31st December 2008								
Trade and other payables	29	–	–	–	–	2,888	2,888	2,888

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

The fair values of short-term and non-current borrowings are determined by using valuation techniques such as estimated discounted cash flows which use assumptions sourced from the relevant financial institutions.

22. Financial Instruments by Category (continued)

Financial instruments that are measured at fair value are included in the following fair value hierarchy:

Group	**Level 1 HK$M**	**Level 2 HK$M**	**Total carrying amount HK$M**
Assets as per consolidated statement of financial position			
At 31st December 2009			
Available-for-sale assets			
– Shares listed in Hong Kong	**160**	**–**	**160**
– Shares listed overseas	**223**	**–**	**223**
– Unlisted investments	**–**	**9**	**9**
Derivatives used for hedging	**–**	**464**	**464**
Total	**383**	**473**	**856**
At 31st December 2008			
Available-for-sale assets			
– Shares listed in Hong Kong	127	–	127
– Shares listed overseas	163	–	163
– Unlisted investments	–	10	10
– Amount related to disposal of Swire SITA group	–	1,888	1,888
Derivatives used for hedging	–	106	106
Total	290	2,004	2,294
Liabilities as per consolidated statement of financial position			
At 31st December 2009			
Derivatives used for hedging	**–**	**186**	**186**
Total	**–**	**186**	**186**
At 31st December 2008			
Financial liabilities at fair value through profit or loss			
– Derivatives not qualifying as hedges	–	6	6
Derivatives used for hedging	–	304	304
Total	–	310	310

Company	**Level 1 HK$M**	**Level 2 HK$M**	**Total carrying amount HK$M**
Assets as per statement of financial position			
At 31st December 2009			
Available-for-sale assets			
– Shares listed in Hong Kong	**100**	**–**	**100**
At 31st December 2008			
Available-for-sale assets			
– Shares listed in Hong Kong	61	–	61

Note:
The levels in the hierarchy represent the following:
Level 1 – Financial instruments measured at fair value using quoted prices in active markets.
Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.

23. Available-for-sale Assets

	Group		Company	
	2009	2008	**2009**	2008
	HK$M	HK$M	**HK$M**	HK$M
Non-current assets				
Shares listed in Hong Kong	**160**	127	**100**	61
Securities listed overseas	**223**	163	**–**	–
Unlisted investments	**9**	10	**–**	–
	392	300	**100**	61
Current assets				
Amount related to disposal of Swire SITA group	**–**	1,888		

24. Derivative Financial Instruments

	Group			
	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$M	**HK$M**	HK$M	HK$M
Cross-currency swaps – cash flow hedges (a)	**424**	**–**	74	103
Interest rate swaps – cash flow hedges (b)	**–**	**159**	–	147
Interest rate swaps – fair value hedges (c)	**26**	**–**	26	–
Forward rate agreements – cash flow hedges (d)	**–**	**–**	–	2
Forward rate agreements – non qualifying as hedges (e)	**–**	**–**	–	5
Forward foreign exchange contracts				
– cash flow hedges (f)	**14**	**27**	6	52
Interest rate swaps – not qualifying as hedges	**–**	**–**	–	1
Total	**464**	**186**	106	310
Less non-current portion:				
Cross-currency swaps – cash flow hedges (a)	**424**	**–**	74	103
Interest rate swaps – cash flow hedges (b)	**–**	**159**	–	142
Interest rate swaps – fair value hedges (c)	**26**	**–**	26	–
Forward foreign exchange contracts				
– cash flow hedges (f)	**–**	**7**	3	29
	450	**166**	103	274
Current portion	**14**	**20**	3	36

(a) The cross-currency swaps hedge the foreign currency risk relating to US$ note issues. Gains and losses recognised in equity on cross-currency swaps at 31st December 2009 are expected to affect the income statement in the years to redemption of the notes (up to and including 2019).

(b) The interest rate swaps hedge the interest rate risk associated with floating rate notes. Gains and losses recognised in equity on interest swaps at 31st December 2009 are expected to affect the income statement in the years to redemption of the notes (up to and including 2012).

(c) The interest rate swap hedges the fair value risk of a fixed rate HK$ note that was swapped into floating rate. The note matures in July 2011.

(d) The forward rate agreements hedged the short-term interest rate risk associated with floating rate revolving credit facilities. They expired between the months of February and April 2009.

24. Derivative Financial Instruments (continued)

(e) Two of the forward rate agreements, originally qualifying as effective hedges, were subsequently re-classified as non qualifying hedges due to the early repayment of the matching revolving credit facilities.

(f) The forward foreign exchange contracts hedge the foreign currency exposure relating to contractual obligations. Gains and losses recognised in equity on foreign exchange contracts at 31st December 2009 are expected to affect the income statement up to and including 2011.

At 31st December 2009, the fixed interest rates varied from 2.67% to 5.35% (2008: same) and the main floating rates were HIBOR (2008: same).

Interest Rate Swaps

The total notional principal amount of the outstanding interest rate swap contracts at 31st December 2009 was HK$5,500 million (2008: HK$6,100 million).

Cash Flow Hedges

For the years ended 31st December 2009 and 31st December 2008 all cash flow hedges were effective.

25. Properties for Sale

Refer to page 23 for details of the Group's properties for sale.

26. Stocks and Work in Progress

	Group	
	2009	2008
	HK$M	HK$M
Goods for sale	**964**	1,264
Manufacturing materials	**208**	221
Production supplies	**223**	215
Work in progress	**33**	33
	1,428	1,733

27. Trade and Other Receivables

	Group		Company	
	2009	2008	**2009**	2008
	HK$M	HK$M	**HK$M**	HK$M
Trade debtors	**1,738**	1,916	**–**	–
Amounts due from fellow subsidiary companies	**13**	5	**–**	–
Amounts due from subsidiary companies	**–**	–	**144**	138
Amounts due from jointly controlled companies	**116**	35	**–**	–
Amounts due from associated companies	**9**	9	**–**	–
Other receivables	**1,944**	1,802	**1,609**	86
	3,820	3,767	**1,753**	224

The amounts due from fellow subsidiary, subsidiary, jointly controlled and associated companies are unsecured and interest free. Except for amounts due from subsidiary companies which have no fixed terms of repayment, the balances are on normal trade credit terms.

27. Trade and Other Receivables (continued)

The analysis of the age of trade debtors at year-end is as follows:

	Group	
	2009 **HK$M**	2008 HK$M
Under three months	**1,520**	1,767
Between three and six months	**137**	35
Over six months	**81**	114
	1,738	1,916

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

At 31st December 2009, trade debtors of HK$639 million (2008: HK$677 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	Group	
	2009 **HK$M**	2008 HK$M
Up to three months	**471**	538
Between three and six months	**86**	29
Over six months	**82**	110
	639	677

At 31st December 2009, trade debtors of HK$71 million (2008: HK$78 million) were impaired and provided for. The amount of the provision was HK$55 million at 31st December 2009 (2008: HK$66 million). It was assessed that a portion of the trade debtors is expected to be recovered. The analysis of the ageing of these impaired trade debtors is as follows:

	Group	
	2009 **HK$M**	2008 HK$M
Up to three months	**44**	17
Between three and six months	**2**	20
Over six months	**25**	41
	71	78

The maximum exposure to credit risk at 31st December 2009 and 31st December 2008 is the carrying value of trade debtors, amounts due from related parties and other receivables disclosed above. The value of rental deposits from tenants held as security against trade debtors at 31st December 2009 was HK$1,654 million (2008: HK$1,547 million).

28. Bank Balances and Short-term Deposits

	Group		Company	
	2009	2008	**2009**	2008
	HK$M	HK$M	**HK$M**	HK$M
Cash and cash equivalents	**2,322**	4,146	**256**	2,069
Short-term deposits maturing after more than three months	**73**	93	**–**	–
Security deposits in respect of loans repayable within one year	**169**	169	**–**	–
	242	262	**–**	–
	2,564	4,408	**256**	2,069

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 4.58% (2008: 0.05% to 4.58%); these deposits have a maturity from 30 to 90 days (2008: 30 to 120 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2009 and 31st December 2008 is the carrying value of the bank balances and short-term deposits disclosed above.

29. Trade and Other Payables

	Group		Company	
	2009	2008	**2009**	2008
	HK$M	HK$M	**HK$M**	HK$M
Trade creditors	**1,491**	1,586	**–**	–
Amounts due to immediate holding company	**119**	210	**17**	33
Amounts due to subsidiary companies	**–**	–	**5,428**	2,766
Amounts due to jointly controlled companies	**69**	12	**–**	–
Amounts due to associated companies	**43**	46	**–**	–
Interest-bearing advances from jointly controlled companies at 0.09% (2008: 0.24%)	**16**	73	**–**	–
Interest-bearing advances from associated companies at 0.32% (2008: 0.54%)	**149**	151	**–**	–
Advances from minority interests	**327**	308	**–**	–
Rental deposits from tenants	**1,654**	1,547	**–**	–
Put option over minority interest in existing subsidiary company	**690**	–	**–**	–
Other payables	**4,307**	3,784	**70**	89
	8,865	7,717	**5,515**	2,888

The amounts due to and advances from immediate holding, subsidiary, jointly controlled and associated companies, and minority interests are unsecured and have no fixed terms of repayment. Apart from certain amounts due to jointly controlled and associated companies, which are interest-bearing as specified above, the balances are interest free.

The analysis of the age of trade creditors at year-end is as follows:

	Group	
	2009	2008
	HK$M	HK$M
Under three months	**1,356**	1,450
Between three and six months	**119**	102
Over six months	**16**	34
	1,491	1,586

30. Provisions

	Group	
	2009 **HK$M**	2008 HK$M
At 1st January	**8**	8
Utilised during the year	**(1)**	–
At 31st December	**7**	8

31. Perpetual Capital Securities

Refer to page 66 for details of the Group's perpetual capital securities.

32. Borrowings

Refer to pages 64 to 72 for details of the Group's borrowings.

33. Deferred Taxation

The movement on the net deferred tax liabilities account is as follows:

		Group		Company	
	Note	**2009** **HK$M**	2008 HK$M	**2009** **HK$M**	2008 HK$M
At 1st January		**17,087**	17,600	**34**	62
Translation differences		**(4)**	(8)	**–**	–
Charged/(credited) to income statement	10	**2,882**	(483)	**(9)**	(28)
Charged/(credited) to other comprehensive income		**68**	(22)	**–**	–
At 31st December		**20,033**	17,087	**25**	34

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$447 million (2008: HK$352 million) to carry forward against future taxable income. These tax losses have no expiry date (2008: same).

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

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2009 **HK$M**	2008 HK$M	**2009** **HK$M**	2008 HK$M	**2009** **HK$M**	2008 HK$M	**2009** **HK$M**	2008 HK$M
At 1st January	**2,054**	1,851	**15,161**	15,861	**362**	189	**17,577**	17,901
Translation differences	**–**	(1)	**(1)**	–	**(1)**	–	**(2)**	(1)
Charged/(credited) to income statement	**236**	204	**2,672**	(700)	**70**	173	**2,978**	(323)
At 31st December	**2,290**	2,054	**17,832**	15,161	**431**	362	**20,553**	17,577

33. Deferred Taxation (continued)

Deferred tax liabilities (continued)

	Company					
	Accelerated tax depreciation		Valuation of investment properties		Total	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M
At 1st January	**15**	14	**19**	48	**34**	62
(Credited)/charged to income statement	**(13)**	1	**4**	(29)	**(9)**	(28)
At 31st December	**2**	15	**23**	19	**25**	34

Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M
At 1st January	**80**	74	**147**	44	**263**	183	**490**	301
Translation differences	**1**	3	**–**	–	**1**	4	**2**	7
Transfer between categories	**14**	–	**–**	–	**(14)**	–	**–**	–
Credited/(charged) to income statement	**84**	3	**(53)**	103	**65**	54	**96**	160
(Charged)/credited to other comprehensive income	**–**	–	**–**	–	**(68)**	22	**(68)**	22
At 31st December	**179**	80	**94**	147	**247**	263	**520**	490

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	Group		Company	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
Deferred tax assets:				
– To be recovered after more than 12 months	**(192)**	(226)	**–**	–
– To be recovered within 12 months	**(78)**	(69)	**–**	–
	(270)	(295)	**–**	–
Deferred tax liabilities:				
– To be settled after more than 12 months	**20,282**	17,381	**25**	34
– To be settled within 12 months	**21**	1	**–**	–
	20,303	17,382	**25**	34
	20,033	17,087	**25**	34

34. Retirement Benefits

The Group operates various retirement benefit plans providing resignation and retirement benefits to staff on both a contributory and non-contributory basis. The assets of the plans are administered by trustees and are maintained independently of the Group's finances. The majority of the plans are of the defined benefit type and contributions to such plans are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations.

All new employees are offered the choice of joining the retirement benefit plans or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

Total retirement benefit costs recognised in the income statement for the year ended 31st December 2009 amounted to HK$195 million (2008: HK$93 million), including HK$47 million (2008: HK$24 million) in respect of defined contribution plans.

Defined benefit plans are valued using the projected unit credit method in accordance with HKAS 19. The principal plans in Hong Kong are valued annually by qualified actuaries, Watson Wyatt Hong Kong Limited ("Watson Wyatt"), for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2009, the funding level was 95% (2008: 143%) of the accrued actuarial liabilities on an ongoing basis. For the year ended 31st December 2009, the HKAS 19 disclosures shown in the accounts are based on valuations prepared by Watson Wyatt at 31st December 2009. For the year ended 31st December 2008, the HKAS 19 disclosures are based on valuations prepared by Watson Wyatt at 31st December 2006, which were updated at 31st December 2008 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit plans. Plans in the United States and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment health care and life insurance benefit plan for certain retired employees in the United States, with accounting and frequency of valuations similar to those used for defined benefit plans.

(a) The amounts recognised in the statement of financial position are as follows:

	2009			
	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	1,791	–	1,791	73
Fair value of plan assets	(1,554)	–	(1,554)	(170)
	237	–	237	(97)
Present value of unfunded obligations	–	49	49	–
Net unrecognised actuarial (losses)/gains	(271)	1	(270)	(10)
Net retirement benefit (assets)/liabilities	(34)	50	16	(107)
Represented by:				
Retirement benefit assets	(210)	–	(210)	(107)
Retirement benefit liabilities	176	50	226	–
	(34)	50	16	(107)

34. Retirement Benefits (continued)

	2008			
	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	1,531	–	1,531	56
Fair value of plan assets	(1,143)	–	(1,143)	(121)
	388	–	388	(65)
Present value of unfunded obligations	–	43	43	–
Net unrecognised actuarial (losses)/gains	(425)	5	(420)	(44)
Net retirement benefit (assets)/liabilities	(37)	48	11	(109)
Represented by:				
Retirement benefit assets	(197)	–	(197)	(109)
Retirement benefit liabilities	160	48	208	–
	(37)	48	11	(109)

(b) Changes in the present value of the defined benefit obligation are as follows:

	Group				**Company**	
	Defined benefit plans		**Other post-employment benefits**		**Defined benefit plans**	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M
At 1st January	**1,531**	1,671	**43**	44	**56**	55
Translation differences	**6**	27	**–**	–	**–**	–
Service cost	**115**	126	**1**	1	**5**	6
Interest cost	**78**	67	**3**	2	**3**	2
Actuarial losses/(gains)	**135**	(253)	**3**	(4)	**–**	(9)
Transfer in/(out) of members	**2**	(10)	**–**	–	**13**	7
Increase in obligation due to amendment	**5**	3	**–**	–	**–**	–
Benefits paid	**(81)**	(100)	**(1)**	–	**(4)**	(5)
At 31st December	**1,791**	1,531	**49**	43	**73**	56

Changes in the fair value of plan assets are as follows:

	Group		**Company**	
	Defined benefit plans		**Defined benefit plans**	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
At 1st January	**1,143**	1,770	**121**	187
Translation differences	**2**	23	**–**	–
Expected return	**82**	124	**8**	13
Actuarial gains/(losses)	**261**	(719)	**32**	(81)
Assets distributed on settlements	**–**	(6)	**–**	–
Contributions by employer	**143**	59	**–**	–
Transfer in/(out) of members	**2**	(10)	**13**	7
Benefits paid	**(79)**	(98)	**(4)**	(5)
At 31st December	**1,554**	1,143	**170**	121

34. Retirement Benefits (continued)

(c) Net expenses recognised in the consolidated income statement are as follows:

	Group					
	2009			2008		
	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	**115**	**1**	**116**	126	1	127
Interest cost	**78**	**3**	**81**	67	2	69
Expected return on plan assets – gain	**(82)**	**–**	**(82)**	(124)	–	(124)
Past service costs recognised	**4**	**–**	**4**	3	–	3
Net actuarial losses/(gains) recognised	**25**	**(2)**	**23**	3	(1)	2
Gains on curtailments and settlements	**6**	**–**	**6**	(8)	–	(8)
	146	**2**	**148**	67	2	69

The above net expenses were mainly included in administrative expenses in the consolidated income statement.

The actual return on defined benefit plan assets was a gain of HK$343 million (2008: loss of HK$595 million).

(d) Plan assets comprise the following:

	Group			
	Defined benefit plans			
	2009		2008	
	HK$M	**%**	HK$M	%
Equities	**1,114**	**72**	749	66
Bonds	**367**	**23**	337	29
Deposits and cash	**73**	**5**	57	5
	1,554	**100**	1,143	100

(e) Amounts for the current and previous four periods are as follows:

	Group				
	2009 HK$M	2008 HK$M	2007 HK$M	2006 HK$M	2005 HK$M
Defined benefit plans					
– Defined benefit obligations	**1,791**	1,531	1,671	1,512	1,418
– Plan assets	**(1,554)**	(1,143)	(1,770)	(1,555)	(1,454)
– Deficit/(surplus)	**237**	388	(99)	(43)	(36)
– Experience adjustments on plan liabilities	**72**	(52)	44	14	40
– Experience adjustments on plan assets	**(261)**	719	(113)	(93)	(37)
Other post-employment benefits					
– Defined benefit obligations	**49**	43	44	44	41
– Experience adjustments on plan liabilities	**–**	(4)	(3)	1	1

34. Retirement Benefits (continued)

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

	Group					
	Defined benefit plans				Other post-employment benefits	
	2009		2008		**2009**	2008
	HK %	**Others %**	HK %	Others %	**USA %**	USA %
Discount rate	**4.75**	**2.25-6.0**	5.3	3.0-6.25	**5.77**	6.25
Expected rate of return on plan assets	**8.0**	**2.0-8.25**	7.0	2.25-8.25	**N/A**	N/A
Expected rate of future salary increases	**2.0-4.0**	**2.5-5.5**	2.0-4.0	2.5-5.5	**N/A**	N/A
Expected rate of increase in cost of covered health care benefits	**N/A**	**N/A**	N/A	N/A	**9.0**	10.0

The expected return on plan assets reflects the portfolio mix of assets, which itself is determined by the Group's current investment policy. Expected returns on equities and bonds reflect long-term real rates of return in the respective markets.

35. Share Capital

	Company				
	'A' shares of HK$0.60 each	**'B' shares of HK$0.12 each**	**'A' shares HK$M**	**'B' shares HK$M**	**Total HK$M**
Authorised:					
At 31st December 2009 and 2008	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 1st January 2008	915,564,500	3,003,486,271	549	361	910
Repurchased during 2008	(9,986,000)	(8,266,271)	(6)	(1)	(7)
At 31st December 2009 and 2008	**905,578,500**	**2,995,220,000**	**543**	**360**	**903**

During the year, the Company did not purchase, sell or redeem any of its shares.

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

36. Reserves

Group	Note	Revenue reserve HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2008								
as originally stated		132,873	342	42	708	(268)	910	134,607
adjustment on adoption of HK(IFRIC)-Int 13		(591)	–	–	–	–	–	(591)
as restated		132,282	342	42	708	(268)	910	134,016
Profit for the year		5,853	–	–	–	–	–	5,853
Other comprehensive income								
Cash flow hedges								
– recognised during the year		–	–	–	–	(113)	–	(113)
– deferred tax		–	–	–	–	22	–	22
– transferred to net finance charges		–	–	–	–	(32)	–	(32)
– transferred to operating profit exchange differences		–	–	–	–	29	–	29
– transferred to initial cost of non-financial assets		–	–	–	–	(74)	–	(74)
Net fair value losses on available-for-sale assets recognised during the year		–	–	–	(130)	–	–	(130)
Share of other comprehensive income of jointly controlled and associated companies		(157)	–	–	(172)	(453)	457	(325)
Net translation differences on foreign operations		–	–	–	–	–	130	130
Total comprehensive income for the year		5,696	–	–	(302)	(621)	587	5,360
2007 final dividend		(3,532)	–	–	–	–	–	(3,532)
2008 interim dividend	12	(1,364)	–	–	–	–	–	(1,364)
Repurchase of the Company's shares								
– premium paid on repurchases		(642)	–	–	–	–	–	(642)
– transferred between reserves		(7)	–	7	–	–	–	–
At 31st December 2008		132,433	342	49	406	(889)	1,497	133,838

36. Reserves (continued)

Group	Note	Revenue reserve HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2009								
as originally stated		**133,079**	**342**	**49**	**406**	**(889)**	**1,497**	**134,484**
adjustment on adoption of HK(IFRIC)-Int 13		**(646)**	–	–	–	–	–	**(646)**
as restated		**132,433**	**342**	**49**	**406**	**(889)**	**1,497**	**133,838**
Profit for the year		**19,917**	–	–	–	–	–	**19,917**
Other comprehensive income								
Cash flow hedges								
– recognised during the year		–	–	–	–	**365**	–	**365**
– deferred tax		–	–	–	–	**(68)**	–	**(68)**
– transferred to net finance charges		–	–	–	–	**20**	–	**20**
– transferred to operating profit – exchange differences		–	–	–	–	**(8)**	–	**(8)**
– transferred to initial cost of non-financial assets		–	–	–	–	**75**	–	**75**
Net fair value gains on available-for-sale assets								
– recognised during the year		–	–	–	**141**	–	–	**141**
– transferred to operating profit		–	–	–	**(37)**	–	–	**(37)**
Share of other comprehensive income of jointly controlled and associated companies		**42**	–	–	**201**	**152**	**14**	**409**
Net translation differences on foreign operations		–	–	–	–	–	**78**	**78**
Total comprehensive income for the year		**19,959**	–	–	**305**	**536**	**92**	**20,892**
2008 final dividend	12	**(2,227)**	–	–	–	–	–	**(2,227)**
2009 interim dividend	12	**(903)**	–	–	–	–	–	**(903)**
At 31st December 2009		**149,262**	**342**	**49**	**711**	**(353)**	**1,589**	**151,600**

36. Reserves (continued)

Company	Note	Revenue reserve HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
At 1st January 2008		14,426	342	42	45	14,855
Profit for the year	11	4,411	–	–	–	4,411
Other comprehensive income						
Net fair value losses on available-for-sale assets recognised during the year		–	–	–	(86)	(86)
Total comprehensive income for the year		4,411	–	–	(86)	4,325
2007 final dividend		(3,532)	–	–	–	(3,532)
2008 interim dividend	12	(1,364)	–	–	–	(1,364)
Repurchase of Company's shares						
– premium paid on repurchases		(642)	–	–	–	(642)
– transferred between reserves		(7)	–	7	–	–
At 31st December 2008		13,292	342	49	(41)	13,642
At 1st January 2009		**13,292**	**342**	**49**	**(41)**	**13,642**
Profit for the year	11	**3,989**	**–**	**–**	**–**	**3,989**
Other comprehensive income						
Net fair value gains on available-for-sale assets						
– recognised during the year		**–**	**–**	**–**	**55**	**55**
– transferred to operating profit		**–**	**–**	**–**	**(16)**	**(16)**
Total comprehensive income for the year		**3,989**	**–**	**–**	**39**	**4,028**
2008 final dividend	12	**(2,227)**	**–**	**–**	**–**	**(2,227)**
2009 interim dividend	12	**(903)**	**–**	**–**	**–**	**(903)**
At 31st December 2009		**14,151**	**342**	**49**	**(2)**	**14,540**

(a) The Group revenue reserve includes accumulated losses from jointly controlled companies amounting to HK$1,856 million (2008: HK$2,018 million) and retained revenue reserves from associated companies amounting to HK$17,487 million (2008: HK$15,211 million).

(b) Distributable reserves of the Company at 31st December 2009 amounted to HK$14,010 million (2008: HK$13,173 million).

(c) The Group and Company revenue reserves include HK$3,310 million (2008: HK$2,227 million) representing the proposed final dividend for the year (note 12).

37. Minority Interests

	Group	
	2009 **HK$M**	2008 HK$M
At 1st January	**1,447**	1,161
Share of profits less losses for the year	**247**	373
Share of fair value gains on available-for-sale assets	**1**	–
Share of other comprehensive income of jointly controlled companies	**15**	(24)
Share of translation differences on foreign operations	**–**	44
Share of total comprehensive income	**263**	393
Dividends paid and payable	**(123)**	(84)
Acquisition of minority interests in subsidiary companies	**(2)**	(33)
Capital contribution from minority interests	**12**	10
Recognition of put option over minority interest in existing subsidiary company	**(751)**	–
At 31st December	**846**	1,447

38. Capital Commitments

	Group	
	2009 **HK$M**	2008 HK$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**3,069**	7,691
Authorised by Directors but not contracted for	**725**	1,892
(b) Investment properties		
Contracted for	**2,983**	1,217
Authorised by Directors but not contracted for	**2,028**	904
The Group's share of capital commitments of jointly controlled companies*		
Contracted for	**594**	304
Authorised by Directors but not contracted for	**5,073**	5,268
	5,667	5,572

* of which the Group is committed to funding HK$268 million (2008: HK$1,230 million).

The Company had no commitments in respect of the above items at 31st December 2009 (2008: same).

At 31st December 2009, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$158 million (2008: HK$184 million).

39. Contingencies

		Group		Company	
		2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
(a)	**Guarantees provided in respect of bank loans and other liabilities of:**				
	Subsidiary companies	**–**	–	**29,950**	30,541
	Jointly controlled companies	**987**	1,390	**986**	1,390
		987	1,390	**30,936**	31,931

(b) Contingent tax liability

Certain wholly-owned Group companies have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2003/04 inclusive as a consequence of queries raised by the Hong Kong Inland Revenue Department ("IRD"). These queries relate to the deductibility, in the assessment of profits tax, of interest on borrowings of those companies during the periods under review.

A number of discussions have taken place between the companies and the IRD to understand the precise nature of the IRD queries. However, at this stage there is insufficient information available to determine reliably the ultimate outcome of the IRD's review with an acceptable degree of certainty. Consequently no provision has been recognised in these accounts for any amounts that may fall due in regard to these queries.

The IRD has issued Notices of Assessment totalling HK$440 million in respect of their queries for the years under review. The companies involved have objected to these assessments and the IRD has agreed to unconditional holdover of the assessments.

In addition, the estimated interest which would (assuming the relevant Group companies are found liable to pay the tax demanded) be payable in respect of the Notices of Assessment totalled HK$171 million at 31st December 2009.

(c) Cathay Pacific Airways

Cathay Pacific Airways ("Cathay Pacific") is the subject of investigations and proceedings with regard to its air cargo operations by the competition authorities of various jurisdictions, including the European Union, Canada, Australia, Switzerland, Korea and New Zealand. Cathay Pacific has been cooperating with the authorities in their investigations and, where applicable, vigorously defending itself. The investigations and proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

On 24th December 2007, Cathay Pacific received a Statement of Objections from the European Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

On 15th December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, is evaluating the allegations and has responded.

On 17th July 2009, Cathay Pacific received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

39. Contingencies (continued)

(c) Cathay Pacific Airways (continued)

On 24th November 2009, Cathay Pacific received an Examiner's Report from the Korean Fair Trade Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

Cathay Pacific has been named as a defendant in a number of civil class action complaints in the United States, Canada and Australia alleging violations of applicable competition laws arising from its conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel in the actions filed in the United States, Canada and Australia and is defending those actions.

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but has made a provision of HK$80 million in respect of such liabilities in its 2009 accounts. The information usually required by HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice seriously the outcomes.

40. Operating Lease Arrangements

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out land and buildings and vessels under operating leases. The leases for land and buildings typically run for a period of three to six years. The turnover-related rental income received during the year amounted to HK$206 million (2008: HK$223 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew the lease after that date, at which time all terms are renegotiated.

At 31st December, the future aggregate minimum lease receipts under non-cancellable operating leases receivable by the Group and the Company were as follows:

	Group		Company	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
Land and buildings:				
Not later than one year	**5,571**	5,306	**2**	6
Later than one year but not later than five years	**9,939**	10,935	**1**	2
Later than five years	**2,176**	1,604	**–**	–
	17,686	17,845	**3**	8
Vessels:				
Not later than one year	**1,727**	2,334		
Later than one year but not later than five years	**1,702**	2,482		
Later than five years	**1,581**	1,835		
	5,010	6,651		
	22,696	24,496		

40. Operating Lease Arrangements (continued)

(a) Lessor (continued)

Assets held for deployment on operating leases at 31st December were as follows:

	Group				Company	
	2009		2008		**2009**	2008
	Investment properties HK$M	**Vessels HK$M**	Investment properties HK$M	Vessels HK$M	**Investment properties HK$M**	Investment properties HK$M
Cost or fair value	**141,129**	**8,369**	128,640	8,002	**98**	236
Less: accumulated depreciation	**–**	**(2,192)**	–	(1,898)	**–**	–
Net book value	**141,129**	**6,177**	128,640	6,104	**98**	236
Depreciation for the year	**–**	**362**	–	312	**–**	–

(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$14 million (2008: HK$16 million).

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

	Group		Company	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
Land and buildings:				
Not later than one year	**225**	213	**7**	8
Later than one year but not later than five years	**217**	272	**19**	24
Later than five years	**13**	32	**–**	–
	455	517	**26**	32
Vessels:				
Not later than one year	**70**	75		
Later than one year but not later than five years	**281**	281		
Later than five years	**469**	539		
	820	895		
Other equipment:				
Not later than one year	**18**	16		
Later than one year but not later than five years	**73**	72		
	91	88		
	1,366	1,500		

41. Related Party Transactions

There are agreements for services ("Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from jointly controlled and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and minority interests after certain adjustments. The current Agreements commenced on 1st January 2008 and will last for three years until 31st December 2010. For the year ended 31st December 2009, service fees payable amounted to HK$184 million (2008: HK$215 million). Expenses of HK$145 million (2008: HK$125 million) were reimbursed at cost; in addition, HK$212 million (2008: HK$178 million) in respect of shared administrative services was reimbursed.

The above transactions (except shared administrative services) are continuing connected transactions which give rise to disclosure obligations under Chapter 14A of the Listing Rules.

The Company's wholly-owned subsidiary Redhill Properties Limited entered into a sale and purchase agreement with Fine Bloom Limited on 26th June 2009 for the sale of the house located at 36A Island Road, Hong Kong to Fine Bloom Limited for an aggregate cash consideration of HK$117.5 million. As Fine Bloom Limited was wholly-owned by K G Kerr, a former Director of the Company, the transaction under the sale and purchase agreement constituted a connected transaction for the Company, in respect of which an announcement dated 26th June 2009 was published.

The Company entered into a share purchase agreement with CITIC Pacific Limited on 17th August 2009 for the purchase of 78,676,891 ordinary shares of HK$0.20 each of Cathay Pacific Airways Limited ("Cathay Pacific") for an aggregate cash consideration of approximately HK$1,013 million. CITIC Pacific Limited is a substantial shareholder of the Company's subsidiary Swire Aviation Limited and therefore a connected person of the Company. The transaction under the share purchase agreement constituted a connected transaction in respect of which an announcement dated 17th August 2009 was published. The purchase was completed on 28th September 2009 and the Company's interest in Cathay Pacific increased by 2% from approximately 39.97% to approximately 41.97%.

41. Related Party Transactions (continued)

The following is a summary of other significant transactions between the Group and related parties, which were carried out in the normal course of the Group's business, in addition to those transactions disclosed elsewhere in the accounts. These transactions were not connected transactions or continuing connected transactions under the Listing Rules.

		Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Notes	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M
Revenue from	(a)								
– Sales of beverage drinks		**–**	–	**16**	17	**–**	–	**–**	–
– Rendering of services		**6**	24	**6**	7	**–**	–	**–**	–
Purchases of beverage drinks	(a)	**–**	–	**368**	346	**–**	–	**–**	–
Purchases of beverage cans	(a)	**164**	208	**–**	–	**–**	–	**–**	–
Purchases of other goods	(a)	**3**	4	**37**	92	**–**	–	**–**	–
Purchases of services	(a)	**–**	–	**3**	2	**9**	7	**–**	–
Rental revenue	(b)	**6**	–	**7**	8	**12**	13	**43**	43
Interest income	(c)	**31**	5	**22**	23	**–**	–	**–**	–
Interest charges	(c)	**–**	3	**–**	–	**–**	–	**–**	–

Notes:

(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.

(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.

(c) Loans advanced to jointly controlled and associated companies at 31st December 2009 are disclosed in notes 20 and 21 respectively. Advances from jointly controlled and associated companies are disclosed in note 29.

At 31st December 2009, Swire Coca-Cola Beverages Xiamen Ltd ("SCCXM") extended a loan facility of RMB60 million to Hangzhou BC Foods Co., Ltd., both being subsidiaries of the Company. As security for these loans, another subsidiary of the Company, Swire Beverages Limited, entered into a Pledge Agreement with SCCXM on 4th January 2006 to pledge the dividends receivable from SCCXM. These loans and the transaction under the pledge agreement were not connected transactions which give rise to any disclosure or other obligations under Chapter 14A of the Listing Rules.

Amounts due to the immediate holding company at 31st December 2009 are disclosed in note 29. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management is disclosed in note 8.

42. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of Operating Profit to Cash Generated from Operations

	Group	
	2009	2008
	HK$M	HK$M
Operating profit	**21,733**	9,153
Profit on disposal of property, plant and equipment	**(106)**	(85)
Profit on disposal of investment properties	**(21)**	–
Loss on disposal of leasehold land and land use rights	**5**	–
Profit on disposal of available-for-sale assets	**(46)**	–
Change in fair value of investment properties	**(14,406)**	(177)
Depreciation	**860**	764
Amortisation of initial leasing costs	**28**	26
Amortisation of leasehold land and land use rights	**10**	7
Amortisation of intangible assets	**15**	14
Impairment losses recognised on hotel properties	**267**	–
Write-down of properties held for development	**29**	77
Profit on sale of partial interests in subsidiary companies	**–**	(49)
Profit on sale of a subsidiary company	**–**	(4)
Profit on sale of a jointly controlled company	**–**	(1,721)
Other items	**2**	(11)
Operating profit before working capital changes	**8,370**	7,994
Increase in long-term receivables	**(1)**	(1)
(Increase)/decrease in properties for sale	**(62)**	42
Decrease/(increase) in stocks and work in progress	**392**	(234)
Decrease/(increase) in trade and other receivables	**140**	(651)
(Decrease)/increase in trade and other payables	**(99)**	430
Cash generated from operations	**8,740**	7,580

(b) Purchase of Property, Plant and Equipment

	Group	
	2009	2008
	HK$M	HK$M
Properties	**942**	1,748
Plant and machinery	**486**	606
Vessels	**800**	1,332
Total	**2,228**	3,686

The above figures do not include interest capitalised on property, plant and equipment.

42. Notes to the Consolidated Cash Flow Statement (continued)

(c) Analysis of Changes in Financing During the Year

	Group			
	Loans, bonds and perpetual capital securities		Minority interests	
	2009 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M
At 1st January	**35,272**	27,038	**1,447**	1,161
Net cash (outflow)/inflow from financing	**(814)**	8,247	**12**	10
Minority interests' share of total comprehensive income	**–**	–	**263**	393
Dividends paid to minority interests	**–**	–	**(123)**	(84)
Recognition of put option over minority interest in existing subsidiary company	**–**	–	**(751)**	–
Other non-cash movements	**44**	(13)	**(2)**	(33)
At 31st December	**34,502**	35,272	**846**	1,447

43. Events after the Reporting Period

(a) Swire Properties Limited

As disclosed by the Company in its announcements dated 20th January 2010 and 11th February 2010, applications have been made to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the spin-off and separate listing of the shares in Swire Properties Limited, the company which holds the Group's principal property interests. The Stock Exchange has confirmed that the Company may proceed with the proposed spin-off, but there is no assurance that the approval of the separate listing of Swire Properties will be granted by the Listing Committee of the Stock Exchange.

On 25th January 2010, the Company disposed of its shares in Swire Properties US Inc. and Swire Properties One Inc. and all the outstanding shareholder loan notes of Swire Properties US Inc. to Swire Properties Limited for a total consideration of HK$1,108 million (representing the value of assets disposed), which was satisfied by an issue by Swire Properties Limited of 1,108,132,451 new shares at par on the same date.

(b) Hong Kong Air Cargo Terminals Limited

On 12th February 2010, Swire Aviation Limited, a 66.7%-owned subsidiary of the Company notified the existing shareholders in Hong Kong Air Cargo Terminals Limited ("Hactl") of its intention to sell its 30% interest in Hactl. The Group will cease to equity account for its interest in Hactl from that date.

44. Immediate and Ultimate Holding Company

The immediate holding company is John Swire & Sons (H.K.) Limited, a company incorporated in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in England.

Principal Accounting Policies

1. Basis of Preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The accounts have been prepared under the historical cost convention as modified by the revaluation of certain investment properties, available-for-sale investments and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. Basis of Consolidation

The consolidated accounts incorporate the accounts of Swire Pacific Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in jointly controlled and associated companies.

3. Subsidiary Companies

Subsidiary companies are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiary companies are included in the consolidated income statement and minority interests therein are disclosed separately as a component of the consolidated profit after tax. Results attributable to subsidiary company interests acquired or disposed of during the year are included from the date on which control is transferred to the Group or to the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiary companies by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the consolidated statement of financial position comprise the outside shareholders' proportion of the net assets of subsidiary companies. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company. Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the minority interest, which is not part of a business combination, the Group records a financial liability for the present value of the redemption amount and eliminates the value of the minority interest. Changes to the value of the financial liability are recognised in the income statement within finance income or finance costs.

In the Company's statement of financial position, its investments in subsidiary companies are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for by the Company on the basis of dividends received and receivable.

4. Jointly Controlled and Associated Companies

Jointly controlled companies are those companies held for the long-term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where none of the participating parties has unilateral control over the economic activity of the joint venture.

Associated companies are those companies over which the Group has significant influence, but not control or joint control, over their management including participation in the financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in jointly controlled and associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in jointly controlled and associated companies over the fair value of the Group's share of the identifiable net assets acquired represents goodwill. The Group's investments in jointly controlled and associated companies include goodwill arising on acquisitions.

The Group's share of its jointly controlled and associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are included in the carrying amount of the investment. When the Group's interest, including any other unsecured receivables in a jointly controlled or an associated company is reduced to nil, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled or associated company.

The Group recognises the disposal of an interest in a jointly controlled company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

Unrealised gains on transactions between the Group and its jointly controlled and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its jointly controlled and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of jointly controlled and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, its investments in jointly controlled and associated companies are stated at cost less provision for any impairment losses. Income from jointly controlled and associated companies is recognised by the Company on the basis of dividends received and receivable.

Long-term loans to jointly controlled companies are considered to be quasi-equity in nature.

5. Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in equity, any translation difference on that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the income statement, any translation difference on that gain or loss is recognised in the income statement.

(c) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

6. Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties (including those under construction) are carried at fair values and are valued at least annually. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as under construction. Changes in fair values are recognised in the income statement. The change in accounting policies in relation to investment properties is detailed in note 1(a) to the accounts.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

7. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major renovation costs and modifications that extend the life or usefulness of vessels are capitalised and depreciated over the period until the next drydocking. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

With the exception of freehold land, all other property, plant and equipment are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Properties	2% to 5% per annum
Plant and machinery	7% to 34% per annum
Vessels	4% to 7% per annum
Drydocking costs	20% to 50% per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at each period-end date to take into account operational experience and changing circumstances.

Vessels under construction are not depreciated until they are completed.

At each period-end date, both internal and external sources of information are considered to assess whether there is any indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

8. Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled and associated companies at the date of acquisition. Goodwill is treated as an asset of the entity acquired and where attributable to a foreign entity will be translated at the closing rate.

Goodwill on acquisition of a subsidiary company is included in intangible assets. Goodwill on acquisitions of associated and jointly controlled companies is included in investments in associated and jointly controlled companies respectively.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is performed annually. Impairment losses recognised on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are amortised over their estimated useful lives.

9. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation. These assets are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

10. Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial Assets at Fair Value Through Profit or Loss

This category has two sub-categories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the period-end date.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the period-end date where these are classified as non-current assets. See also policy for trade and other receivables (accounting policy note 15).

(c) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(d) Available-for-sale Assets

Available-for-sale assets are non-derivative investments and other assets that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the period-end date.

Purchases and sales of financial assets are recognised on their trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale assets are recognised in other comprehensive income. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investments.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale investments) is based on quoted market prices at the period-end date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair value.

The Group assesses at each period-end date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

11. Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (2) hedges of highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings and foreign exchange risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance income or finance costs. The gain or loss relating to forward foreign exchange contracts, whether effective or ineffective, is recognised in the income statement within other net gains.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised through the income statement over the period to maturity.

(b) Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the income statement within cost of sales. The gain or loss relating to the ineffective portion of interest rate swaps or forward foreign exchange contracts is recognised in the income statement within other net gains. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net Investment Hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) Derivatives That Do Not Qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the period-end date.

12. Initial Leasing Costs

Expenditure incurred in leasing the Group's property during construction is deferred and amortised on a straight-line basis to the income statement upon occupation of the property over a period not exceeding the terms of the lease.

13. Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of finished goods and work in progress comprise direct material and labour costs and an appropriate proportion of production overhead expenses less provisions for foreseeable losses. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchase of raw materials or stocks.

14. Properties Held for Development and Properties for Sale

Properties held for development and properties for sale comprise freehold and leasehold land, construction costs and interest costs capitalised, less provisions for possible losses. Properties held for development are not expected to be sold within the Group's normal operating cycle and are classified as non-current assets. Properties for sale are available for immediate sale and are classified as current assets.

15. Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the statement of financial position are stated net of such provisions.

16. Cash and Cash Equivalents

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

17. Borrowings (including Perpetual Capital Securities)

Borrowings are recognised initially at fair value, net of transaction costs incurred for those not held at fair value through profit or loss. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated either at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method, or at fair value through profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

18. Borrowing Costs

Interest costs incurred are charged to the income statement except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

19. Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessors) are recognised as income or expense in the income statement on a straight-line basis over the period of the lease.

20. Deferred Taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition has no impact on taxable nor accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, jointly controlled and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

21. Revenue Recognition

Provided the collectibility of the related receivable is reasonably assured, revenue is recognised as follows:

(a) Rental income is recognised on a straight-line basis over the shorter of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when earned.
(b) Sales of properties are recognised when effective control of ownership of the properties is transferred to the buyers, for example on issue of the completion certificate/occupancy permit.
(c) Sales of services, including services provided by hotel operations, are recognised when the services are rendered.
(d) Revenue from vessel charter hire services is recognised over the period of charter hire in accordance with the vessel charter hire agreements.
(e) Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership, for example insurance and service costs.
(f) Interest income is recognised on a time-proportion basis using the effective interest method.

22. Related Parties

Related parties are individuals and companies, including subsidiary, fellow subsidiary, jointly controlled and associated companies and key management (including close members of their families), where the individual, company or Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

23. Retirement Benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant Group companies and, in some cases, employees themselves, taking account of the recommendations of independent qualified actuaries.

A defined benefit plan is a retirement plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution schemes are charged to the income statement in the period to which the contributions relate.

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of employees. The retirement benefit obligation is measured as the present value of the estimated future cash outflows. Plan assets are measured at fair value. Cumulative unrecognised net actuarial gains and losses at the previous financial year-end, to the extent that the amount is in excess of 10% of the greater of the present value of the defined benefit obligations and the fair value of the plan assets, are recognised over the expected average remaining working lives of the employees participating in the plan. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

24. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

25. Guarantees

Financial guarantees are initially recognised in the accounts at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the income statement.

26. Dividend Distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders.

27. Segment Reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting. For disclosure purposes, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics or single operating segments which are disclosable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2009

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Cathay Limited	100	–	100	807 shares of HK$10 each	Property investment
Cityplaza Holdings Limited	100	–	100	100 shares of HK$10 each	Property investment
Coventry Estates Limited	100	–	100	4 shares of HK$10 each	Property investment
Festival Walk Holdings Limited	100	–	100	100,000 shares of HK$10 each	Property investment
Golden Tent Limited	100	–	100	1 share of HK$1	Hotel investment
Island Delight Limited	87.5	–	100	1 share of HK$1	Property trading
One Queen's Road East Limited	100	–	100	2 shares of HK$1 each	Property investment
Oriental Landscapes Limited	100	–	100	50,000 shares of HK$10 each	Landscaping services
Pacific Place Holdings Limited	100	–	100	2 shares of HK$1 each	Property investment
Redhill Properties Limited	100	–	100	250,000 shares of HK$1 each	Property investment
Swire Properties Limited	100	100	–	4,581,651,542 shares of HK$1 each	Holding company
Swire Properties (Finance) Limited	100	–	100	100 shares of HK$1 each	Provision of financial services
Swire Properties Projects Limited	100	–	100	2 shares of HK$1 each	Project management
Swire Properties Real Estate Agency Limited	100	–	100	2 shares of HK$10 each	Real estate agency
Swire Properties Management Limited	100	–	100	2 shares of HK$10 each	Property management
Taikoo Place Holdings Limited	100	–	100	2 shares of HK$1 each	Property investment
One Island East Limited	100	–	100	2 shares of HK$1 each	Property investment
Keen Well Holdings Limited	80	–	100	1 share of HK$1	Property trading

Notes:

(1) This table lists the principal subsidiary, jointly controlled and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.

(2) Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of ship owning and operating are international, and are not attributable to a principal country of operation.

(3) * Group interest held through jointly controlled or associated companies.

(4) • Companies not audited by PricewaterhouseCoopers. These companies account for approximately 13.3% of attributable net assets at 31st December 2009.

(5) ^ Translated name.

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
TaiKoo Hui (Guangzhou) Development Co. Ltd. ^	97	–	97	Registered capital of RMB2,000,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Sanlitun North Property Management Co. Ltd. ^	80	–	80	Registered capital of RMB1,392,000,000	Property investment
Beijing Sanlitun South Property Management Co. Ltd. ^	80	–	80	Registered capital of RMB1,598,000,000	Property investment
Beijing Sanlitun Hotel Management Co. Ltd. ^	100	–	100	Registered capital of RMB400,000,000	Hotel investment
Beijing Tianlian Real Estate Co. Ltd. ^	100	–	100	Registered capital of RMB865,000,000	Holding company
Sunshine Melody (Guangzhou) Properties Management Ltd.	100	–	100	Registered capital of RMB195,000,000	Property investment
Incorporated in the United States:					
Brickell CitiCentre East LLC	100	–	100	Limited Liability Company	Property trading
Brickell CitiCentre West LLC	100	–	100	Limited Liability Company	Property trading
Swire Development Sales Inc.	100	–	100	1,000 shares of US$0.01 each	Real estate agency
Swire Pacific Holdings Inc. *(see also Beverages Division)*	100	–	100	8,950.28 shares of US$1 each	Property development and manufacture and sale of non-alcoholic beverages
Swire Realty Inc.	100	–	100	1,000 shares of US$0.01 each	Real estate agency
Swire Properties One Inc.	100	–	100	100 shares of US$0.01 each	Property trading
FTL/AD Limited	75	–	75	Florida Partnership	Property trading
Incorporated in the British Virgin Islands:					
Boom View Holdings Limited	100	–	100	2 shares of US$1 each	Property investment
Charming Grace Limited	100	–	100	1 share of US$1	Property development
Endeavour Technology Limited	87.5	–	87.5	1,000 shares of US$1 each	Holding company
Peragore Limited	80	–	80	1,000 shares of US$1 each	Holding company
Swire and Island Communication Developments Limited	60	–	60	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	100	–	100	1 share of US$1	Holding company
Incorporated in the United Kingdom:					
New Light Hotels Limited	100	–	100	9,000,100 shares of GBP1 each	Hotel investment
Jointly controlled companies:					
Incorporated in Hong Kong:					
Hareton Limited	50	–	50	100 shares of HK$10 each	Property trading

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2009

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION (continued)					
Jointly controlled companies (continued):					
Incorporated in the United States:					
Swire Brickell Key Hotel, Ltd	75	–	75	Florida Partnership	Hotel investment
Incorporated in the British Virgin Islands:					
Dazhongli Properties Limited	50	–	50	1,000 shares of US$1 each	Holding company
Island Land Development Limited	50	–	50	100 shares of HK$10 each	Property investment
Newfoundworld Investment Holdings Limited	20	–	*	5 shares of US$1 each	Holding company
Incorporated in Mainland China:					
(Domestic company)					
Beijing Linlian Real Estate Co. Ltd. ^	50	–	50	Registered capital of RMB400,000,000	Property investment
(Wholly foreign owned enterprises)					
Guan Feng (Shanghai) Real Estate Development Company Limited ^	50	–	*	Registered capital of US$500,000,000	Property investment
Pei Feng (Shanghai) Real Estate Development Company Limited ^	50	–	*	Registered capital of US$60,000,000	Property investment
Ying Feng (Shanghai) Real Estate Development Company Limited ^	50	–	*	Registered capital of US$336,500,000	Property investment
Associated companies:					
Incorporated in Hong Kong:					
Queensway Hotel Limited	20	–	*	100,000 shares of HK$10 each	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	20	–	20	5,000 shares of HK$1 each and 10,000,000 non-voting shares of HK$1 each	Hotel investment
Greenroll Limited •	20	–	20	45,441,000 shares of HK$10 each	Hotel investment
Richly Leader Limited	20	–	20	1,000,000,000 shares of HK$1 each	Property investment
AVIATION DIVISION					
Subsidiary company:					
Incorporated in Hong Kong:					
Swire Aviation Limited	66.67	66.67	–	5,000 shares of HK$10 each	Holding company
Associated companies:					
Incorporated in Hong Kong:					
Abacus Distribution Systems (Hong Kong) Limited •	22.45	–	*	15,600,000 shares of HK$1 each	Computerised reservation systems and related services
AHK Air Hong Kong Limited •	25.18	–	*	54,402,000 'A' shares of HK$1 each 36,268,000 'B' shares of HK$1 each	Cargo airline
Airline Property Limited •	41.97	–	*	2 shares of HK$10 each	Property investment
Airline Stores Property Limited •	41.97	–	*	2 shares of HK$10 each	Property investment
Airline Training Property Limited •	41.97	–	*	2 shares of HK$10 each	Property investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies (continued):					
Incorporated in Hong Kong (continued):					
Cathay Holidays Limited •	41.97	–	*	40,000 shares of HK$100 each	Travel tour operator
Cathay Pacific Airways Limited •	41.97	41.97	–	3,933,844,572 shares of HK$0.20 each	Operation of scheduled airline services
Cathay Pacific Catering Services (H.K.) Limited •	41.97	–	*	600 shares of HK$1,000 each	Airline catering
Cathay Pacific Loyalty Programmes Limited •	41.97	–	*	2 shares of HK$1 each	Travel reward programme
Cathay Pacific Services Limited	41.97	–	*	1 share of HK$1	Operation of air cargo terminal
Global Logistics System (H.K.) Company Limited •	40.56	–	*	100 shares of HK$10 each	Computer network for interchange of air cargo related information
Goodrich Asia-Pacific Limited	25.61	–	*	9,200,000 shares of HK$1 each	Carbon brake machining and wheel hub overhaul
Hong Kong Aero Engine Services Limited •	23.52	–	*	20 shares of HK$10 each	Commercial aero engine overhaul services
Hong Kong Air Cargo Terminals Limited	24.20	–	30&*	600,000 shares of HK$100 each	Air cargo handling service
Hong Kong Aircraft Engineering Company Limited	52.26	45.96	*	166,324,850 shares of HK$1 each	Aircraft overhaul and maintenance
Hong Kong Airport Services Limited •	41.97	–	*	100 shares of HK$1 each	Provision of ground and ramp handling services
Hong Kong Dragon Airlines Limited •	41.97	–	*	500,000,000 shares of HK$1 each	Operation of scheduled airline services
HAECO ATE Component Service Limited	52.26	–	*	2,000,000 shares of HK$1 each	Aircraft component repair services
Vogue Laundry Service Limited •	41.97	–	*	3,700 shares of HK$500 each	Laundry and dry cleaning
Ground Support Engineering Limited	20.99	–	*	2 shares of HK$1 each	Airport ground engineering support & equipment maintenance
LSG Lufthansa Service Hong Kong Limited	13.41	–	*	501 shares of HK$1 each	Airline catering
Incorporated in Mainland China:					
Air China Limited •	7.60	–	*	4,405,683,364 'H' shares of RMB1 each 7,845,678,909 'A' shares of RMB1 each	Operation of scheduled airline services
(Sino-foreign joint ventures)					
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	17.64	–	*	Registered capital of US$5,000,000	Tyre services for commercial aircraft
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited •	11.68	–	*	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies (continued):					
Incorporated in Mainland China (continued):					
Honeywell TAECO Aerospace (Xiamen) Company Limited	16.40	–	*	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Taikoo Engine Services (Xiamen) Company Limited	46.73	–	*	Registered capital of US$63,000,000	Commercial aero engine overhaul services
Taikoo (Shandong) Aircraft Engineering Company Limited •	19.01	–	*	Registered capital of RMB200,000,000	Heavy maintenance services for narrow-body aircraft
Taikoo Sichuan Aircraft Engineering Services Company Limited	23.91	–	*	Registered capital of RMB60,000,000	Line maintenance and aircraft maintenance
Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited •	27.72	–	*	Registered capital of US$11,663,163	Composite material aeronautic parts/systems repair, manufacturing and sales
Taikoo (Xiamen) Aircraft Engineering Company Limited ^	33.37	–	*	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	32.82	–	*	Registered capital of US$13,890,000	Landing gear repair and overhaul
(Wholly foreign owned enterprise)					
Guangzhou Guo Tai Information Processing Company Limited •	41.97	–	*	Registered capital of HK$8,000,000	Information processing
Incorporated in Canada:					
CLS Catering Services Limited •	12.59	–	*	330,081 shares of no par value	Airline catering
Incorporated in Bermuda:					
Troon Limited •	41.97	–	*	12,000 shares of US$1 each	Financial services
Incorporated in the Isle of Man:					
Cathay Pacific Aircraft Services Limited •	41.97	–	*	10,000 shares of US$1 each	Aircraft acquisition facilitator
Snowdon Limited •	41.97	–	*	2 shares of GBP1 each	Financial services
Incorporated in Japan:					
Cathay Kansai Terminal Services Company Limited •	13.41	–	*	16,053 shares of no par value	Ground handling
Incorporated in the Philippines:					
Cebu Pacific Catering Services Inc. •	16.79	–	*	37,500,000 shares of PHP1 each	Airline catering
Incorporated in Taiwan:					
China Pacific Catering Services Limited	20.55	–	*	86,051,000 shares of NTD10 each	Airline catering
Incorporated in Singapore:					
Singapore Aero Engine Services Private Limited •	4.70	–	*	54,000,000 shares of US$1 each	Commercial aero engine overhaul services
Singapore HAECO Pte Limited	52.26	–	*	Registered capital of SGD1	Line maintenance

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies (continued):					
Incorporated in Vietnam:					
VN/CX Catering Services Limited	16.79	–	*	4,062,000 shares of US$1 each	Airline catering
BEVERAGES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Mount Limited	87.50	–	100	1 share of HK$1	Holding company
Swire Beverages Holdings Limited	100	100	–	10,002 shares of HK$100 each	Holding company
Swire Beverages Limited	87.50	–	87.50	14,600 shares of US$500 each	Holding company and sale of non-alcoholic beverages
Swire Coca-Cola HK Limited	87.50	–	100	2,400,000 shares of HK$10 each	Manufacture of non-alcoholic beverages
Swire Linx Trading (Hong Kong) Co., Limited	100	100	–	1 share of HK$1	Holding company
Top Noble Limited	100	–	100	1 share of HK$1	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Swire Coca-Cola Beverages Xiamen Ltd.	93.63	–	100	Registered capital of US$52,737,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Xiamen Luquan Industries Company Limited	100	–	100	Registered capital of RMB106,370,000	Manufacture and sale of non-alcoholic beverages
Swire Linx Trading (Shenzhen) Co., Ltd. ^	100	–	100	Registered capital of RMB2,500,000	Sale and distribution of packaged foods and general household items
Incorporated in Bermuda:					
Swire Pacific Industries Limited *(operating principally in Taiwan)*	100	–	100	12,000 shares of US$1 each	Holding company
Incorporated in the British Virgin Islands:					
SPHI Holdings Limited	100	–	100	2 shares of US$1 each	Holding company
Swire Coca-Cola Beverages Limited *(operating principally in Taiwan)*	80	–	80	1,800,000,000 shares of US$0.01 each	Manufacture of non-alcoholic beverages
Swire Coca-Cola (S&D) Limited *(operating principally in Taiwan)*	80	–	80	2,000,000 shares of US$0.01 each	Sale of non-alcoholic beverages
Incorporated in the United States:					
Swire Pacific Holdings Inc. *(see also Property Division)*	100	–	100	8,950.28 shares of US$1 each	Manufacture and sale of non-alcoholic beverages and property development

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
BEVERAGES DIVISION (continued)					
Jointly controlled companies:					
Incorporated in the British Virgin Islands:					
Swire Coca-Cola Vending Limited (operating principally in Taiwan)	43.75	–	50	100 shares of US$1 each	Sale of non-alcoholic beverages
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Hangzhou BC Foods Co., Ltd.	44.63	–	*	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Nanjing BC Foods Co., Ltd	44.63	–	*	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hefei Ltd.	59.50	–	*	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited ^	44.63	–	*	Registered capital of RMB49,800,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Ltd.	60.68	–	*	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	44.63	–	20.4 & *	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	44.63	–	51	Registered capital of RMB510,669,100	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Swire BCD Co. Ltd.	74.38	–	85	Registered capital of US$60,000,000	Holding company
Xian BC Coca-Cola Beverages Limited ^	74.38	–	*	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Associated companies:					
Incorporated in Hong Kong:					
Coca-Cola Bottlers Manufacturing Holdings Limited	35.88	–	41	26,000 shares of HK$1 each	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited ^	35.88	–	*	Registered capital of US$13,333,300	Manufacture and sale of non-carbonated beverages
(Wholly foreign owned enterprises)					
Coca-Cola Bottlers Manufacturing (Dongguan) Company Limited ^	35.88	–	*	Registered capital of US$111,322,600	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Foshan) Company Limited ^	35.88	–	*	Registered capital of US$14,666,700	Manufacture and sale of non-carbonated beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
MARINE SERVICES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Pacific Ship Management Limited •	100	–	100	1,000 shares of HK$100 each	Ship personnel management
Incorporated in Azerbaijan:					
Swire Pacific Offshore (Caspian) LLC	100	–	100	1,000 shares of US$5 each	Chartering and operating vessels
Incorporated in Australia:					
Swire Pacific Ship Management (Australia) Pty. Ltd.	100	–	100	20,000 shares of AUD1 each	Ship personnel management
Swire Pacific Offshore Pty Limited	100	–	100	40,000 shares of AUD1 each	Ship owning and operating
Incorporated in Bermuda:					
Swire Pacific Offshore Holdings Limited	100	–	100	500,000 shares of US$100 each	Holding company
Swire Pacific Offshore Limited	100	–	100	120 shares of US$100 each	Management services
Incorporated in the United Kingdom:					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of GBP1 each	Management services
Incorporated in Singapore:					
Lamor Swire Environmental Solutions Pte Ltd	80.1	–	80.1	10,000 shares of SGD1 each	Oil spill response services
SCF Swire Offshore Pte Ltd (formerly known as Prisco Swire Offshore Pte Limited)	50	–	50	10,001 shares of SGD1 each	Ship management services and other related activities
Swire Pacific Offshore Services (Pte) Limited	100	–	100	500,000 shares of SGD1 each	Administrative services to related companies
Swire Pacific Offshore Operations (Pte) Limited	100	–	100	500,000 shares of SGD1 each	Ship owning and operating
Swire Salvage Pte Limited	100	–	100	2 shares of SGD1 each	Salvage and maritime emergency response services
Incorporated in New Zealand:					
Swire Pacific Offshore NZ Limited	100	–	100	1 share of NZD100	Supply services to offshore oil and gas exploration and development activities
Incorporated in Cameroon:					
Swire Pacific Offshore Africa	100	–	100	10,000,000 shares of XAF1 each	Vessel operator

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2009

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Jointly controlled companies:					
Incorporated in Hong Kong:					
Hongkong United Dockyards Limited	50	50	–	7,600,000 shares of HK$10 each	Ship repairing, marine towage and general engineering
HUD General Engineering Services Limited	50	–	*	4,120,000 shares of HK$10 each	General engineering services
The Hongkong Salvage & Towage Company Limited	50	50	–	2,000,000 shares of HK$10 each	Tug owning and leasing
Associated companies:					
Incorporated in the Philippines:					
Anscor Swire Ship Management Corporation •	25	–	25	20,000 shares of PHP100 each	Ship personnel management
Incorporated in the United Arab Emirates:					
Swire Pacific Offshore (Dubai) LLC	49	–	49	300 shares of AED1,000 each	Management services
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Industrial Limited	100	100	–	2 shares of HK$1 each	Holding company
Taikoo Sugar Limited	100	–	100	300,000 shares of HK$10 each	Packing and trading of branded food products
Jointly controlled companies:					
Incorporated in Hong Kong:					
CROWN Beverage Cans Hong Kong Limited	44.57	–	44.57	17,300,000 shares of HK$10 each	Beverage can trading and distribution
Akzo Nobel Swire Paints Limited •	40	–	40	10,000 shares of HK$1 each	Sale of paints and provision of related services
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
CROWN Beverage Cans Beijing Limited	41.30	–	*	Registered capital of US$31,600,000	Beverage can manufacturing
CROWN Beverage Cans Huizhou Limited •	44.12	–	*	Registered capital of US$24,887,000	Beverage can manufacturing
CROWN Beverage Cans Shanghai Limited	26.74	–	*	Registered capital of US$14,000,000	Beverage can manufacturing
Foshan Continental Can Company Limited •	22.29	–	*	Registered capital of US$9,900,000	Beverage can manufacturing
Foshan Crown Easy-Opening End Company Limited •	22.29	–	*	Registered capital of US$6,000,000	Beverage can manufacturing
Akzo Nobel Swire Paints (Guangzhou) Limited ^ (formerly known as ICI Swire Paints (China) Limited) •	36	–	36	Registered capital of HK$180,000,000	Paint manufacturing
(Wholly foreign owned enterprise)					
Akzo Nobel Swire Paints (Shanghai) Limited ^ •	30	–	30	Registered capital of US$25,640,000	Paint manufacturing

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL (continued)					
Jointly controlled companies (continued):					
Incorporated in Vietnam:					
CROWN Beverage Cans Hanoi Limited	37.37	–	*	US$24,910,000	Beverage can manufacturing
TRADING & INDUSTRIAL DIVISION – TRADING					
Subsidiary companies:					
Incorporated in Hong Kong:					
Bel Air Motors Limited	100	–	100	1 share of HK$1	Automobile distribution in Taiwan
Beldare Motors Limited	100	–	100	10,000 shares of HK$100 each	Automobile distribution in Taiwan
Liberty Motors Limited	100	–	100	2 shares of HK$10 each	Automobile distribution in Taiwan
Taikoo Commercial Vehicles Limited	100	–	100	2,000 shares of HK$1 each	Automobile distribution in Taiwan
Yuntung Motors Limited	100	–	100	2 shares of HK$1 each	Automobile distribution in Taiwan
Swire Resources Limited	100	–	100	4,010,000 shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Mainland China:					
(Wholly foreign owned enterprise)					
Swire Resources (Shanghai) Trading Company Limited	100	–	100	Registered capital of US$6,040,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in the British Virgin Islands:					
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile retail in Taiwan

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2009

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – TRADING (continued)					
Jointly controlled company:					
Incorporated in Hong Kong:					
Intermarket Agencies (Far East) Limited	70	–	70	10 shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Associated companies:					
Incorporated in Hong Kong:					
PUMA Hong Kong Limited	49	–	*	500,000 shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Mainland China:					
(Wholly foreign owned enterprise)					
PUMA China Limited (formerly known as Liberty Shanghai Limited) ^	49	–	*	Registered capital of US$6,040,000	Marketing and distribution of branded sports and casual footwear, apparel and accessories
OTHERS					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Finance Limited	100	100	–	1,000 shares of HK$10 each	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific Capital Limited	100	100	–	10 shares of US$1 each	Financial services
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services
Incorporated in the Isle of Man:					
Spaciom Limited	100	100	–	650,000 shares of HK$1 each and 3,800,000 redeemable preference shares of HK$0.01 each	Insurance underwriting
Jointly controlled company:					
Incorporated in Taiwan:					
China Pacific Laundry Services Limited •	45	–	45	25,000,000 shares of NTD10	Laundry services

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated income statement and consolidated statement of comprehensive income for the year ended 31st December 2009 and consolidated statement of financial position as at 31st December 2009, modified to conform to the Group's accounts presentation.

CATHAY PACIFIC AIRWAYS LIMITED

Consolidated Income Statement

For the year ended 31st December 2009

	2009 HK$M	2008 HK$M (Restated)
Turnover	**66,978**	86,563
Operating expenses	**(62,499)**	(94,124)
Profit on disposal of investment in an associated company	**1,254**	–
Settlement of the US Department of Justice cargo investigations	**–**	(468)
Operating profit/(loss)	**5,733**	(8,029)
Finance charges	**(1,435)**	(2,428)
Finance income	**588**	1,416
Net finance charges	**(847)**	(1,012)
Share of profits less losses of associated companies	**261**	(764)
Profit/(loss) before taxation	**5,147**	(9,805)
Taxation	**(283)**	1,333
Profit/(loss) for the year	**4,864**	(8,472)
Profit/(loss) attributable to:		
Cathay Pacific shareholders	**4,694**	(8,696)
Minority interests	**170**	224
	4,864	(8,472)
Dividends		
Interim – paid	**–**	118
Final – proposed	**393**	–
	393	118
	HK¢	HK¢
Earnings/(loss) per share for profit attributable to Cathay Pacific shareholders (Basic and diluted)	**119.3**	(221.0)

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2009

	2009 HK$M	2008 HK$M (Restated)
Profit/(loss) for the year	**4,864**	(8,472)
Other comprehensive income		
Cash flow hedges		
– recognised during the year	**6**	(1,275)
– transferred to profit and loss	**360**	132
– deferred tax	**(37)**	108
Net fair value gains/(losses) on available-for-sale financial assets	**479**	(430)
Share of other comprehensive income of associated companies	**11**	(154)
Net translation differences on foreign operations	**8**	524
Other comprehensive income/(loss) for the year, net of tax	**827**	(1,095)
Total comprehensive income for the year	**5,691**	(9,567)
Total comprehensive income attributable to:		
Cathay Pacific shareholders	**5,521**	(9,791)
Minority interests	**170**	224
	5,691	(9,567)

Note:
Other than cash flow hedges as highlighted above, items shown within other comprehensive income have no tax effect.

Consolidated Statement of Financial Position

At 31st December 2009

	2009 HK$M	2008 HK$M (Restated)	2007 HK$M (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	**65,495**	66,039	62,388
Intangible assets	**7,850**	7,782	7,782
Investments in associated companies	**9,042**	9,581	9,896
Other long-term receivables and investments	**5,307**	4,949	5,119
	87,694	88,351	85,185
Current assets			
Stock	**947**	960	882
Trade and other receivables	**8,161**	10,647	9,817
Liquid funds	**16,522**	15,088	21,649
	25,630	26,695	32,348
Current liabilities			
Current portion of long-term liabilities	**9,023**	4,556	4,788
Related pledged security deposits	**(1,195)**	(301)	(910)
Net current portion of long-term liabilities	**7,828**	4,255	3,878
Trade and other payables	**12,965**	17,722	12,538
Unearned transportation revenue	**8,075**	8,649	8,792
Taxation	**943**	2,129	2,475
	29,811	32,755	27,683
Net current (liabilities)/assets	**(4,181)**	(6,060)	4,665
Total assets less current liabilities	**83,513**	82,291	89,850
Non-current liabilities			
Long-term liabilities	**40,416**	43,221	40,323
Related pledged security deposits	**(5,602)**	(7,196)	(7,833)
Net long-term liabilities	**34,814**	36,025	32,490
Other long-term payables	**1,059**	4,606	1,490
Deferred taxation	**5,255**	4,831	6,621
	41,128	45,462	40,601
NET ASSETS	**42,385**	36,829	49,249
CAPITAL AND RESERVES			
Share capital	**787**	787	788
Reserves	**41,451**	35,922	48,283
Funds attributable to Cathay Pacific shareholders	**42,238**	36,709	49,071
Minority interests	**147**	120	178
TOTAL EQUITY	**42,385**	36,829	49,249

Notes to the Accounts
At 31st December 2009

Contingencies

(a) Cathay Pacific Airways ("Cathay Pacific") has under certain circumstances undertaken to maintain specified rates of return within the Cathay Pacific group's leasing arrangements. The Directors of Cathay Pacific do not consider that an estimate of the potential financial effect of these contingencies can practically be made.

(b) At 31st December 2009, contingent liabilities existed in respect of guarantees given by the Cathay Pacific group on behalf of associated companies and staff relating to lease obligations, bank loans and other liabilities of up to HK$262 million (2008: HK$270 million).

(c) Cathay Pacific operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcome of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

(d) Cathay Pacific is the subject of investigations and proceedings with regard to its air cargo operations by the competition authorities of various jurisdictions, including the European Union, Canada, Australia, Switzerland, Korea and New Zealand. Cathay Pacific has been cooperating with the authorities in their investigations and, where applicable, vigorously defending itself. The investigations and proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

On 24th December 2007, Cathay Pacific received a Statement of Objections from the European Commission with regard to its air cargo operations and, with the assistance of legal counsel, has responded.

On 15th December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, is evaluating the allegations and has responded.

On 17th July 2009, Cathay Pacific received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

On 24th November 2009, Cathay Pacific received an Examiner's Report from the Korean Fair Trade Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

Cathay Pacific has been named as a defendant in a number of civil class action complaints in the United States, Canada and Australia alleging violations of applicable competition laws arising from its conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel in the actions filed in the United States, Canada and Australia and is defending those actions.

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but has made a provision of HK$80 million in respect of such liabilities in its 2009 accounts. The information usually required by HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice seriously the outcomes.

Schedule of Principal Group Properties

At 31st December 2009

	Gross floor areas in square feet								
	Hong Kong		Mainland China		USA		UK	Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment									
Retail	3,302,219	99,698	1,387,155	–	–	–	–	4,689,374	4,789,072
Office	8,170,182	306,667	–	–	–	–	–	8,170,182	8,476,849
Techno-centres	1,816,667	–	–	–	–	–	–	1,816,667	1,816,667
Residential	478,270	–	–	–	–	–	–	478,270	478,270
Hotels	357,758	381,680	169,463	–	–	258,750	183,556	710,777	1,351,207
	14,125,096	788,045	1,556,618	–	–	258,750	183,556	15,865,270	16,912,065
Property developments for investment									
Retail	1,030	–	1,303,068	991,876	–	–	–	1,304,098	2,295,974
Office	145,513	–	1,760,840	1,250,562	–	–	–	1,906,353	3,156,915
Hotels	–	–	595,421	440,964	–	–	–	595,421	1,036,385
Residential	68,242	–	54,251	–	–	–	–	122,493	122,493
	214,785	–	3,713,580	2,683,402	–	–	–	3,928,365	6,611,767
Property developments for sale									
Retail	5,163	7,519	–	–	–	–	–	5,163	12,682
Industrial	–	191,250	–	–	–	–	–	–	191,250
Residential	665,274	4,392	–	–	523,994	–	–	1,189,268	1,193,660
Mixed Use	–	–	–	–	2,550,000	–	–	2,550,000	2,550,000
	670,437	203,161	–	–	3,073,994	–	–	3,744,431	3,947,592
	15,010,318	991,206	5,270,198	2,683,402	3,073,994	258,750	183,556	23,538,066	27,471,424

Notes:

1. All properties held through subsidiary companies are wholly-owned except for Island Place (60%), TaiKoo Hui (97%), Sanlitun Village (Retail: 80%, Hotel: 100%), New River Court and the development site in Fort Lauderdale (75%) and the development sites in 2A-2E Seymour Road (87.5%) and Sai Wan Terrace (80%). The above summary table includes the floor areas of these seven properties in total.
2. "Other companies" comprise jointly controlled or associated companies and other investments. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas exclude car parking spaces; over 8,500 completed car parking spaces are held by subsidiaries for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the United States are freehold.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building.
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building.
The Mall at Pacific Place	IL 8571/IL 8582 & Ext. (part)	2135/ 2047	318,289 (part)	711,182	470	1988/ 90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises service apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050- 2852	40,236	627,657	111	2004/ 07	Office building linked to The Mall and Admiralty MTR Station.
3. Festival Walk, Yau Yat Tsuen	NKIL 6181	2047	222,382	Retail: 980,089 Office: 228,665	830	1998	Comprises a 980,089 square foot shopping centre, including ice skating rink and cinema, 228,665 square feet of office space and a transport terminus linked to Kowloon Tong MTR station.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
4. Cityplaza, 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 sA QBML 2 & Ext. sQ ss7 RP QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA ss1 QBML 2 & Ext. sQ ss2 sA RP QBML 2 & Ext. sJ RP	2899	334,475 (part)	1,105,227	834	1983/ 87/ 97/ 2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
5. 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 sA QBML 2 & Ext. sQ ss7 RP QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA ss1 QBML 2 & Ext. sQ ss2 sA RP QBML 2 & Ext. sJ RP	2899	146,184 (part)	628,785	–	1997	Office building over part of Cityplaza shopping centre.
6. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	33,730	447,714	10	1992	Office building linked by a footbridge to Cityplaza.
7. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,431	–	1991	Office building linked by a footbridge to Cityplaza.
8. Commercial areas in Stages I-X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sCss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2899	–	331,079	3,826	1977 -85	Neighbourhood shops, school and car parking spaces.
9. Devon House, TaiKoo Place	QBML 1 sF ss1 QBML 1 sF RP ML 703 sN QBML 1 sE ss2 (part)	2881	70,414 (part)	803,452	311	1993	Office building linked to Quarry Bay MTR station by a footbridge.
10. 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.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
11. 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)	333,353	164	1998	Office building linked to Dorset House.
12. Oxford House, TaiKoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881	33,434	501,253	182	1999	Office building linked to Somerset House.
13. Cambridge House, TaiKoo Place	QBML 1 sE ss2 QBML 1 sF ss1 QBML 1 sF RP ML 703 sN (part)	2881	70,414	268,795	–	2003	Office building linked to Devon House.
14. One Island East, TaiKoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/ 2899	109,929	1,537,011	–	2008	Office building linked to Cornwall House.
15. Island Place, 500 King's Road, North Point	IL 8849	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, of which the Group owns 60%.
16. StarCrest, 9 Star Street, Wanchai	IL 8853	2047	40,871	13,112	83	1999	Floor area shown represents the whole of the retail area including 83 car parking spaces retained by the Group.
17. 23-29 Wing Fung Street, Wanchai	IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3	2856	2,397	11,307	–	2006	Floor area shown represents a 3-storey retail podium.
18. Sincere Insurance Building, Hennessy Road, Queen's Road East, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	68,750	–	1968	Office building with ground floor retail. Floor area shown represents the office and retail area owned by the Group.
	Total held through subsidiaries			**11,472,401**	**7,324**		
19. PCCW Tower, 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)	620,148	217	1994	Office building linked to Dorset House. Floor area shown represents the whole development, of which the Group owns 20%.
	Held through associates			**620,148**	**217**		
	– of which attributable to the Group			**124,030**			

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
20. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Office building. Floor area shown represents the whole development, of which the Group owns 50%.
21. Tung Chung Crescent (Site 1), Tung Chung, Lantau	TCTL 1	2047	331,658	36,053	–	1998/99	Floor area shown represents the retail space, of which the Group owns 20%.
22. Citygate (Site 2), Tung Chung, Lantau	TCTL 2	2047	358,557 (part)	Retail: 462,439 Office: 160,522	1,156	1999/2000	A 160,522 square foot office tower above a 462,439 square foot shopping centre of which the Group owns 20%. (Part of Site 1, Site 2 North and Site 3 included on pages 184 and 187)
	Held through jointly controlled companies			**960,079**	**1,240**		
	– of which attributable to the Group			**282,335**			
Techno-centres							
23. 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)		285		Data centres/offices/logistics warehousing.
Warwick House				554,934		1979	
Cornwall House				338,369		1984	Floor area excludes eight floors owned by Government.
Somerset House				923,364		1988	
	Total held through subsidiaries			**1,816,667**	**285**		
Residential							
24. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 service suites within the Conrad Hong Kong Hotel tower.
25. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Three pairs of semi-detached houses.
26. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext.	2097	20,733 (part)	2,644	–	1980	One detached house.
27. Peel Rise, 6-16 The Peak	RBL 730	2032	35,580	17,783	–	1988	Six semi-detached houses.
	Total held through subsidiaries			**478,270**	**–**		

Schedule of Principal Group Properties

At 31st December 2009

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotels							
1. EAST, Taikoo Shing	QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 sA QBML 2 & Ext. sQ ss7 RP QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA ss1 QBML 2 & Ext. sQ ss2 sA RP QBML 2 & Ext. sJ RP	2899	146,184 (part)	199,020	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009	117-room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			**357,758**	**–**		
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	602-room hotel, in which the Group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	540,115	–	1990	513-room hotel, in which the Group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Group owns a 20% interest.
	Total held through associates			**1,671,747**	**–**		
	– of which attributable to the Group			**334,349**			
Citygate (Site 2 North), Tung Chung, Lantau							
6. Novotel Citygate Hong Kong Hotel	TCTL 2	2047	358,557 (part)	236,653	4	2005	440-room hotel, in which the Group owns a 20% interest.
	Held through jointly controlled companies			**236,653**	**4**		
	– of which attributable to the Group			**47,331**			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Sanlitun Village (The Village South)	19 Sanlitun North Road, Chaoyang District, Beijing	2044	566,332 (Part)	776,909	451	2007	Shopping centre with restaurants and cinema. Floor area shown represents the whole development, of which the Group owns 80%.
2. Sanlitun Village (The Village North)	11 Sanlitun North Road, Chaoyang District, Beijing	2044	566,332 (Part)	519,399	410	2007	Shopping centre with restaurants. Floor area shown represents the whole development, of which the Group owns 80%.
3. Beaumonde Retail Podium	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,380 (Part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
	Total held through subsidiaries			**1,387,155**	**961**		

	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel							
1. The Opposite House	11 Sanlitun North Road, Chaoyang District, Beijing	2044	566,332 (Part)	169,463	24	2007	99-room hotel.
	Total held through subsidiaries			**169,463**	**24**		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 53 Stubbs Road, The Peak	RBL 224	2074	32,496	Residential	68,242	–	Site formation in progress	2012	Floor area shown represents a proposed residential tower with 12 storeys above a carport.
2. 24-34 Hennessy Road, (formerly called Tai Sang Commercial Building), Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,611	Office	145,513	–	Demolition in progress	2012	Floor area shown represents a proposed office building.
3. 5 Star Street, Wanchai	IL 2837 s.C ss 1 IL 2837 s.C RP	2078	2,316	Retail	1,030	–	Superstructure in progress	2010	Floor area shown represents the shop portion.
	Total held through subsidiaries				**214,785**	**–**			

Schedule of Principal Group Properties

At 31st December 2009

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 2A-E Seymour Road 4, 4A, 6, 6A Castle Steps 23, 25, 27, 29 Castle Road, Mid Levels	IL 577 sC IL 577 sD IL 577 sE IL 577 sF IL 577 sG IL 577 sH IL 577 sI IL 577 sJ IL 577 sL ss1 IL 577 sL ss2 IL 577 sL ss3 IL 577 sL RP IL 577 sM	2857	22,957	Residential	206,306	45	Foundation in progress	2012	Floor area shown represents the whole development, of which the Group owns 87.5%.
2. Sai Wan Terrace, No. 1 Sai Wan Terrace, Taikoo Shing	SIL 761	2057	28,490	Residential	151,944	65	Demolition completed	2013	Seeking to change the height limit via a lease modification. Floor area shown represents the whole development, of which the Group owns 80%.
3. 51-53 Seymour Road 140-142A Caine Road, Mid Levels	IL 2300	2856	7,975	Residential	75,805	24	Demolition completed	2012	Floor area shown represents a proposed residential tower with 31 storeys above a podium.
4. 25A-B, 27-29A Seymour Road 14-16 Castle Road, Mid Levels	IL 424 sB ss1 IL 424 sB RP IL 425 s7 sA IL 425 s7 sB IL 425 s7 sC IL 425 s7 sD	2854	14,310	Residential	114,461	–	Demolition completed	2014	Floor area shown represents a proposed residential tower with 34 storeys above a podium.
5. 92-92A, 94, 96 Caine Road 18-22A Castle Road, Mid Levels	IL 425 s1 RP IL 425 s2 IL 425 s3	2854	11,469	Residential Retail	100,125 5,163	–	Ground investigation work to start in Q1 2010	2015	Floor area shown represents a proposed residential tower with 26 storeys above a podium with retail shop.
6. 5 Star Street, Wanchai	IL 2837 s.C ss 1 IL 2837 s.C RP	2078	2,316	Residential	16,633	–	Superstructure in progress	2010	Floor area shown represents the residential portion.
	Total held through subsidiaries				**670,437**	**134**			

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
7. MTRC Tung Chung (Package 1), Lantau									
– Tung Chung Crescent (Site 1)	TCTL 1	2047	331,658	Car parks	–	389	Completed in 1998/99		389 unsold car parking spaces, of which the Group owns 20%.
– Seaview Crescent (Site 3)	TCTL 3	2047	230,348	Car parks	–	175	Completed in 2002		175 unsold car parking spaces, of which the Group owns 20%.
8. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 338 AIL 339	2119 2120	25,500	Industrial	382,500	39	Foundation completed	On hold	Floor area shown represents the whole development, of which the Group owns 50%.
	Total held through jointly controlled companies				**382,500**	**603**			
	– of which attributable to the Group				**191,250**				
Other holdings									
9. Belair Monte, Fanling	FSSTL 126	2047	223,674	Retail	67,083	17	Completed in 1998		Floor area shown represents the whole of the retail area, including 17 car parking spaces, of which the Group owns 8%.
10. Island Lodge, 180 Java Road, North Point	IL 7105	2104	17,868	Residential Retail	17,569 8,611	20	Completed in 2008		Comprises 184 residential units and retail space, of which 171 units had been sold at 31st December 2009. Group appointed to develop the site and subsequently sell all units.
	– Attributable holding				**93,263**	**37**			
					11,911				

Schedule of Principal Group Properties

At 31st December 2009

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941	Retail Office Hotel Residential	1,303,068 1,760,840 595,421 54,251	867	Superstructure work in progress	2010	A cultural centre of 658,929 square feet is to be built and handed over to the Guangzhou Government upon completion. Floor areas shown represent the whole development, of which the Group owns 97%. Phased opening from late 2010.
					3,713,580	867			
	Total held through subsidiaries				**3,713,580**	**867**			

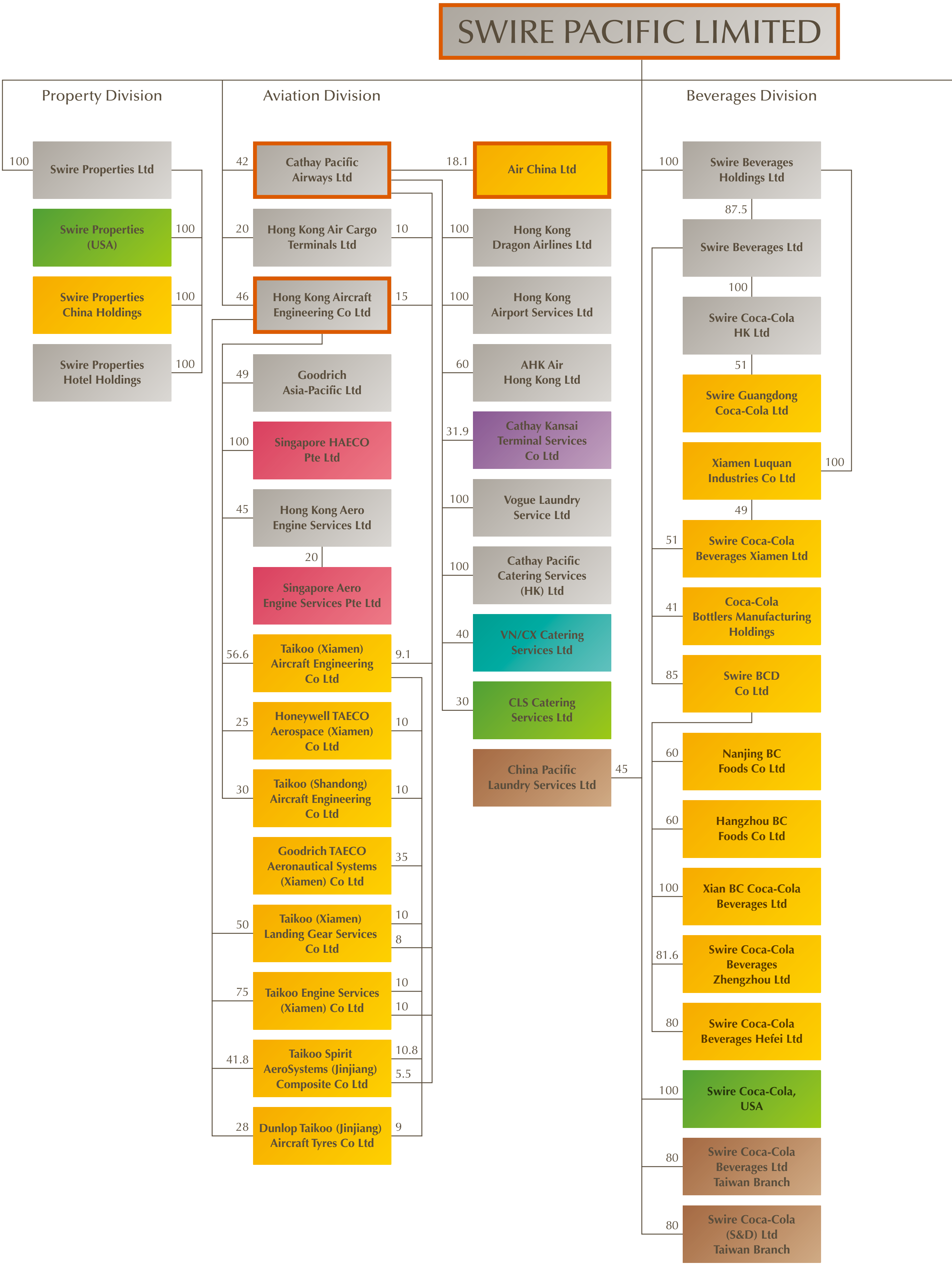
Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Dazhongli	South of West Nanjing Road and east of Shimenyi Road, Jing An District, Shanghai	2056	676,087	Retail Office Hotel	1,062,719 1,897,413 513,443	1,490	Resettlement work in progress	2014	96% of total resettlement completed. Floor areas shown represent the whole development, of which the Group owns 50%.
					3,473,575	1,490			
2. Jiang Tai	South of Jiang Tai Road and east of Jiuxianqiao Road, Chaoyang District, Beijing	2044 (Office and car parks: 2054)	631,072	Retail Office Hotel	921,032 603,710 368,484	1,245	Substructure works in progress	2011	Floor areas shown represent the whole development, of which the Group owns 50%.
					1,893,226	1,245			
	Total held through jointly controlled companies				**5,366,801**	**2,735**			
	– of which attributable to the Group				**2,683,401**				

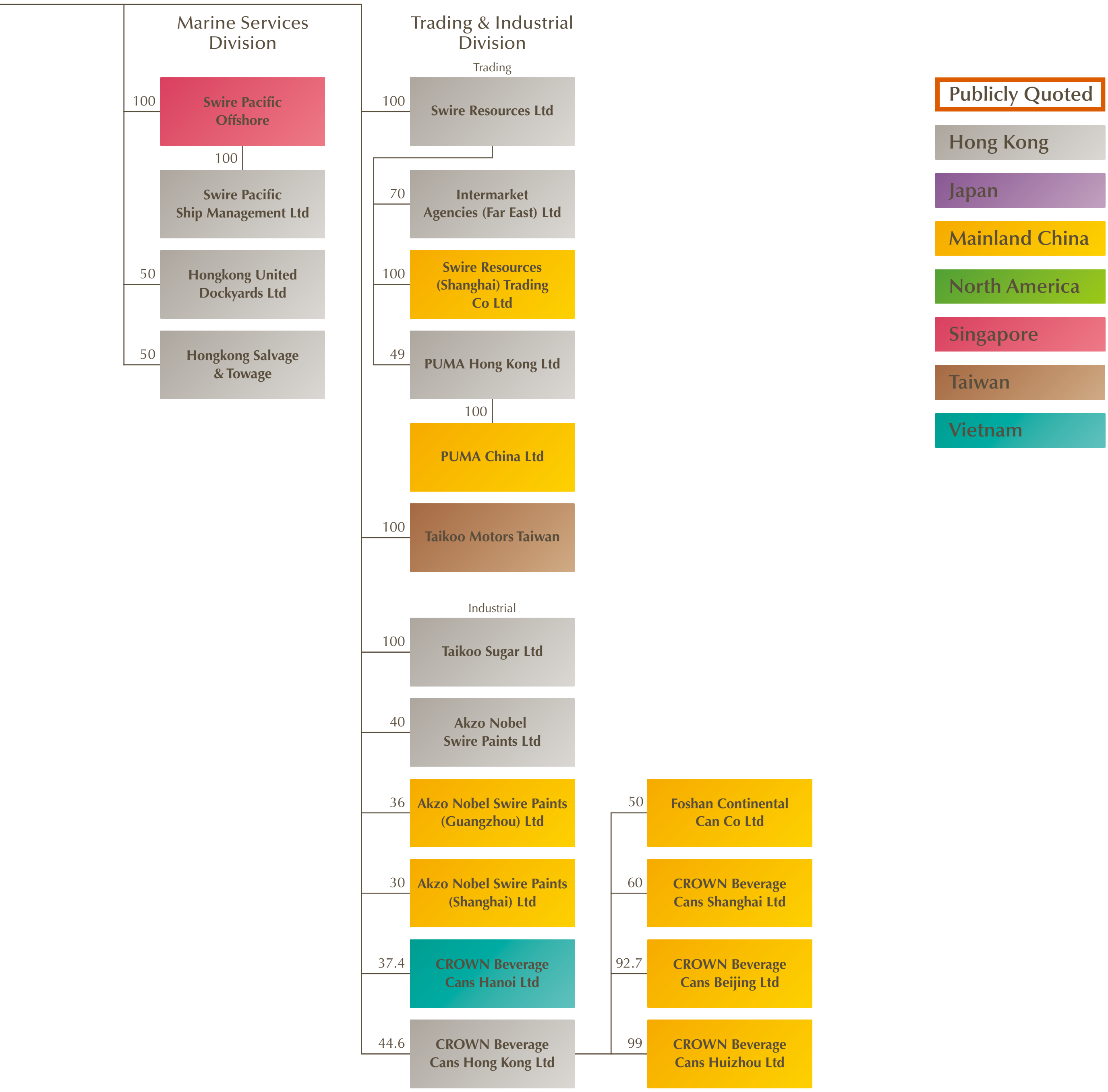
Completed properties for investment in the United States	Site area in square feet	Use	Gross floor area in square feet	Year of completion	Remarks
Hotel					
1. Mandarin Oriental, South Brickell Key, Miami, Florida	120,233	Hotel	345,000	2000	326-room hotel in central Miami, in which the Group has a 75% interest.
	Held through jointly controlled company		**345,000**		
	– of which attributable to the Group		**258,750**		

Property developments for sale in the United States	Site area in square feet	Use	Gross floor area in square feet	Year of completion	Remarks
1. Asia 900 Brickell Key, Miami, Florida	173,531	Residential	102,194	2008	32-storey residential condominium tower comprising 123 units with 5-storey parking garage. At 31st December 2009, 79 units were closed.
2. South Brickell Key, Miami, Florida	105,372	Residential	421,800	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
3. New River Court, Fort Lauderdale, Florida	21,750	Retail/ Office	12,586	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
4. Development Site, Fort Lauderdale, Florida	182,191	Residential/ Office/ Hotel	787,414	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
5. Brickell Citicentre Miami, Florida	246,573	Mixed Use	1,750,000	–	Development site in Central Miami acquired in October 2008.
	Total held through subsidiaries		**3,073,994**		

Completed properties for investment in the United Kingdom	Site area in square feet	Use	Gross floor area in square feet	Year of completion	Remarks
1. Hotel Kandinsky, Cheltenham	34,875	Hotel	24,502	2000	48-room freehold hotel in Cheltenham.
2. Hotel Barcelona, Exeter	46,888	Hotel	23,030	2001	46-room freehold hotel in Exeter.
3. Hotel Seattle, Brighton	22,755	Hotel	48,416	2003	71-room hotel in Brighton. 35-year leasehold commenced in November 2002.
4. Avon Gorge Hotel, Bristol	71,547	Hotel	87,608	1855	75-room freehold hotel in Bristol. Floor area includes an external terrace.
	Total held through subsidiaries		**183,556**		

Group Structure Chart




Marine Services Division
100
Swire Pacific Offshore
100
Swire Pacific Ship Management Ltd
50
Hongkong United Dockyards Ltd
50
Hongkong Salvage & Towage
Trading & Industrial Division
Trading
100
Swire Resources Ltd
70
Intermarket Agencies (Far East) Ltd
100
Swire Resources (Shanghai) Trading Co Ltd
49
PUMA Hong Kong Ltd
100
PUMA China Ltd
100
Taikoo Motors Taiwan
Industrial
100
Taikoo Sugar Ltd
40
Akzo Nobel Swire Paints Ltd
36
Akzo Nobel Swire Paints (Guangzhou) Ltd
30
Akzo Nobel Swire Paints (Shanghai) Ltd
37.4
CROWN Beverage Cans Hanoi Ltd
44.6
CROWN Beverage Cans Hong Kong Ltd
50
Foshan Continental Can Co Ltd
60
CROWN Beverage Cans Shanghai Ltd
92.7
CROWN Beverage Cans Beijing Ltd
99
CROWN Beverage Cans Huizhou Ltd
Publicly Quoted
Hong Kong
Japan
Mainland China
North America
Singapore
Taiwan
Vietnam

Glossary

Terms

Financial

Gross borrowings Total of loans, bonds, overdrafts and perpetual capital securities.

Net debt or consolidated borrowed money Total of loans, bonds, overdrafts and perpetual capital securities net of bank deposits, bank balances and certain available-for-sale investments.

Adjusted consolidated net worth Total of share capital, reserves and minority interests.

Adjusted consolidated tangible net worth Adjusted consolidated net worth less goodwill and other intangible assets.

Equity attributable to the Company's shareholders Equity before minority interests.

Underlying equity attributable to the Company's shareholders Reported equity before minority interests, adjusted for the impact of deferred tax on changes in the fair value of investment properties.

Underlying profit Reported profit adjusted for the impact of changes in the fair value of investment properties and the associated deferred tax.

Net assets employed Total equity plus net debt.

Aviation

Available tonne kilometres ("ATK") Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

Available seat kilometres ("ASK") Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Revenue passenger kilometres ("RPK") Number of passengers carried on each sector multiplied by the sector distance.

On-time performance Departure within 15 minutes of scheduled departure time.

Beverages

Modern trade Supermarkets and convenience stores, which are usually members of large retail chains.

General trade Small, usually independent, grocery outlets.

Other channels Includes wholesalers, restaurants and outlets at entertainment and educational establishments.

Marine Services

LTIFR Lost Time Injury Frequency Rate.

ISOA International Support Vessel Owners' Association.

Ratios

Financial

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on average equity attributable to the Company's shareholders} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on average underlying equity attributable to the Company's shareholders} = \frac{\text{Underlying profit/(loss) attributable to the Company's shareholders}}{\text{Average underlying equity during the year attributable to the Company's shareholders}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend cover} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Dividends paid and proposed}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Aviation

$$\text{Passenger/Cargo and mail load factor} = \frac{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}{\text{Available seat kilometres/Available cargo and mail tonne kilometres}}$$

$$\text{Passenger/Cargo and mail yield} = \frac{\text{Passenger turnover/Cargo and mail turnover}}{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses}}{\text{ATK}}$$

Financial Calendar and Information for Investors

Financial Calendar 2010

Annual Report sent to shareholders	9th April
'A' and 'B' shares trade ex-dividend	6th May
Share registers closed	10th – 13th May
Annual General Meeting	13th May
Payment of 2009 final dividends	2nd June
Interim results announcement	August 2010
Interim dividends payable	October 2010

Registered Office

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

Registrars

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong
Website: www.computershare.com

Depositary

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 358516
Pittsburgh, PA 15252-8516
USA

Website: www.bnymellon.com\shareowner
E-mail: shrrelations@bnymellon.com
Tel:
Calls within USA – toll free: 1-888-BNY-ADRS
International callers: 1-201-680-6825

Stock Codes

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

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

Auditors

PricewaterhouseCoopers

Investor Relations

E-mail: ir@swirepacific.com

Public Affairs

E-mail: publicaffairs@swirepacific.com
Tel: (852) 2840-8098
Fax: (852) 2526-9365
Website: www.swirepacific.com

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