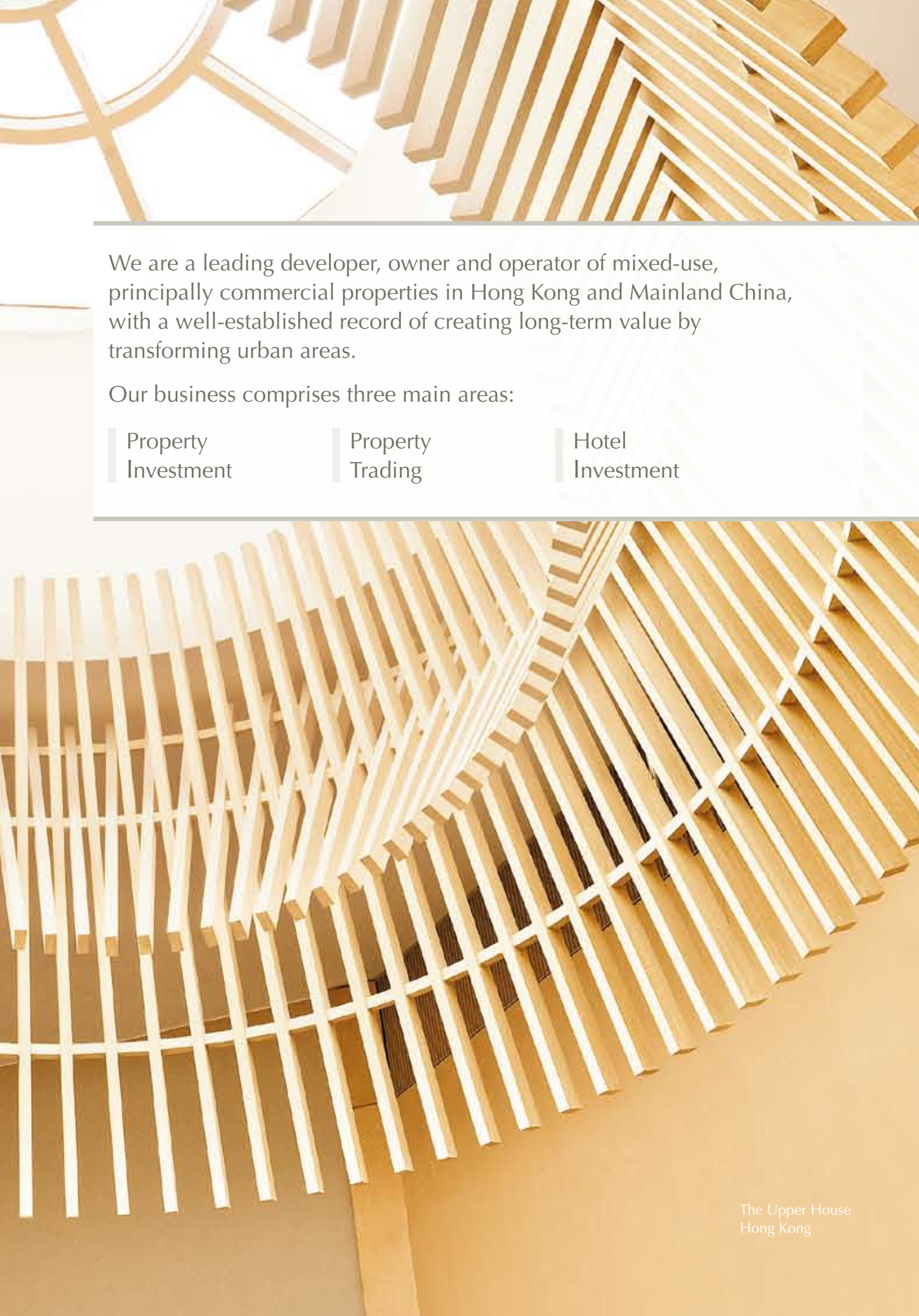




Annual Report
2011

 **SWIRE PROPERTIES**

Stock Code: 1972



We are a leading developer, owner and operator of mixed-use, principally commercial properties in Hong Kong and Mainland China, with a well-established record of creating long-term value by transforming urban areas.

Our business comprises three main areas:

Property
Investment

Property
Trading


Hotel
Investment

Company Milestones


1972	1975	1985	1998	2001
Incorporation of Swire Properties in Hong Kong as a wholly-owned subsidiary of Swire Pacific.	Commencement of work on Taikoo Shing, the Company's first residential development in Hong Kong.	Commencement of planning for Pacific Place.	Completion of Festival Walk.	Company enters the Mainland China market and begins acquiring sites in top-tier cities for development.

Our Portfolios

**1975
RESIDENTIAL
PORTFOLIO**




1975
Redevelopment begins of the former Taikoo Dockyard site into one of Hong Kong's first major private housing estates, Taikoo Shing.



1978
Development of Brickell Key, a unique mixed-use community, located off Downtown Miami.

**1975
ISLAND
EAST**




1975
Commencement of work for Taikoo Shing, the residential area of Island East.

1983
Staged opening of Cityplaza, the largest shopping and entertainment centre on Hong Kong Island.

1991-1992
Cityplaza Four opens in 1991; Cityplaza Three is completed the following year.

**1985
PACIFIC
PLACE**



1985
The Victoria Barracks site is purchased at auction.

1988
Pacific Place opens to first tenants.

**1998
FESTIVAL
WALK**



1998
Festival Walk opens for business in Kowloon Tong.

**2001
MAINLAND
CHINA**



2006

Transformation of the retail centre in Tung Chung into Citygate Outlets, Hong Kong's first outlet shopping mall.

2008

Launch of Swire Hotels brand to create and manage intriguing urban hotels in Hong Kong, Mainland China and the United Kingdom.

2011

Establishment of a representative office in Singapore.

Commencement of planning for the Brickell CitiCentre project, a mixed-use development located in Miami, Florida, U.S.A.

1989

Completion of The Albany, Mid-Levels.

1994

Completion of Robinson Place, Mid-Levels.

2003

Completion of residences at 3 Coombe Road on the Peak.

2009

Completion of Island Lodge, North Point.



2010

Sales launch of AZURA, Mid-Levels and 5 Star Street, Wan Chai.



2011

Name unveiled for OPUS HONG KONG, the Peak, the first residential project in Asia designed by Pritzker Prize-winning architect Frank Gehry.

1993-2003

Devon House is completed in 1993. In the next decade, Dorset House, PCCW Tower, Cityplaza One, Lincoln House and Oxford House follow.

The Island East Matrix, a dedicated fibre-optic network, is completed in 2001. Cambridge House is completed in 2003.



2008

Completion of One Island East, Swire Properties' largest office tower in Hong Kong to date.



2010

Opening of EAST, Hong Kong, the first of a new group of lifestyle business hotels launched by Swire Hotels.

2004

Opening of Three Pacific Place.

2007

Beginning of the HK\$2.0 billion Pacific Place Contemporisation Project.



2009

Opening of The Upper House, Pacific Place's first small luxury hotel.



2011

Completion of the Pacific Place Contemporisation Project.

2006

Remaining 50% interest is purchased and Festival Walk becomes wholly owned by Swire Properties.



2011

Sale of Festival Walk to Mapletree, a Singapore-based developer.

2001

Company enters the Mainland China market and an agreement is signed with Guangzhou Daily Group to develop TaiKoo Hui, Guangzhou, the following year.

2006

Acquisition of 50% interest in HKR International's Dazhongli project in Shanghai.

2007

Company acquires 80% interest to develop Sanlitun Village in Beijing.

2008

Formation of a 50:50 joint venture with Sino-Ocean Land to develop the INDIGO project in Beijing.
Opening of Sanlitun Village South and The Opposite House.

2010

Opening of Sanlitun Village North.
Successful land acquisition in Daci Temple area, Chengdu.

2011

Opening of TaiKoo Hui.
Opening of INDIGO's office tower, ONE INDIGO.

Contents

2	Company Profile
3	Ten-Year Financial Summary
6	Chairman's Statement
11	Financial Highlights
12	Key Business Strategies

MANAGEMENT DISCUSSION & ANALYSIS

16	Review of Operations
46	Financial Review
53	Financing

CORPORATE GOVERNANCE & SUSTAINABILITY

64	Corporate Governance
72	Directors and Officer
74	Directors' Report
82	Sustainable Development

AUDITOR'S REPORT AND ACCOUNTS

88	Independent Auditor's Report
89	Consolidated Income Statement
90	Consolidated Statement of Comprehensive Income
91	Consolidated Statement of Financial Position
92	Company Statement of Financial Position
93	Consolidated Statement of Cash Flows
94	Consolidated Statement of Changes in Equity
95	Notes to the Accounts
136	Principal Accounting Policies
145	Principal Subsidiary, Jointly Controlled and Associated Companies

SUPPLEMENTARY INFORMATION

148	Schedule of Principal Group Properties
159	Glossary
160	Financial Calendar and Information for Investors

Company Profile

Swire Properties is a leading developer, owner and operator of mixed-use, principally commercial properties in Hong Kong and Mainland China, with a well-established record of creating long-term value by transforming urban areas. Our business comprises three main areas: property investment, property trading and hotel investment.

Founded in Hong Kong in 1972, Swire Properties is listed on The Stock Exchange of Hong Kong Limited and, with its subsidiaries, employs more than 4,000 people.

In Hong Kong, we have spent nearly 40 years developing Island East from an industrial area into one of Hong Kong's best planned and most efficient business districts. Pacific Place, built on the former Victoria Barracks site, is now one of Hong Kong's premier retail and business addresses.

In Mainland China, Swire Properties has five major mixed-use projects either in operation or under development in Beijing, Guangzhou, Chengdu and Shanghai. Similar in scale and vision to our developments in Hong Kong, our Mainland properties are located in commercial districts near transport hubs.

Swire Properties continues to expand its activities in the luxury residential market in Hong Kong. Under our Swire Hotels brand, we develop and manage urban hotels in Hong Kong, Mainland China and the United Kingdom.

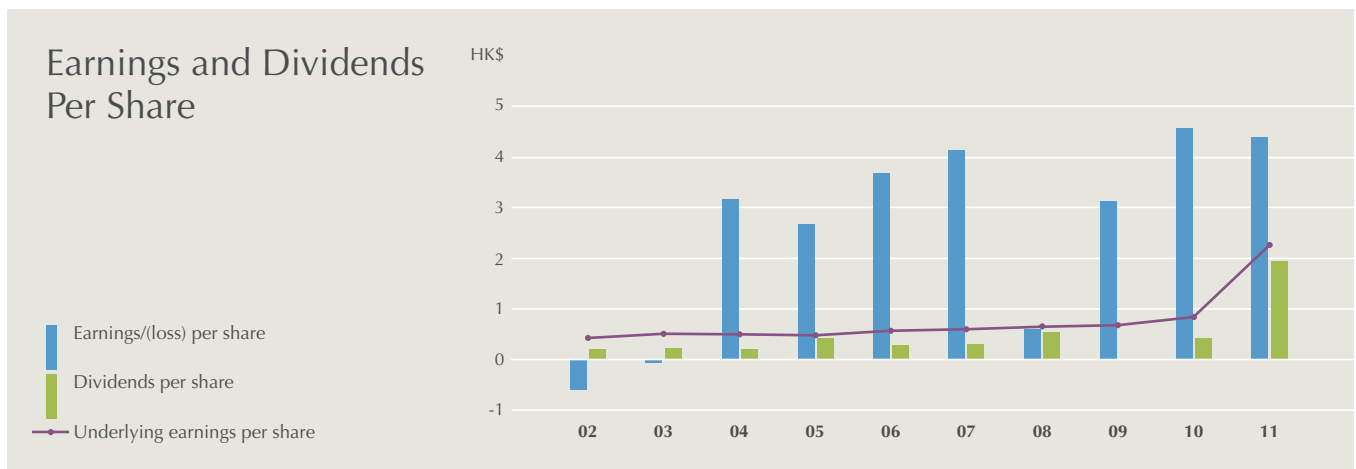
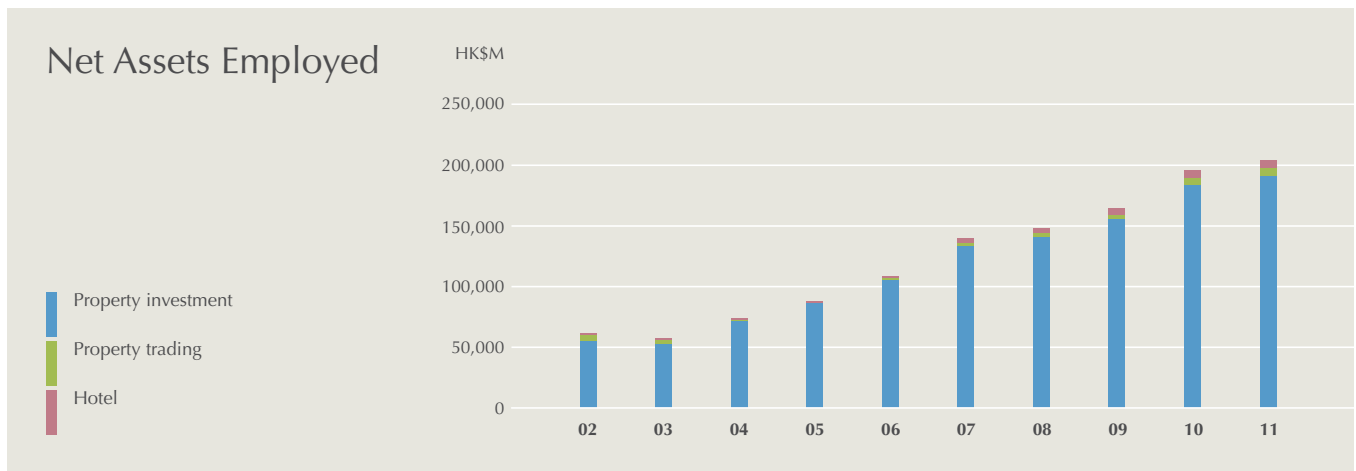
The Company has a significant presence in Miami, Florida, where it commenced business in 1980. It is in the process of developing Brickell CitiCentre, a large-scale mixed-use project in the Brickell financial district in Miami. The Company has also set up a representative office in Singapore to explore investment opportunities in the city.

Ten-Year Financial Summary

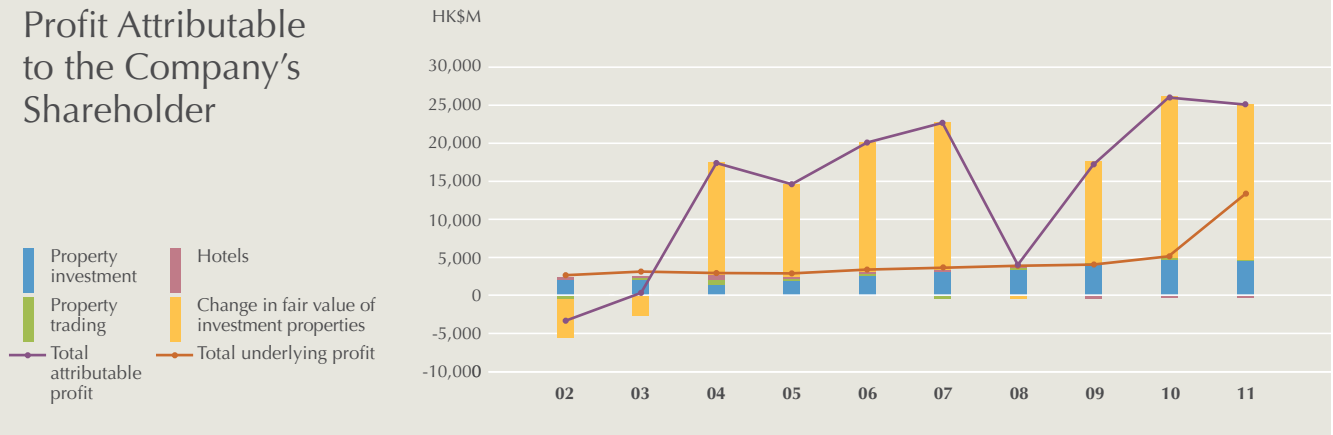
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
INCOME STATEMENT										
Turnover										
Property investment	4,693	4,366	4,060	4,382	4,872	5,663	6,901	7,516	7,953	8,651
Property trading	565	2,366	2,506	1,339	554	10	889	643	400	213
Hotel	–	–	–	–	27	148	156	172	518	717
	5,258	6,732	6,566	5,721	5,453	5,821	7,946	8,331	8,871	9,581
Profit Attributable to the Company's Shareholder										
Property investment	2,125	2,046	1,459	1,917	2,592	3,066	3,336	3,970	4,589	4,656
Property trading	(269)	278	667	264	198	(43)	95	23	87	7
Hotels	23	9	80	104	126	175	73	(332)	(109)	(33)
Change in fair value of investment properties	(5,157)	(2,688)	15,224	12,365	17,221	19,530	(236)	13,596	21,478	20,496
	(3,278)	(355)	17,430	14,650	20,137	22,728	3,268	17,257	26,045	25,126
Interim and final dividends for the year	1,025	1,254	1,141	2,303	1,532	1,652	2,966	25	2,426	11,067
Retained profit/(loss)	(4,303)	(1,609)	16,289	12,347	18,605	21,076	302	17,232	23,619	14,059
STATEMENT OF FINANCIAL POSITION										
Net Assets Employed										
Property investment	55,502	52,731	71,247	85,965	105,658	133,454	140,510	155,411	183,092	191,273
Property trading	4,855	3,593	1,555	701	1,448	2,762	3,496	3,772	6,303	6,581
Hotel	631	644	717	1,037	1,429	3,624	4,037	5,523	5,797	6,421
	60,988	56,968	73,519	87,703	108,535	139,840	148,043	164,706	195,192	204,275
Financed by										
Equity attributable to the Company's shareholder	41,815	40,237	56,533	70,027	88,229	109,605	110,305	129,815	157,877	176,043
Non-controlling interests	4,682	4,927	6,193	6,185	296	801	1,068	424	479	532
Net debt	14,491	11,804	10,793	11,491	20,010	29,434	36,670	34,467	36,836	27,700
	60,988	56,968	73,519	87,703	108,535	139,840	148,043	164,706	195,192	204,275
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings/(loss) per share	(0.60)	(0.06)	3.17	2.67	3.67	4.14	0.60	3.14	4.58	4.40
Dividends per share	0.19	0.23	0.21	0.42	0.28	0.30	0.54	–	0.43	1.94
Equity attributable to shareholder per share	7.61	7.33	10.29	12.75	16.06	19.96	20.08	23.61	27.75	30.09
RATIOS										
Return on average equity attributable to the Company's shareholder	-7.5%	-0.9%	36.0%	23.2%	25.4%	23.0%	3.0%	14.4%	18.1%	15.0%
Gearing ratio	31.17%	26.14%	17.21%	15.08%	22.60%	26.66%	32.93%	26.46%	23.26%	15.69%
Interest cover – times	(2.80)	2.13	20.02	23.11	32.16	33.71	4.81	17.57	21.80	18.24
Dividend cover – times	(3.20)	(0.28)	15.28	6.36	13.14	13.76	1.10	N/A	10.74	2.27
UNDERLYING										
Profit (HK\$M)	2,334	2,819	2,617	2,577	3,070	3,303	3,558	3,726	4,782	12,932
Equity attributable to the Company's shareholder (HK\$M)	43,318	41,694	58,064	71,573	90,032	111,640	113,664	133,410	161,651	180,749
Return on average equity attributable to the Company's shareholder	5.18%	6.63%	5.25%	3.98%	3.80%	3.28%	3.16%	3.02%	3.24%	7.55%
Earnings per share (HK\$)	0.42	0.51	0.48	0.47	0.56	0.60	0.65	0.68	0.84	2.27
Equity attributable to shareholder per share (HK\$)	7.89	7.59	10.57	13.03	16.39	20.33	20.70	24.26	28.41	30.90
Gearing ratio	30.16%	25.30%	16.78%	14.78%	22.15%	26.18%	31.94%	25.75%	22.71%	15.28%
Interest cover – times	6.42	7.21	4.25	5.58	6.09	5.95	4.50	4.33	5.38	12.02
Dividend cover – times	2.28	2.25	2.29	1.12	2.00	2.00	1.20	N/A	1.97	1.17

Notes:

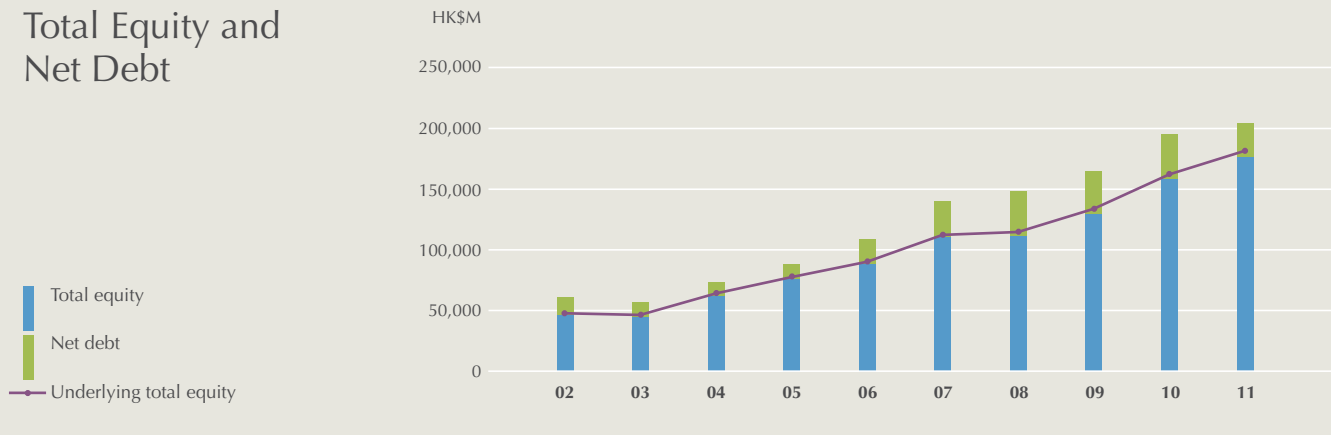
- The information for all years is shown in accordance with the Group's current accounting policies and disclosure practices. Consequently figures for years prior to 2010 may be different from those originally presented.
- The equity attributable to the Company's shareholder and the returns by segment for 2011 and 2010 are shown in the Financial Review – Investment Appraisal and Performance Review on page 52.
- Underlying profit and equity are discussed on pages 16 to 18.
- The earnings per share, dividends per share and equity per share for the years prior to 2010 have been recalculated based on the weighted average number of ordinary shares which reflect the Company's shares in issue for those years adjusted for the 1,108,132,451 shares issued on 25th January 2010 as consideration to acquire Swire Properties US Inc. and Swire Properties One LLC, and the bonus element in respect of the 3,969,615,000 shares issued at par, which was below market value, issued on 31st December 2009.
- Refer to Glossary on page 159 for definitions and ratios.



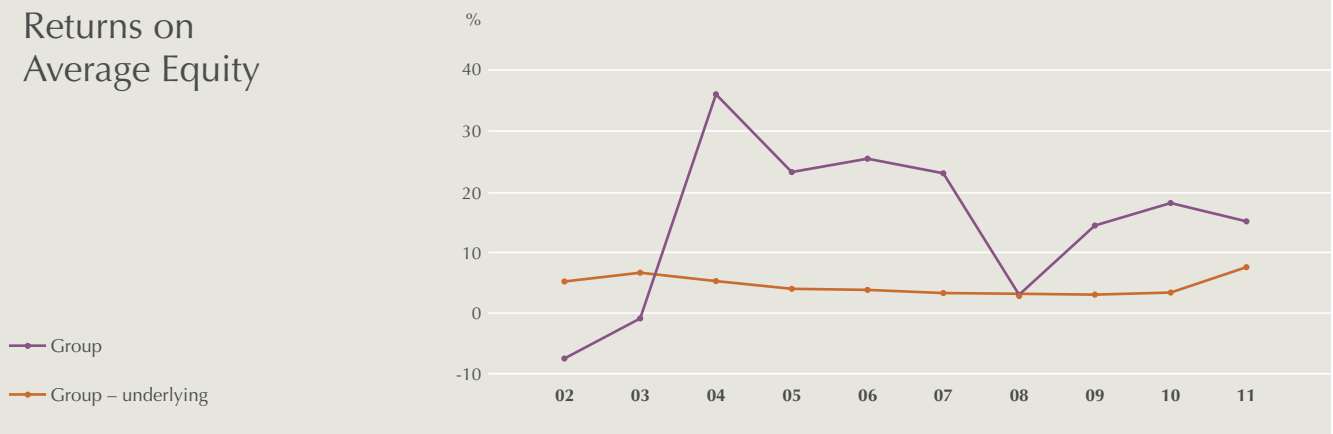
Profit Attributable to the Company's Shareholder



Total Equity and Net Debt



Returns on Average Equity



Chairman's Statement

The consolidated profit attributable to the Company's shareholder for 2011 was HK\$25,126 million, compared to HK\$26,045 million in 2010. Underlying profit attributable to the Company's shareholder, which principally adjusts for changes in the valuation of investment properties, increased by HK\$8,150 million from HK\$4,782 million in 2010 to HK\$12,932 million in 2011. The 2011 underlying profit included a profit of HK\$8,615 million on disposal of the investment property known as Festival Walk.

Dividends

The Company intends to pay dividends which will average approximately 50% of the underlying profit attributable to Shareholders over the economic cycle. We will reevaluate our dividend policy in the light of our financial position and the prevailing economic climate.

Special interim dividends of HK\$10,014 million were paid in 2011 to the Company's then sole shareholder, Swire Pacific Limited. The Directors have approved an interim dividend (in lieu of a final dividend) of HK¢18 per share for 2011 on 15th March 2012, payable on 3rd May 2012 to shareholders registered at the close of business on the record date, being Thursday, 5th April 2012. Shares of the Company will be traded ex-dividend as from Monday, 2nd April 2012.

The register of members will be closed on Thursday, 5th April 2012, during which day no transfer of shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 3rd April 2012.

Listing on The Stock Exchange of Hong Kong Limited

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

The stock exchange listing will enable the Company to raise capital from the equity market in the future should the need arise and thus better position the Company for further growth.

Key Developments

In April 2011, the Group acquired two parcels of land adjoining the existing Brickell CitiCentre site in Miami, U.S.A., for HK\$215 million. Development entitlements have been approved by the City of Miami for a special area plan, which allows for a mixed-use development of approximately 2.9 million square feet (excluding car park and circulation areas), comprising retail, office, hotel and serviced apartments, and residential components over two phases of development.

Also in April 2011, the Group completed the acquisition of a property at 23 Tong Chong Street (near to the existing TaiKoo Place properties), which will be redeveloped into serviced apartments.

In August 2011, the Group sold its entire interest in the property in Hong Kong known as Festival Walk for HK\$18.8 billion. A net gain of HK\$595 million on this sale was included in the attributable profit for 2011. The underlying profit on the sale, which is calculated by reference to the original cost of the property, was HK\$8,615 million.

In September 2011, the retail space at TaiKoo Hui, a 3.8 million square foot mixed-use development in the Tianhe District of Guangzhou, opened. Handover of the office space to tenants commenced in August 2011. The hotel and serviced apartments are scheduled to open in the second half of 2012. The Group has a 97% economic interest in this development.

In October 2011, the contemporisation project for The Mall at Pacific Place was substantially completed. The project began in 2007 and includes the addition of a fourth hotel (The Upper House), new luxury restaurants, new interior decoration, designer shop facades and a general reconfiguration of the mall.

In December 2011, the office tower of the INDIGO development, a retail-led, mixed-use project in Jiang Tai in the Chaoyang District of Beijing, opened. The retail component started to open in March 2012. The Group has a 50% economic interest in this development, which has a total area of 1.9 million square feet.

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

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

The Company is setting up a representative office in Singapore in order to explore investment opportunities in South East Asia.

Operating Performance

Adjusted underlying profit increased in 2011 from HK\$3,833 million to HK\$4,372 million. Adjusted underlying profit excludes profits from the disposal of investment properties and net impairment losses from our hotels and trading properties. The increase principally reflects positive rental reversions and stronger turnover rents in Hong Kong, improved rental performance at Sanlitun Village, and the opening of the TaiKoo Hui development, resulting in an increase of 9% in gross rental income. The operating performance of the owned and managed hotels in Hong Kong was much improved. The positive effect of these favourable factors was offset in part by the loss of rental income following the disposal of Festival Walk and a move from profits to losses from the property trading portfolio as a result of lower trading volume and sales and marketing costs incurred in connection with the residential developments in Hong Kong.

Gross rental income was HK\$8,557 million in 2011 compared to HK\$7,875 million in 2010. Positive rental reversions were recorded in the Hong Kong office portfolio, reflecting strong demand in the first half of the year. Rental reversions remained positive in the second half of the year, notwithstanding a slowdown in leasing activity. Retail sales and the demand for retail space in Hong Kong continued to be robust throughout 2011.

In Mainland China, net rental contributions from Sanlitun Village, particularly Village South, improved significantly from 2010, as a result of active management of the tenant portfolio, cost reduction initiatives and capital expenditures designed to enhance footfall and circulation. Rental contributions from Village North also increased due to higher occupancy and cost reduction initiatives. The TaiKoo Hui development, which was completed during 2011, began to contribute rental income in the fourth quarter of 2011.

We made an operating loss on property trading. This reflected fewer sales (derived from the remaining residential units at Island Lodge in Hong Kong and ASIA in Miami) and sales and marketing costs incurred in connection with residential developments in Hong Kong. Sixty of the 126 units at AZURA were pre-sold in 2011, bringing the total number of pre-sold units to 98 at 31st December 2011.

The operating loss in the hotel portfolio reflects impairment charges at our U.K. hotels and pre-opening expenses at the hotel in TaiKoo Hui, partially offset by improved performances from the two Hong Kong hotels, The Upper House and EAST, Hong Kong, and The Opposite House in Beijing, as these hotels continued to benefit from buoyant economic conditions. The non-managed hotels also performed strongly.

Administrative expenses were HK\$118 million above those of 2010 due to higher expenses associated with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited.

Net finance charges were HK\$1,477 million, a 19% increase from HK\$1,237 million in 2010. The increase reflected an increase in the fair value of a put option held by the owner of the non-controlling interest at Sanlitun Village, higher finance charges in Mainland China (due to higher debt levels and a reduction, following the completion of projects, in the amount of interest capitalised) partially offset by lower average debt levels in Hong Kong following the disposal of Festival Walk.

On an attributable basis, the net investment property valuation gain, before deferred tax relating to investment properties in Mainland China in 2011, was HK\$21,066 million, compared to a net gain in 2010 of HK\$22,373 million.

Finance

Net debt at 31st December 2011 was HK\$27,700 million, compared with HK\$36,836 million at 31st December 2010. The decrease principally reflects the repayment of inter-group funding from Swire Pacific out of the proceeds from the disposal of Festival Walk and cash from operations, partially offset by higher debt levels in Mainland China. Gearing decreased by 7.6 percentage points from 23.3% to 15.7%. Cash and undrawn committed facilities totalled HK\$9,183 million as at 31st December 2011, compared with HK\$7,435 million at 31st December 2010. Upon maturity of the inter-group funding provided by Swire Pacific, Swire Properties will obtain new funding (as necessary) on a stand-alone basis without recourse to Swire Pacific.

Sustainable Development

The Company recognises the importance of acting responsibly towards its stakeholders, including employees and the communities in which we are involved and towards the natural environment in which we operate. In September 2011, we established a Joint Research Centre for Building Energy Efficiency and Sustainability with the Building Energy Research Centre of Tsinghua University, offering US\$1 million per year in funding for an initial three years.

Further information about the Company's activities in this area is on pages 82 to 85.

Prospects

Demand for our office space in Hong Kong is likely to be affected by uncertain market conditions. Low vacancy rates and the fact that supply of new office space will be modest should mitigate the effect on rental income. The available office space will increase in 2012 with the completion of the 145,390 square foot building at 28 Hennessy Road and the 81,346 square foot building at 8 Queen's Road East, expected to take place in the second half of the year. We plan to start redeveloping one of our techno-centres, Somerset House, in 2013 upon obtaining vacant possession, with a view to taking advantage of the demand for high specification office buildings in that area.

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

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

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

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

2012 marks the 40th anniversary of our incorporation. The Company is proud of its past achievements and we will use these strong foundations to develop our business further. Despite uncertainties in the global economy, the fundamentals of the Hong Kong and Mainland China economies are expected to remain strong. We are well placed to benefit from this.

On behalf of the shareholders and fellow Directors, I wish to express our appreciation to all our employees, whose commitment and hard work have been central to our continuing success.

Christopher Pratt | *Chairman*

Hong Kong, 15th March 2012

Financial Highlights

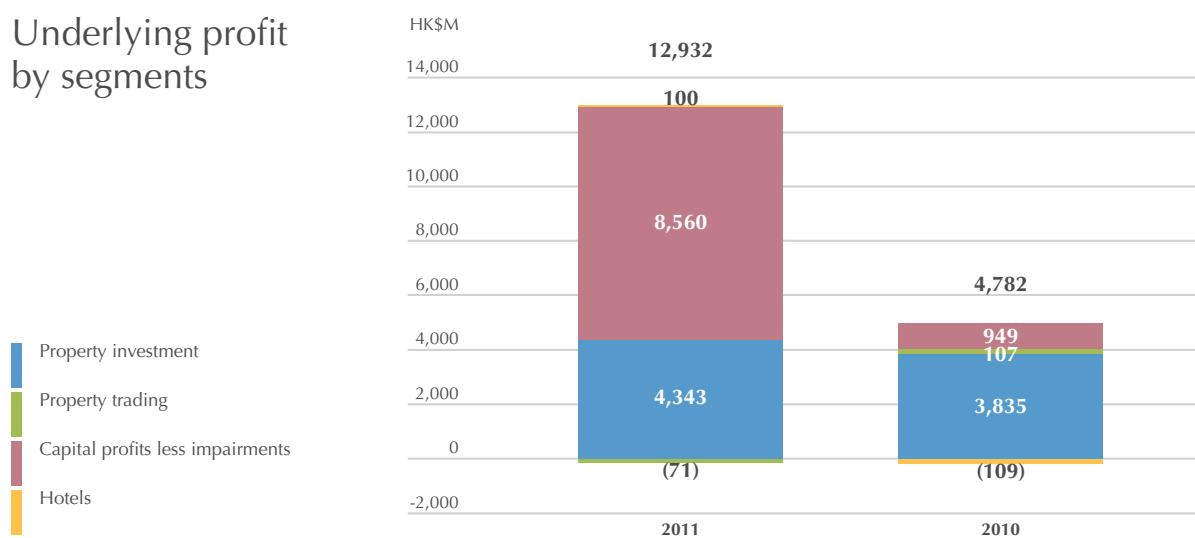
	Note	2011 HK\$M	2010 HK\$M	Change %
Turnover		9,581	8,871	+8.0
Operating profit		26,945	26,969	-0.1
Profit attributable to the Company's shareholder		25,126	26,045	-3.5
Cash generated from operations		7,396	4,753	+55.6
Net cash inflow/(outflow) before financing		17,418	(2,361)	N/A
Total equity (including non-controlling interests)		176,575	158,356	+11.5
Net debt		27,700	36,836	-24.8
		HK\$	HK\$	
Earnings per share	(a)	4.40	4.58	-3.9
Dividends per share				
Special interim		1.76	–	N/A
First interim		0.18	–	N/A
Final		–	0.43	N/A
Equity attributable to the Company's shareholder per share		30.09	27.75	+8.4
Underlying Profit and Equity		HK\$M	HK\$M	
Underlying profit attributable to the Company's shareholder	(b)	12,932	4,782	+170.4
		HK\$	HK\$	
Underlying earnings per share	(a)	2.27	0.84	+170.2
Underlying equity attributable to the Company's shareholder per share	(b)	30.90	28.41	+8.8

Notes:

(a) Refer to note 15 in the accounts for the weighted average number of shares.

(b) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholder is provided on pages 16 to 17.

Underlying profit by segments



Key Business Strategies

As a leading developer, owner and operator of mixed-use commercial properties in Hong Kong and Mainland China, our strategic objective is sustainable growth in shareholder value in the long term. To achieve this objective, we employ five strategies:

1. Continue to create long-term value by conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas

We will continue to design projects which we believe will have the necessary scale, mix of uses and transport links to become key commercial destinations and to transform the areas in which they are situated.

2. Maximise the earnings and value of our completed properties through active asset management, including reinforcing our assets through enhancement, redevelopment and new additions

We intend to manage our completed properties actively (including by optimising the mix of retail tenants and early renewal negotiations with office tenants) and with a view to the long term, to maintain consistently high levels of service and to enhance and reinforce our assets. By doing so, we believe that we will maximise the occupancy and earnings potential of our properties.

Tenants increasingly scrutinise the sustainable development credentials of landlords and buildings. We aim to be at the forefront of sustainable development by designing energy efficient buildings through the innovative use of design, materials and new technology.

3. Continue to expand our luxury residential property activities

We intend to broaden our business by expanding our luxury residential property activities. We will look to acquire appropriate sites for the development of luxury residential projects for both trading and investment in each of the key markets in which we operate.

4. Remain focused principally on Hong Kong and Mainland China

In Hong Kong, we will continue to focus on reinforcing our existing investment property assets and seeking new sites suitable for transformational developments and for residential projects.

We aim to replicate in Mainland China the success which we have experienced in Hong Kong. We intend to take a measured approach to land purchases in Mainland China, however, and will focus on developments where we can secure sites through early engagement with local governments who recognise our strengths in developing large-scale mixed-use projects.

We will seek residential development opportunities in Mainland China. These are likely to be ancillary to our mixed-use developments; however, in the right locations and cities we may also consider standalone residential development opportunities. Our residential developments will be aimed at buyers of luxury properties, where we believe we have a competitive advantage.

While we will continue to concentrate on Hong Kong and Mainland China, we intend to expand selectively. We are working to develop the Brickell CitiCentre project in Miami, Florida, U.S.A. and we are also exploring opportunities in Singapore.

5. Manage our capital base conservatively

We intend to maintain a strong balance sheet with a view to investing in and financing our projects in a disciplined and targeted manner.

We aim to maintain exposure to a range of debt maturities and a range of debt types and lenders. Our current debt profile reflects a mix of revolving and term bank loans, medium term notes and perpetual securities.

Management Discussion & Analysis





LOUIS VUITTON

LOUIS VUITTON

LV

LOUIS VUITTON

LV

LOUIS VUITTON

LV

Review of Operations

	2011 HK\$M	2010 HK\$M
Turnover		
Gross Rental Income derived from		
Offices	4,537	4,222
Retail	3,710	3,357
Residential	310	296
Other Revenue ⁽¹⁾	94	78
Property Investment	8,651	7,953
Property Trading	213	400
Hotels	717	518
Total Turnover	9,581	8,871
Operating Profit/(Loss) derived from		
Property investment	6,743	6,561
Valuation gains on investment properties	20,345	20,480
Property trading	(50)	72
Hotels	(93)	(144)
Total Operating Profit	26,945	26,969
Share of Post-tax Profits from Jointly Controlled and Associated Companies	1,007	1,686
Attributable Profit	25,126	26,045

⁽¹⁾ Other revenue is mainly estate management fees.

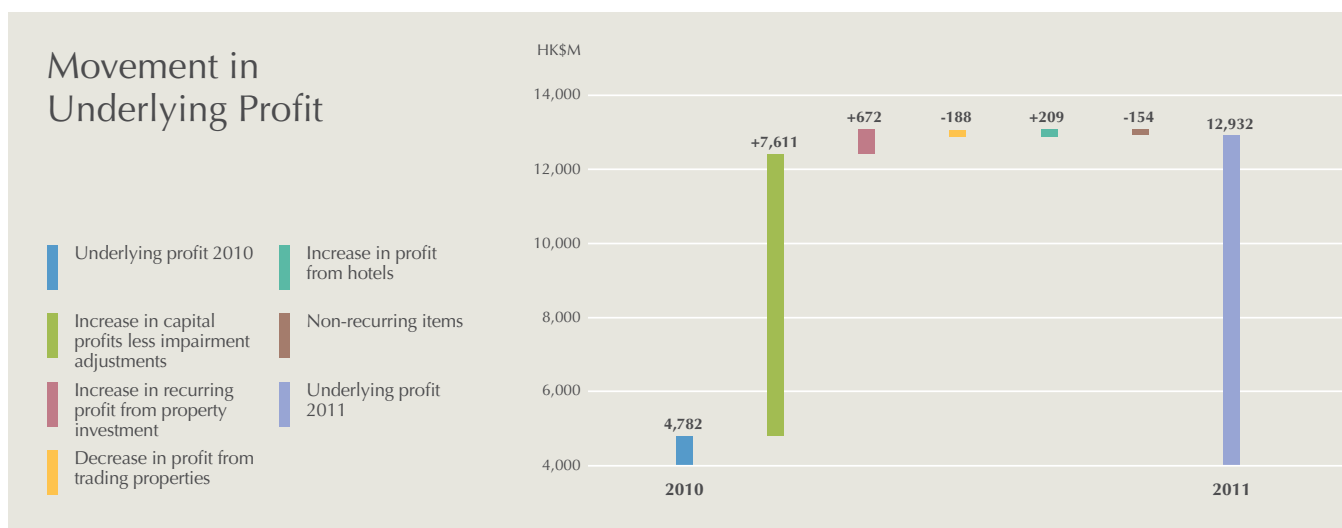
Additional information is provided on the next page to reconcile reported and underlying profit and equity attributable to the Company's shareholder. These reconciling items principally reverse the impact of HKAS 40 on investment properties, and the amended HKAS 12 on deferred tax. There is a further adjustment to remove the effect of the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in Sanlitun Village. Adjusted underlying profit excludes profits from the disposal of investment properties and net impairment losses from our hotels and trading properties.

	Note	2011 HK\$M	2010 HK\$M
Underlying Profit			
Profit attributable to the Company's shareholder per accounts		25,126	26,045
Adjustments re investment properties:			
Revaluation of investment properties	(a)	(21,066)	(22,373)
Deferred tax on revaluation movements	(b)	526	853
Realised profit on sale of Festival Walk/other investment properties	(c)	8,020	211
Depreciation of investment properties occupied by the Group	(d)	22	16
Non-controlling interests' share of revaluation movements less deferred tax		45	42
Movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in Sanlitun Village	(e)	259	(12)
Underlying Profit Attributable to the Company's Shareholder		12,932	4,782
Other significant items:			
Gains on remeasurement and profit on sale of shareholdings in PCCW Tower		–	(342)
Profit on sale of Festival Walk/other investment properties		(8,615)	(576)
Net impairment loss/(reversal)		55	(31)
Adjusted Underlying Profit		4,372	3,833
Underlying Equity			
Equity attributable to the Company's shareholder per accounts		176,043	157,877
Deferred tax on revaluation of investment properties		3,285	2,766
Unrecognised valuation gains on hotels held as part of mixed-use developments	(f)	912	535
Revaluation of investment properties occupied by the Group		476	440
Cumulative depreciation of investment properties occupied by the Group		33	33
Underlying Equity Attributable to the Company's Shareholder		180,749	161,651
Underlying non-controlling interests		576	517
Underlying Equity		181,325	162,168

Notes:

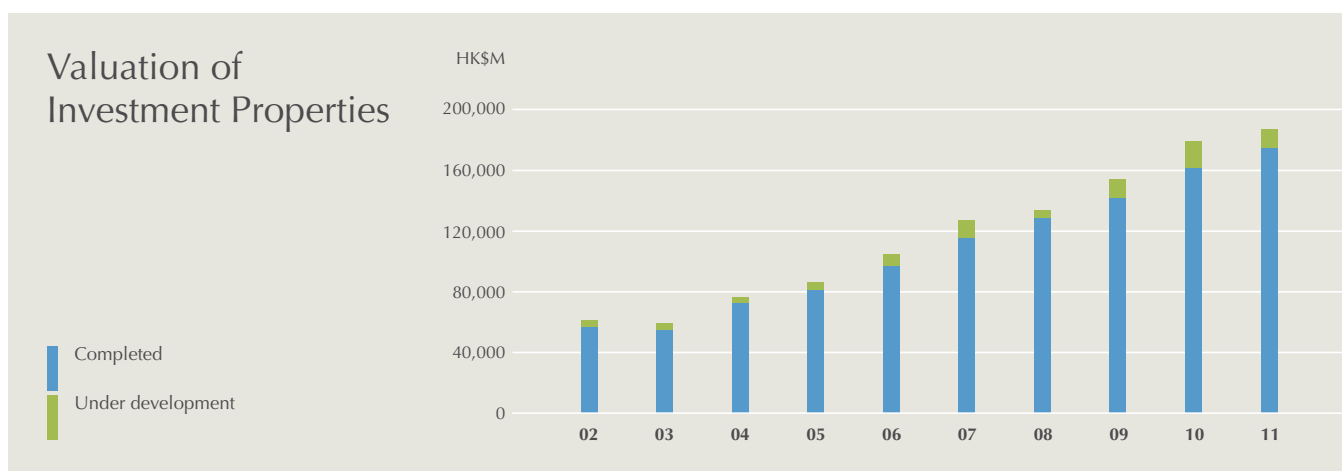
- (a) This represents the net revaluation movements as shown in the consolidated income statement plus the Group's share of net revaluation movements of jointly controlled and associated companies.
- (b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies. As a result of the amended HKAS 12, deferred tax is no longer provided on net revaluation movements in respect of investment properties in Hong Kong. However, deferred tax continues to be provided on net revaluation movements in respect of investment properties in Mainland China at the corporate income tax rate of 25%.
- (c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated income statement.
- (d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
- (e) The value of the put option in favour of the owner of a non-controlling interest in Sanlitun Village is calculated principally by reference to the estimated fair value of the portions of the Sanlitun Village investment property in which the minority partner is interested.
- (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.

Underlying Profit

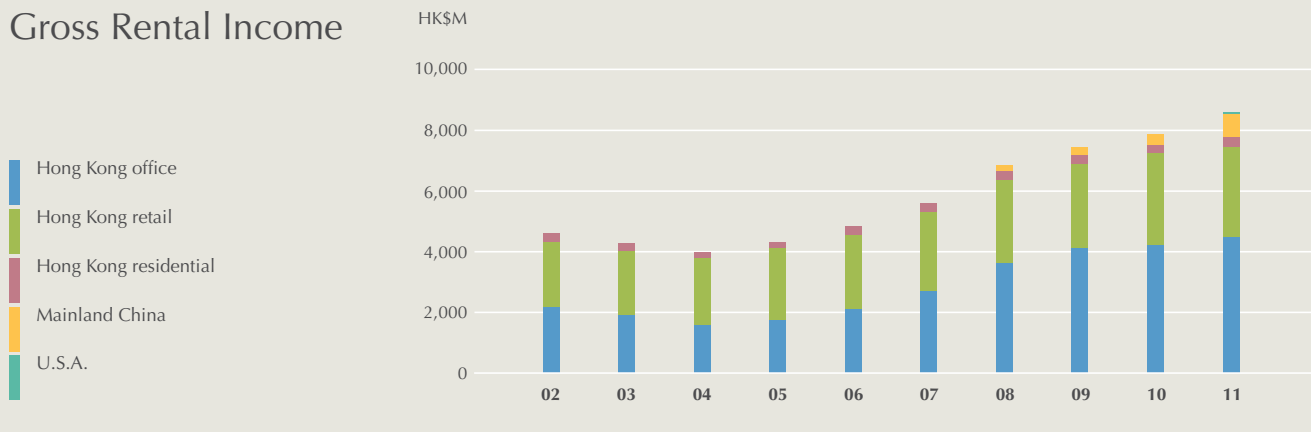


Underlying profit in 2011 increased by HK\$8,150 million, from HK\$4,782 million to HK\$12,932 million. This principally reflected an increase in capital profits less impairments (capital profits arising from the disposal of Festival Walk, less impairment charges at our U.K. hotels in 2011, being higher than capital profits arising from the disposal of Peel Rise and the changes in the ownership of PCCW Tower in 2010). Recurring profits from property investment increased by HK\$672 million, due to higher rental income in Hong Kong, an improvement in performance at Sanlitun Village in Mainland China and a first time contribution from the TaiKoo Hui development in Mainland China, partly offset by loss of

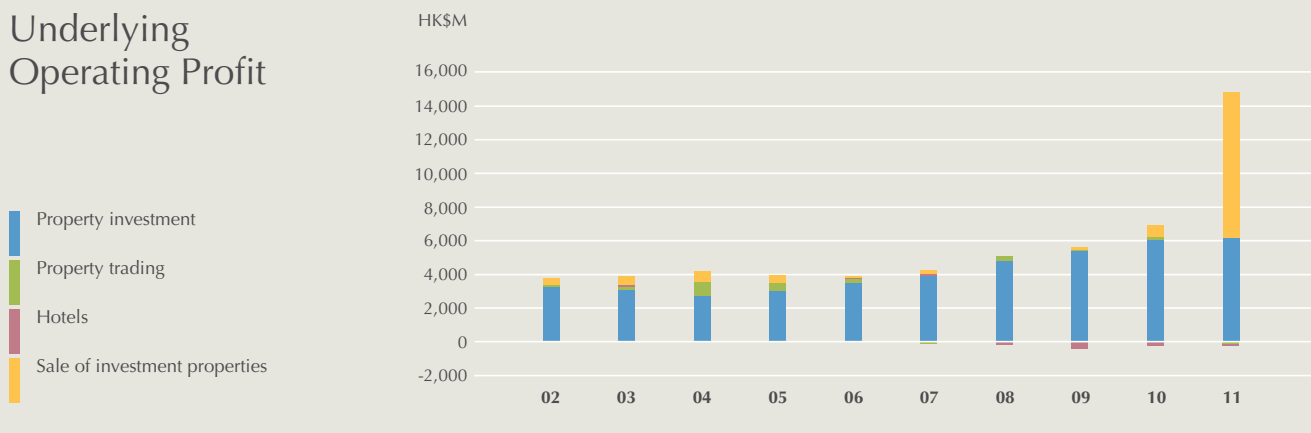
rental income from Festival Walk following its disposal. The hotel portfolio moved from a loss in 2010 to a profit in 2011, due to significant improvements in the results of the managed hotels and good growth in the profits of the non-managed hotels. The trading portfolio moved from a profit in 2010 to a loss in 2011 (excluding impairment adjustments), due to fewer sales and the initial recording of sales and marketing expenses associated with the AZURA and ARGENTA luxury residential developments. The increase in non-recurring expenses principally reflects the higher fees incurred in 2011 in connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited.



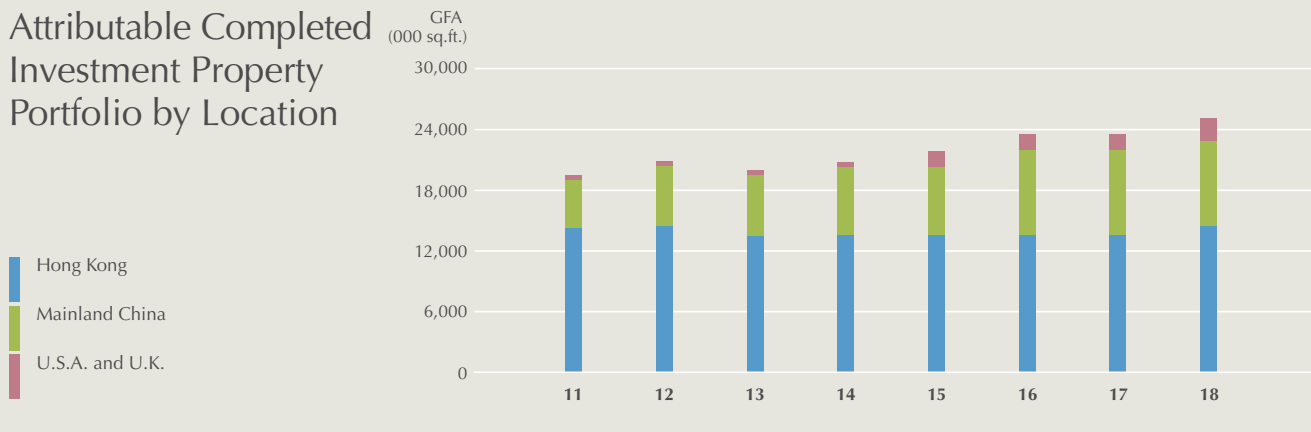
Gross Rental Income



Underlying Operating Profit



Attributable Completed Investment Property Portfolio by Location





Portfolio Overview

The aggregate gross floor area (“GFA”) attributable to the Group as at 31st December 2011 was approximately 29.1 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 25.1 million square feet are investment properties, comprising completed investment properties of approximately 19.4 million square feet and investment properties under development or held for future development of approximately 5.7 million square feet. In Hong Kong, this investment property portfolio comprises approximately

14.4 million square feet attributable to the Group of primarily Grade A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In Mainland China, Swire Properties has interests in five major commercial mixed-use developments in prime locations in Beijing, Shanghai, Guangzhou and Chengdu. These developments are expected to comprise approximately 8.4 million square feet of attributable GFA on completion. Outside Hong Kong and Mainland China, the investment property portfolio comprises the Brickell CitiCentre project in Miami and interests in hotels in the U.S.A. and the U.K.

The tables below illustrate the GFA attributable to the Group of the investment portfolio as at 31st December 2011.

Completed Investment Properties (GFA attributable to the Group in million square feet)					
	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Total
Hong Kong	10.5	2.4	0.7	0.6	14.2
Mainland China	2.0	2.5	0.2	–	4.7
U.S.A. and U.K.	–	–	0.5	–	0.5
Total	12.5	4.9	1.4	0.6	19.4

Investment Properties under Development or Held for Future Development
(expected GFA attributable to the Group in million square feet)

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Total
Hong Kong	0.1	–	–	0.1	0.2
Mainland China	0.9	1.6	1.1	0.1	3.7
U.S.A.	1.0	0.5	0.2	0.1	1.8
Total	2.0	2.1	1.3	0.3	5.7

Total Investment Properties
(GFA (or expected GFA) attributable to the Group in million square feet)

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Total
Total	14.5	7.0	2.7	0.9	25.1

⁽¹⁾ Hotels are accounted for under property, plant and equipment in the accounts.

The trading property portfolio comprises land, apartments and offices under development in Hong Kong, in Miami in the U.S.A. and in Mainland China, together with the remaining units for sale at 5 Star Street in Hong Kong and at the ASIA residential development in Miami in the U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio as at 31st December 2011.

Trading Properties
(GFA (or expected GFA) attributable to the Group in million square feet)

	Completed	Under Development or Held for Future Development	Total
Hong Kong	–	1.0	1.0
Mainland China	–	0.6	0.6
U.S.A.	0.1	2.3	2.4
Total	0.1	3.9	4.0

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 10.8 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK\$4,659 million in 2011. As at 31st December 2011, our office properties in Hong Kong were valued at HK\$113,790 million. Of this amount, Swire Properties' attributable interest represented HK\$110,458 million.

Hong Kong Office Portfolio			
	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Pacific Place	2,186,433	99%	100%
Cityplaza	1,632,930	98%	100%
TaiKoo Place Office Towers ⁽¹⁾	3,136,541	99%	50%/100%
One Island East	1,537,011	100%	100%
Techno Centres ⁽²⁾	1,816,667	95%	100%
Others ⁽³⁾	461,587	98%	20%/50%
Total	10,771,169		

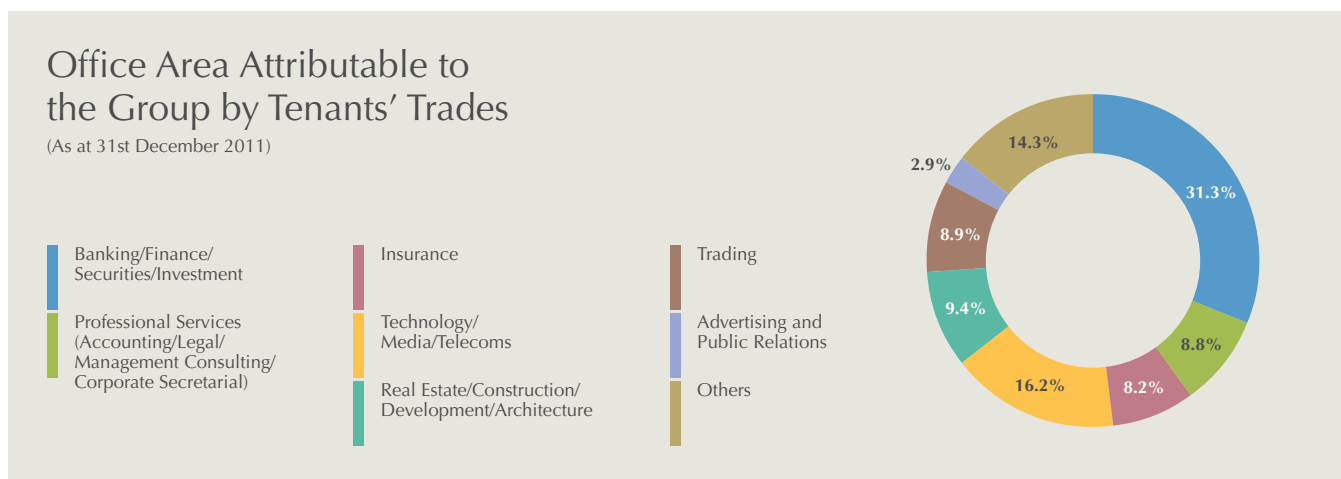
⁽¹⁾ Including PCCW Tower, of which Swire Properties owns 50%.

⁽²⁾ The valuation of Somerset House reflects the fact that it is to be redeveloped.

⁽³⁾ Others comprise One Citygate (20% owned by Swire Properties) and 625 King's Road (50% owned by Swire Properties).

Gross rental income from the Group's office portfolio for 2011 increased by 7% over 2010, to HK\$4,495 million, reflecting positive rental reversions and strong demand for office space in the portfolio in the first half of 2011. The strong demand was driven by existing tenants wanting more space as well as new tenants. Although demand reduced in the second half of the year in uncertain market conditions, rental reversions remained positive. At 31st December 2011, the overall office portfolio was 98% let.

The chart below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area attributable to the Group as at 31st December 2011.



As at 31st December 2011, the top ten office tenants (based on rental income in the twelve months ended 31st December 2011) together occupied approximately 21% of the total office area in Hong Kong.



One Island East

Hong Kong

Pacific Place

The offices at One, Two and Three Pacific Place performed strongly in 2011. The occupancy rate was 99% at 31st December 2011. Major new lettings concluded in 2011 include Fidelity, Daiwa and Rabobank, while Bank of New York and Temple Chambers renewed their leases.

Island East

Cityplaza One, Three and Four performed satisfactorily in 2011. The occupancy rate was 98% at 31st December 2011. New tenants in 2011 include Jardine Lloyd Thompson and Deloitte, while American Express, HSBC and Fuji Xerox renewed their leases.

The TaiKoo Place Office Towers comprise five office towers (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 99% at 31st December 2011. Leasing activity in 2011 was mainly renewals and existing tenants taking more space, with major renewals including LVMH, IBM, Lenovo, Philip Morris, PCCW, BNP, Bank of America Merrill Lynch and China Construction Bank.

One Island East, our landmark property in Island East, had an occupancy rate of 100% at 31st December 2011. In 2011, Citibank took more space and China Shipping renewed its existing lease.

The three Techno Centres recorded modest growth in rents in 2011. Leases expiring in 2011 at Somerset House, which will be redeveloped into a Grade A office tower starting in 2013, were not renewed (and the space was not re-leased).

Hong Kong Office Market Outlook

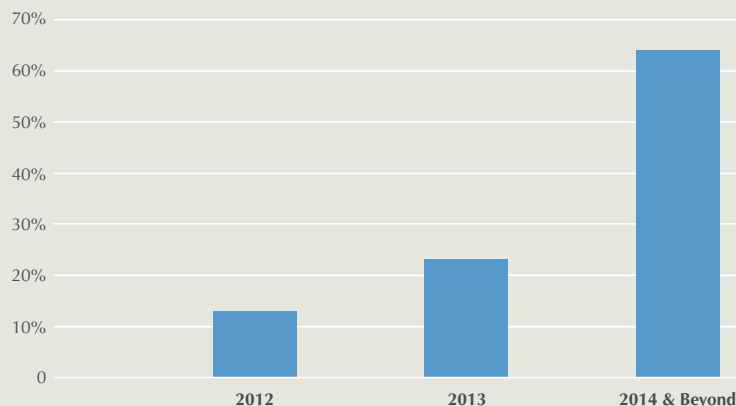
We remain cautious about the outlook for 2012. The financial services industry is undergoing a period of consolidation. This has affected demand for space in Central. In these challenging conditions, some tenants in Central continue to be interested in taking space in Island East. Low vacancy rates and the fact that the supply of new office space will be modest should mitigate the effect of the challenging conditions on rental income.

Our office space available will increase in 2012 with the completions of 28 Hennessy Road (145,390 square feet) and 8 Queen's Road East (81,346 square feet), both expected to take place in late 2012.

The following chart shows the percentage of the total rental income attributable to the Group from the office properties in Hong Kong, for the month ended 31st December 2011, derived from leases expiring in the periods indicated below. Tenancies accounting for approximately 13% of the rental income in the month of December 2011 are due to expire in 2012, with a further 23% due to expire in 2013.

Office Lease Expiry Profile

(as at 31st December 2011)



Retail

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis, principally at The Mall at Pacific Place, Cityplaza in Island East, and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate

Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK\$3,024 million in 2011. As at 31st December 2011, our retail properties in Hong Kong were valued at HK\$45,505 million. Of this amount, Swire Properties' attributable interest represented HK\$41,032 million.

Hong Kong Retail Portfolio

	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Pacific Place Mall	711,182	100%	100%
Cityplaza Mall	1,105,227	100%	100%
Citygate Outlets	462,439	100%	20%
Others ⁽¹⁾	530,467	100%	20%/60%/100%
Total	2,809,315		

⁽¹⁾ Others largely comprise Taikoo Shing neighbourhood shops and StarCrest retail premises (which are wholly-owned), Island Place retail premises (60% owned) and Tung Chung retail premises (20% owned).

Notwithstanding uncertainties in the global economic environment, the retail market in Hong Kong remained robust in 2011. Tourist arrivals in Hong Kong reached a new record of 42 million, more than 16% above 2010. The retail properties benefitted from increased spending accordingly. This, combined with positive local consumer sentiment in Hong Kong, resulted in healthy sales growth at retail outlets in our properties.

Gross rental income from the Group's retail portfolio was HK\$2,961 million in 2011, a decrease of 2% from 2010, due to the absence of rental income from Festival Walk following its disposal. Rental reversions were generally positive and were particularly strong at Pacific Place, reflecting strong demand for retail space and strong retail sales during the year. Retail sales in Swire Properties' malls in Hong Kong increased by 18% in 2011.

Occupancy at the Group's wholly-owned malls was effectively 100% throughout the year.



The Mall, Pacific Place

Hong Kong

The chart below shows the mix of tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area attributable to the Group as at 31st December 2011.



As at 31st December 2011, the top ten retail tenants (based on rental income in the twelve months ended 31st December 2011) together occupied approximately 33% of the total retail area in Hong Kong.

The Mall, Pacific Place

The Mall at Pacific Place is an integral part of the mixed-use Pacific Place development. The offices and the four hotels at Pacific Place provide a secure flow of shoppers for the Mall. Retail sales at The Mall increased by 18% in 2011. The Pacific Place contemporisation project, with a total investment cost of HK\$2.0 billion, was substantially completed in 2011 and significantly rejuvenated the 23-year old Mall.

The Mall remained virtually fully let during the year, with the only void periods resulting from tenant changes, the most

notable of which was the introduction of the Harvey Nichols Asia flagship store.

Significant improvements are planned for 2012. The exterior façade facing Queensway is being refurbished, while the space previously occupied by Lane Crawford is being reconfigured. A beauty gallery will be created to house retailers of upscale cosmetic and skin care brands. An additional arcade will link up the two sides of The Mall in order to improve the flow of pedestrian traffic.



Citygate Outlets

Hong Kong

Cityplaza Mall

Cityplaza is one of the most popular regional shopping centres in Hong Kong and is the biggest such centre on Hong Kong Island. It principally serves Hong Kong residents, but the opening of the adjacent EAST, Hong Kong has resulted in higher patronage from visitors from outside Hong Kong. Retail sales increased by 8% in 2011. The property was virtually fully occupied during 2011.

Citygate Outlets

Sales at Citygate Outlets, the only outlet mall in Hong Kong, increased by more than 36% in 2011. A further 13,670 square feet of space was allocated to outlet retailers during the year. The tenth floor of the adjacent office property, One Citygate, was converted to retail use, with trading commencing in December 2011. Citygate Outlets remained virtually fully let at all times in 2011.

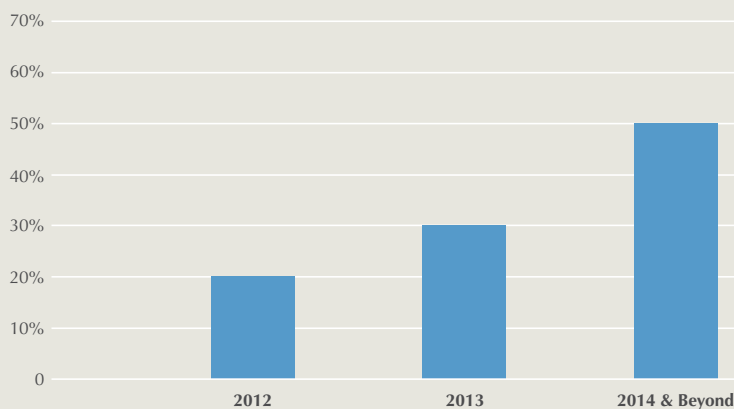
Hong Kong Retail Market Outlook

Strong consumer demand (including from visitors from Mainland China) is expected to continue in 2012 and competition for retail space is expected to remain keen. We will continue to monitor consumer preferences, brand popularity and tenant mix in an effort to ensure that our malls cater to the changing needs of consumers and facilitate increases in retail sales.

The following chart shows the percentage of the total rental income attributable to the Group from the retail properties in Hong Kong, for the month ended 31st December 2011, derived from leases expiring in the periods indicated below. Tenancies accounting for approximately 20% of the rental income in the month of December 2011 are due to expire in 2012, with a further 30% due to expire in 2013.

Retail Lease Expiry Profile

(as at 31st December 2011)



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place in Hong Kong and a small number of luxury houses and apartments on Hong Kong Island, with a total floor area of 483,711 square feet.

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

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

Investment Properties Under Construction

28 Hennessy Road

Superstructure work is progressing at the 145,390 square

foot office building at 28 Hennessy Road, with completion expected in the second half of 2012.

8 Queen's Road East

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

23 Tong Chong Street

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

Investment Properties – Mainland China

Overview

The property portfolio in Mainland China comprises an aggregate of 13.5 million square feet of space (9.1 million square feet attributable to the Group), of which 5.4 million square feet are completed properties with another 8.1 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China was HK\$775 million in 2011. As at 31st December 2011, our investment portfolio in Mainland China was valued at HK\$40,626 million. Of this amount, Swire Properties' attributable interest represented HK\$28,890 million.

Property Portfolio ⁽¹⁾ – Mainland China	Gross Floor Area (sq.ft.) (100% Basis)			Year of Opening	Attributable Interest
	Total	Investment Properties	Hotels, Trading Properties and Others		
<i>Completed</i>					
Sanlitun Village, Beijing	1,465,771	1,296,308	169,463	2008 ⁽²⁾	80% ⁽³⁾ /100%
TaiKoo Hui, Guangzhou (Retail and Office)	3,208,167	3,208,167	–	2011	97%
INDIGO, Beijing (Office)	595,464	595,464	–	2011	50%
Beaumont Retail Podium, Guangzhou	90,847	90,847	–	2008	100%
Others ⁽⁴⁾	29,584	–	29,584	N/A	100%
Sub-total	5,389,833	5,190,786	199,047		
<i>Under Development</i>					
TaiKoo Hui, Guangzhou (Hotel and Serviced Apartments)	641,028	52,797	588,231	2012	97%
INDIGO, Beijing (Retail and Hotel)	1,297,762	939,493	358,269	2012	50%
Dazhongli Project, Shanghai	3,469,398	2,872,653	596,745	2016	50%
Daci Temple Project, Chengdu ⁽⁵⁾	2,689,300	1,249,135	1,440,165	2014	50%
Sub-total	8,097,488	5,114,078	2,983,410		
Total	13,487,321	10,304,864	3,182,457		

⁽¹⁾ Including the hotel and property trading components of these projects.

⁽²⁾ Village North was opened in 2010.

⁽³⁾ Swire Properties owns 80% of the retail component of Sanlitun Village.

⁽⁴⁾ Including Longde Building and Tianhe Xinzuo residential apartments, which were acquired by us in 2005 and 2006 respectively.

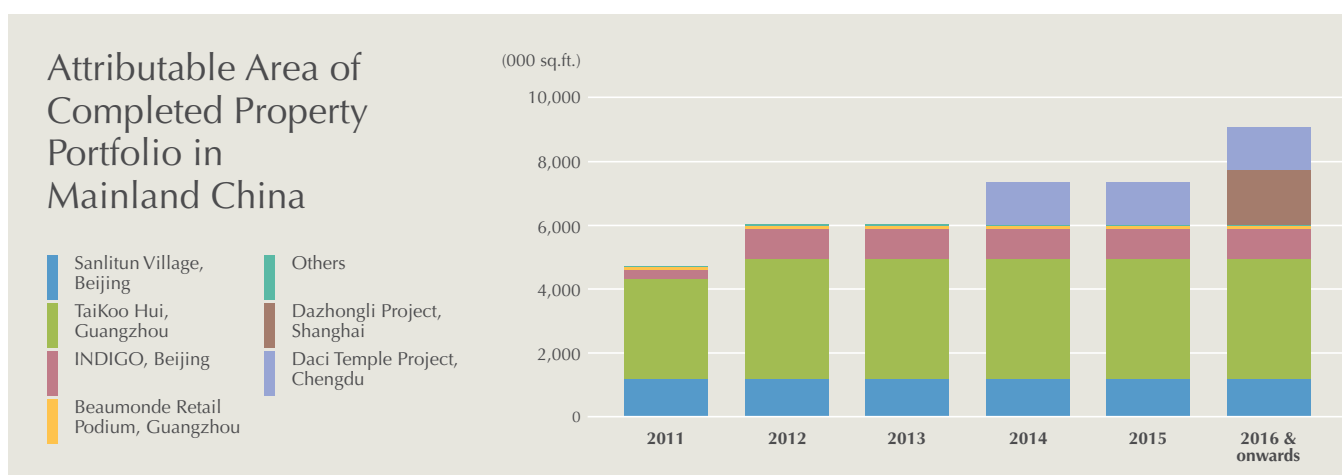
⁽⁵⁾ The office portion of the Daci Temple project is intended to be developed for trading purposes.



Sanlitun Village

Beijing

The chart below illustrates the growth in attributable area of the completed property portfolio in Mainland China.



Completed Investment Properties

Sanlitun Village, Beijing

Sanlitun Village, a low-density complex, comprises two neighbouring retail sites and a hotel totalling 1.47 million square feet in the Chaoyang District of Beijing. Sanlitun Village has over 200 shops and restaurants, including flagship stores, shops selling lifestyle brands and restaurants serving regional and international cuisine.

Village South concentrates on global fashion and lifestyle brands with a youthful appeal, including the world's largest

adidas store and Mainland China's largest Apple store. During 2011, Swire Properties introduced 33 new tenants in Village South in an effort to optimise the mix of tenants. Village North focuses on international and Chinese designer fashion brands, as well as restaurants and cafés.

Sanlitun Village has seen a satisfactory increase in gross rental income in 2011, reflecting increases in base rents at Village South and higher occupancy rates at Village North. As at 31st December 2011, occupancy rates were 93% at Village South and 90% at Village North.

Sanlitun Village, Beijing			
	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Retail – Village South	776,909	93%	80%
Retail – Village North	519,399	90%	80%
Hotel – The Opposite House ⁽¹⁾	169,463	66%	100%
Total	1,465,771		

⁽¹⁾ The hotel is accounted for under property, plant and equipment in the accounts.

Sanlitun Village, with its open plan architecture inspired by the concept of courtyards and hutongs in Beijing, has gained significant attention in the retail market in Beijing. It is seen by young people and the fashion conscious as a shopping and leisure destination. Swire Properties will continue to invest in improvement works designed to enhance footfall and circulation, and to reinforce the property's position. Demand from retailers remains strong in Beijing, with more retailers of international brands entering the market. This can be expected to increase occupancy rates and rents in general. Sanlitun Village can be expected to benefit from the continued strength of consumer demand, further refinement of the tenant mix and cost reductions.

Swire Properties owns 80% of the retail component of Sanlitun Village with the remaining 20% interest held by Gateway China Fund I, a fund managed by Gaw Capital. The fund has an option to sell its 20% interest to Swire Properties before the end of 2013. As at 31st December 2011, Sanlitun Village (excluding The Opposite House) was valued at HK\$8,975 million. Of this amount, Swire Properties' 80% attributable interest represented HK\$7,180 million.

Beijing Retail Market Outlook

The Beijing retail market remains very active, with new supply being taken up by retailers. There is an increasing number of new entrants to the Beijing market, as many retailers see Mainland China as a source of growth in the coming years. Rent appreciation in prime retail shopping centres continues.

TaiKoo Hui, Guangzhou

TaiKoo Hui is our largest investment property in Mainland China. It is a large-scale retail-led complex in the Tianhe Central Business District of Guangzhou, with a total area of approximately 3.85 million square feet. Located at a

transportation hub, it has direct access to the city's metro system, incorporates a prime shopping mall, two Grade A office towers, a 5-star hotel with serviced apartments to be managed by Mandarin Oriental Hotel Group and a cultural centre, together with over 800 car parking spaces, all of which are interconnected.

The shopping mall opened on 23rd September 2011 and, as at 31st December 2011, approximately 99% of the floor area was leased and 84% of the shops were open. Approximately 70% of the mall is tenanted by retailers selling international brand names, with a number of brands making their debuts in Guangzhou. Sales of luxury brands were encouraging while some of the mass market brands which are new to Guangzhou are quickly gaining momentum. Tenants have committed to take (or have agreed terms in relation to) approximately 68% of the floor area of the two office towers. HSBC, which is the largest tenant, has leased 29 floors, representing approximately 47% of the total office floor area. The remaining vacant area is located in the high zone of office tower 1, which is expected to command the best terms among all the office floors.

Retail sales performance in 2012 is expected to improve as more shops open, more office tenants move in and the Mandarin Oriental Hotel opens. The 263-rooms and 24 serviced apartments in the Mandarin Oriental Hotel Guangzhou are expected to open in the latter part of 2012.

Swire Properties has a 97% stake in TaiKoo Hui, which is a joint venture with Guangzhou Da Yang Properties Investment Limited (under the Guangzhou Daily Group). As at 31st December 2011, the development (excluding the hotel) was valued at HK\$12,014 million. Of this amount, Swire Properties' 97% attributable interest represented HK\$11,653 million.

TaiKoo Hui, Guangzhou			
	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Retail	1,484,743	99%	97%
Office	1,723,424	68%	97%
Hotel ⁽¹⁾	588,231	N/A	97%
Serviced Apartments	52,797	N/A	97%
Total	3,849,195		97%

⁽¹⁾ The hotel is accounted for under property, plant and equipment in the accounts.



INDIGO

Beijing

Guangzhou Market Outlook

In the retail market, a number of new malls were opened in Baiyun District and Zhujiang New Town in 2011. Total retail sales in Guangzhou grew steadily due to strong market demand.

In the office market, although supply has increased significantly following the completion of new office towers in Zhujiang New Town, the market remained active, with growing demand, particularly from the finance and insurance industries, in the first half of 2011. However, in the fourth quarter in 2011, demand for office space started to weaken.

INDIGO, Beijing

Our second venture in the Beijing property market, INDIGO, is a retail-led mixed-use development in Jiang Tai in the Chaoyang District. It comprises an upmarket shopping mall, a Grade A office tower (ONE INDIGO) and a 369-room lifestyle business hotel EAST, Beijing. In addition to having more than

1,200 car parking spaces, INDIGO will be served by the Beijing Metro Line 14, which is now under construction and is due to open in 2014.

The shopping mall and the office tower are completed. The hotel is under construction. The office tower started to open in late 2011 and a number of office tenants have moved in. The shopping mall is being fitted out and opened gradually from March 2012. As at 31st December 2011, committed tenants (including those who had signed letters of intent) accounted for approximately 77% of the retail space and approximately 46% of the office space. The hotel is expected to open in the latter part of 2012.

INDIGO is a 50:50 joint venture with Sino-Ocean Land Holdings Limited. As at 31st December 2011, the development (excluding the hotel) was valued at HK\$4,650 million. Of this amount, Swire Properties' 50% attributable interest represented HK\$2,325 million.

INDIGO, Beijing			
	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Retail	939,493	77%	50%
Office	595,464	46%	50%
Hotel ⁽¹⁾	358,269	N/A	50%
Total	1,893,226		50%

⁽¹⁾ The hotel is accounted for under property, plant and equipment in the accounts.

Beijing Office Market Outlook

Demand in the Beijing office market continues to exceed supply. Rental increases and limited supply in the central business district are causing tenants to relocate to emerging areas.

Investment Properties Under Development

Dazhongli Project, Shanghai

The Dazhongli project is a large-scale retail-led mixed-use development which will comprise approximately 3.47 million square feet (excluding car parking spaces) upon completion. It occupies a prime location with significant frontage to Nanjing West Road, one of Shanghai's major shopping thoroughfares,

and has excellent transport connections, being adjacent to an existing metro line and two planned metro stations. The project comprises a retail mall, two office towers and three hotels, and is expected to become a landmark development in Shanghai.

Site clearance and resettlement works have largely been completed. Foundation works commenced at the end of 2011 and the development is expected to open in phases from 2016 onwards.

The Dazhongli project is a 50:50 joint venture with HKR International Limited. As at 31st December 2011, the development (excluding the hotel) was valued at HK\$12,442 million. Of this amount, Swire Properties' 50% attributable interest represented HK\$6,221 million.

Dazhongli Project, Shanghai	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	1,062,719	50%
Office	1,809,934	50%
Hotels ⁽¹⁾	596,745	50%
Total	3,469,398	50%

⁽¹⁾ The hotels are accounted for under property, plant and equipment in the accounts.

Shanghai Market Outlook

Demand for commercial property in Shanghai was strong in 2011. Limited supply of quality Grade A office space, particularly in the Puxi region, should ensure that growth prospects continue to be good. The retail market remains robust, with new entrants to Mainland China often opening first in Shanghai.

Daci Temple Project, Chengdu

The Daci Temple project, located in the Jinjiang District of Chengdu and near to the popular Chunxi Road shopping

district, will be conveniently accessible from a future metro interchange station. With a site area of 762,251 square feet, the project will form a large-scale urban development comprising a street style retail complex, a boutique hotel with about 100 guest rooms, serviced apartments and a Grade A office tower.

Consisting of 2-3 storey retail blocks and open spaces with a basement connected to the planned metro, the retail complex is designed to integrate harmoniously with the cultural heritage of the ancient Daci Temple and neighbouring historic buildings.

Daci Temple Project, Chengdu	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	1,174,465	50%
Hotel ⁽¹⁾	156,090	50%
Serviced Apartments	74,670	50%
Office ⁽²⁾	1,284,075	50%
Total	2,689,300	50%

⁽¹⁾ The hotel is accounted for under property, plant and equipment in the accounts.

⁽²⁾ The office portion of the Daci Temple project is intended to be developed for trading purposes.

Site preparation works have started. The development is expected to open in phases from 2014 onwards.

The office tower is intended to be developed for trading purposes.

The Daci Temple development is a 50:50 joint venture with Sino-Ocean Land Holdings Limited. In January 2012, the Group entered into an agreement with Sino-Ocean Land Limited, a wholly-owned subsidiary of Sino-Ocean Land Holdings Limited to fund the whole of the remaining land premium (and associated taxes) payable in respect of the Daci Temple project and certain working capital requirements in an aggregate amount of US\$230 million. Please refer to Note 44 to the accounts for further details.

As at 31st December 2011, the Daci Temple development (excluding the hotel and office trading components) was valued at HK\$2,071 million. Of this amount, Swire Properties' 50% attributable interest represented HK\$1,036 million.

Chengdu Market Outlook

Chengdu's retail market has been performing strongly over the last three years. There was strong demand for office space in 2011, with trading and leasing both being active in the first three quarters of 2011.

There will be no major supply of new retail space in the downtown area of Chengdu in 2012. Demand by retailers for additional space should increase rental rates and absorption of existing space.

There will be a substantial supply of new office space in the New South Area of Chengdu in 2012. However, the supply along the major commercial streets and within the city centre is still limited. The office leasing and trading markets in this downtown area are expected to remain positive.

Investment Properties – U.S.A.

Brickell CitiCentre, Miami

Brickell CitiCentre is a mixed-use development project in the Brickell financial district in Miami, Florida and covers approximately four city blocks. Situated one block west of Brickell Avenue and three blocks west of Brickell Key, the project has a site area of 393,678 square feet (approximately 9.1 acres).

Part of the site was acquired in 2008. This part is bounded on the north and south by SW 7th and SW 8th Streets, which are primary arteries connecting the Brickell district to the interstate highway (I-95) (which is about three quarters of a mile west of the site). The subsequent acquisition of two adjoining sites, the 2.1 acre Brickell Tennis Centre and the 1.3 acre Eastern National Bank building permitted the application for a special area plan under the Miami zoning code. Development entitlements have been approved by the City of Miami, allowing a mixed-use development of approximately 2.9 million square feet (excluding carpark and circulation areas).

Brickell CitiCentre, Miami	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	520,000	100%
Office	963,000	100%
Serviced Apartments	108,000	100%
Hotel ⁽¹⁾	200,000	100%
Residential ⁽¹⁾	1,100,000	100%
Carpark/Circulation	2,538,000	100%
Total	5,429,000	100%

⁽¹⁾ The residential portion of the Brickell CitiCentre is intended to be developed for trading purposes. The hotel and the residential components are not accounted for as investment properties in the accounts.



Brickell CitiCentre

Miami

An urban, mixed-use development scheme has been planned which incorporates a multi-level, open-air shopping centre with two levels of below ground parking. The plan incorporates a light rail Metromover station, which runs through the site, as an integral part of the project. The development is scheduled to be completed in two phases, with Phase I comprising a 243-room hotel, 93 serviced apartments, two office buildings and two residential towers. Subject to market conditions, Phase II is planned as a high-rise office building with car parking spaces.

Site preparation, foundation testing and applying for construction permits from government authorities are underway. Construction of Phase I is expected to be completed in 2015, while construction of Phase II is expected to be completed in 2018.

There is little existing or expected retail competition in the area of the scale and quality planned for Brickell CitiCentre. As a regional centre, it is believed that Brickell CitiCentre will generate rental rates comparable to those at leading shopping centres in Greater Miami.

As at 31st December 2011, the Brickell CitiCentre development (excluding the hotel and residential trading components) was valued at HK\$391 million. This development is wholly-owned by Swire Properties.

Miami Market Outlook

Notwithstanding the uncertain economic background, Greater Miami does not have enough shops, especially in the city centre and selling mid to high range merchandise. The office market continues to favour tenants, although tenant concession packages are getting smaller. However, office vacancy rates remain at approximately 22% following the addition of 600,000 square feet of office space at the recently completed Brickell World Center. Competition for office tenants remains keen as a result.

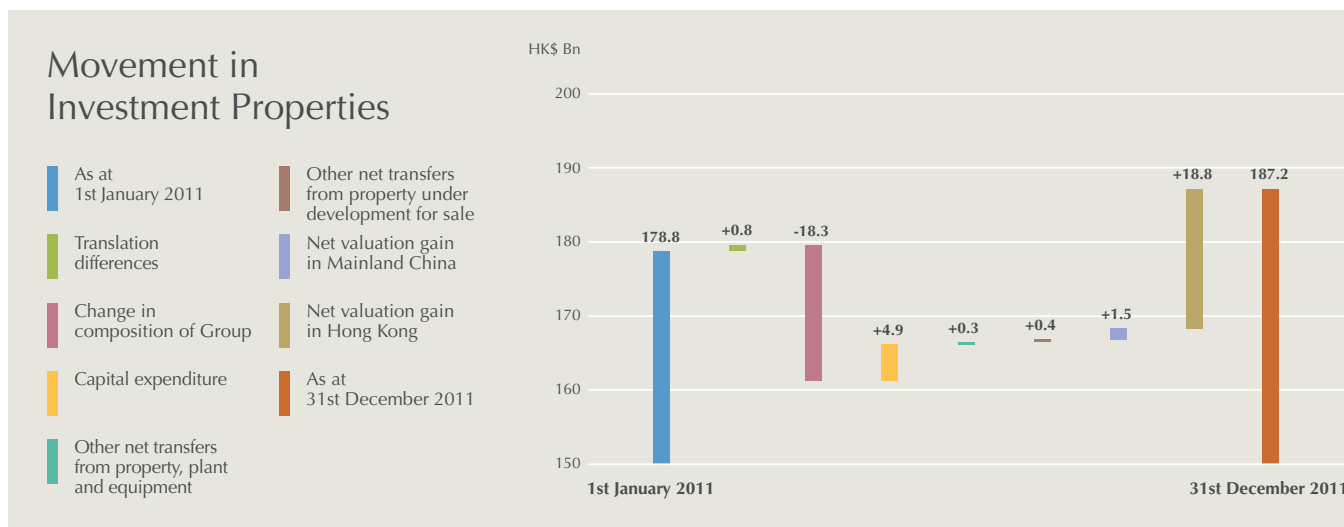
In the residential market, Downtown Miami has absorbed the bulk of properties built from 2005 to 2008 and in some sectors prices are starting to rise. The supply of rental units on offer in the Downtown and Brickell areas is low, with rental rates continuing to increase.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2011 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK\$187,198 million compared to HK\$178,815 million at 31st December 2010 and HK\$198,314 million at 30th June 2011.

The increase in the valuation of the investment property portfolio principally reflects higher rental income.

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		
	Completed HK\$M	Under Development HK\$M	Total HK\$M
At 1st January 2011	161,508	17,307	178,815
Translation differences	374	421	795
Change in composition of Group	(18,263)	–	(18,263)
Additions	145	4,705	4,850
Transfer upon completion	11,142	(11,142)	–
Other net transfers from property, plant and equipment	265	38	303
Other net transfers from properties held for development	104	249	353
Fair value gains	19,676	669	20,345
	174,951	12,247	187,198
Add: Initial leasing costs	290	–	290
At 31st December 2011	175,241	12,247	187,488
At 1st January 2010	141,832	12,183	154,015
Translation differences	287	245	532
Cost written back	(11)	–	(11)
Additions	595	3,988	4,583
Disposals	(593)	(57)	(650)
Transfers between category	23	(23)	–
Other net transfers from property, plant and equipment	770	(7)	763
Other net transfers to property under development for sale	–	(897)	(897)
Fair value gains	18,605	1,875	20,480
	161,508	17,307	178,815
Add: Initial leasing costs	170	–	170
At 31st December 2010	161,678	17,307	178,985

Geographical Analysis of Investment Properties

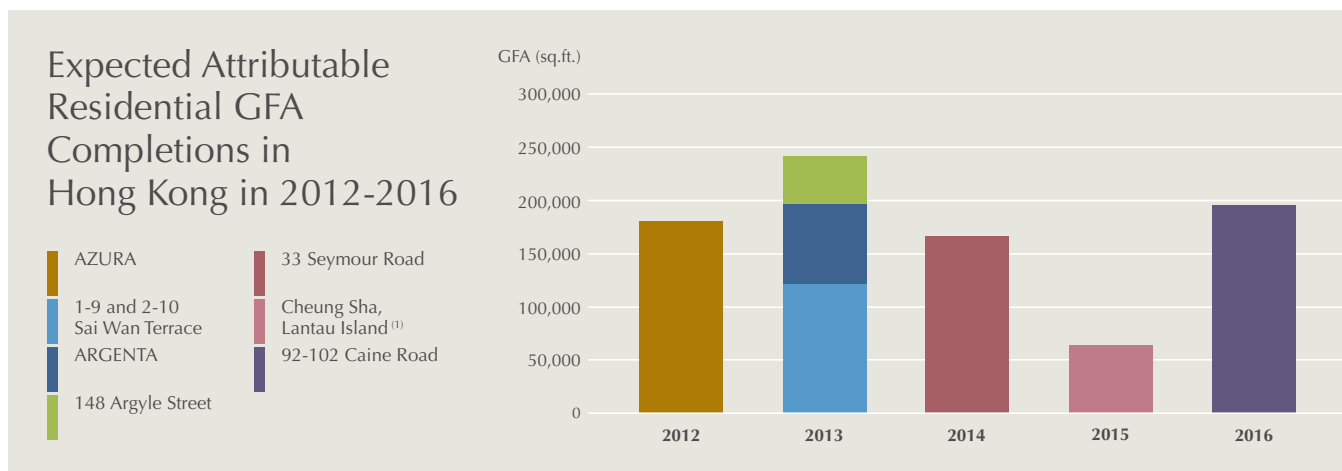
	Group	
	2011 HK\$M	2010 HK\$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	25,151	39,310
On long-term leases (over 50 years)	140,358	122,221
	165,509	161,531
Held in Mainland China:		
On medium-term leases (10 to 50 years)	21,298	17,284
Held in U.S.A.:		
Freehold	391	–
	187,198	178,815

Property Trading

The trading portfolio comprises seven luxury residential projects in Hong Kong (five on Hong Kong Island, one in Kowloon and one on Lantau Island), a residential complex under development in Brickell CitiCentre in Miami, an office property under development in the Daci Temple project in Chengdu, and the remaining residential units at the completed developments of ASIA in Miami and 5 Star Street in Hong Kong. There is also a land bank in Miami and Fort Lauderdale in Florida, the U.S.A.

Property Trading Portfolio	Gross Floor Area (sq.ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
<i>Completed</i>			
Hong Kong			
– 5 Star Street (remaining unsold units)	1,996	2010	100%
U.S.A.			
– ASIA, Miami (remaining unsold units)	67,728	2008	100%
<i>Under Development</i>			
Hong Kong			
– AZURA	206,306	2012	87.5%
– ARGENTA	75,805	2013	100%
– 33 Seymour Road	165,792	2014	100%
– 92-102 Caine Road	195,531	2016	100%
– 1-9 and 2-10 Sai Wan Terrace	151,944	2013	80%
– 148 Argyle Street	88,555	2013	50%
– Cheung Sha, South Lantau	64,412	2015	100%
Mainland China			
– Daci Temple Project, Chengdu (office portion)	1,284,075	2014	50%
U.S.A.			
– Brickell CitiCentre, Miami, Florida	1,100,000	2015	100%
<i>Held for Development</i>			
U.S.A.			
– Fort Lauderdale, Florida	787,414	N/A	75%
– South Brickell Key, Miami, Florida	421,800	N/A	100%
Total	4,611,358		

The following bar chart is a graphical representation of the expected timing of completion of our residential projects in Hong Kong.



⁽¹⁾ Maximum GFA of the Cheung Sha development.

Audited Financial Information Properties Held for Development and for Sale	Group	
	2011 HK\$M	2010 HK\$M
Properties held for development		
Freehold land	124	443
Properties for sale		
Completed properties		
– development costs	270	388
– freehold land	7	9
– leasehold land	4	4
Properties under development		
– development costs	1,329	673
– freehold land	175	–
– leasehold land	5,063	4,480
	6,848	5,554



AZURA

Hong Kong

Hong Kong

Residential Developments in Mid-Levels West, Hong Kong

Swire Properties owns four sites in Mid-Levels West, a residential district on Hong Kong Island. A map showing the locations of these sites is set out below:



(a) AZURA, 2A Seymour Road

Swire Properties holds a 87.5% interest in this development. The superstructure works are in progress. The development is expected to be completed in 2012, and will consist of a 50-storey tower of 126 units and 45 car parking spaces with a

total GFA of 206,306 square feet. 99 of the 126 residential units have been pre-sold. The development is scheduled to be handed over to buyers in the latter part of 2012 and will be managed by Swire Properties.

(b) ARGENTA, 63 Seymour Road

ARGENTA is wholly-owned by the Group. The superstructure works are in progress. The development is expected to be completed in 2013, and will consist of a 37-storey tower of 30 whole-floor residential units and 28 car parking spaces with an aggregate GFA of 75,805 square feet.

(c) 33 Seymour Road

33 Seymour Road is wholly-owned by the Group. Foundation works are in progress and the development is expected to be completed in 2014. It will consist of a 48-storey tower of 127 residential units with an aggregate GFA of 165,792 square feet upon completion.

(d) 92-102 Caine Road

92-102 Caine Road is wholly-owned by the Group. Foundation works are in progress and the development is expected to be completed in 2016. The development consists of a 50-storey tower of 197 residential units and 43 car parking spaces with an aggregate GFA of 195,531 square feet.

Swire Properties plans to upgrade certain pedestrian walkways, widen a number of pavements and build a pedestrian staircase within the site at 92-102 Caine Road, in order to improve pedestrian flow between Castle Road and Caine Road, subject to the necessary approvals.

1-9 and 2-10 Sai Wan Terrace

The Group has an 80% interest in 1-9 and 2-10 Sai Wan Terrace, a residential development in Quarry Bay, Hong Kong. The substructure works are in progress. The development is expected to be completed in 2013 and will consist of two 21-storey towers of 92 residential units and 69 basement car parking spaces with an aggregate GFA of 151,944 square feet upon completion.

148 Argyle Street

148 Argyle Street is a residential development in Ho Man Tin, Kowloon. The Group has a 50% interest in the development. The substructure works are in progress. Construction works at the development are expected to be completed in 2013 and the development will have an aggregate GFA of approximately 88,555 square feet upon completion. It will consist of a 23-storey tower with 53 residential units and 56 car parking spaces.

Cheung Sha, South Lantau

Two adjacent residential sites at the junction of Tung Chung Road and South Lantau Road in Cheung Sha, Lantau Island were acquired in December 2011 and are wholly-owned by the Group. The sites will be developed into 30 houses with an aggregate GFA of 64,412 square feet. The development is expected to be completed in 2015.

Hong Kong Residential Market Outlook

Hong Kong government measures and policy changes will continue to affect Hong Kong's residential property market. Despite credit tightening, interest rates are expected to remain low. The supply of luxury residential property on Hong Kong Island and in Kowloon will remain limited. Luxury residential prices are expected to stay steady.

U.S.A.

ASIA, located on the northern edge of Brickell Key in Downtown Miami, is a luxury high-rise residential condominium with 123 units. The average size of these units is approximately 2,300 square feet. The property was completed in April 2008. 99 units have been sold. A further 11 units have been leased.

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



OPUS HONG KONG

Hong Kong

Leasing and Management Business

Swire Properties is responsible for the redevelopment as well as the leasing and management of a property owned by Swire Pacific at 53 Stubbs Road, known as OPUS HONG KONG. The property is a prime residential development consisting of a 12-storey residential building with ten whole-floor units and two double-level garden apartments designed by Pritzker Prize-winning architect Frank Gehry. Construction was completed and the occupation permit was issued in December 2011. Marketing will start upon the completion of the show flat in the second quarter of 2012.

Estate Management

Through subsidiaries, Swire Properties undertakes the management of 12 estates it has developed, including Robinson Place, The Orchards and Taikoo Shing. The services include day-to-day assistance for occupants and cleaning, maintenance and renovation of common areas and facilities. We place great emphasis on maintaining good relationships with our occupants. We will provide a high quality concierge service at our new developments such as AZURA.

Hotels

Managed Hotels

Overview

Swire Hotels owns and manages hotels in Hong Kong, Mainland China and the U.K., comprising the “House Collection”, “EAST”, and “Chapter Hotels”. The House Collection, presently comprising The Upper House in Hong Kong and The Opposite House in Beijing, is a group of small and distinctive hotels in Asia providing a highly personalised experience for guests. The EAST brand creates lifestyle business hotels whilst Chapter Hotels are a collection of locally-inspired hotels in regional towns and cities in the U.K.

The Upper House

The Upper House, a 117-room luxury hotel at Pacific Place, continued to be recognised for its customer service and achieved strong market penetration and revenue growth in 2011, with revenue per available room increasing by 35% from 2010. It received a number of awards including the “Best Overseas Business Hotel” award from Condé Nast Traveller, an award from The Readers’ Travel Awards 2011 and a TripAdvisor Traveler’s Choice Award.



The Upper House

Hong Kong

Major Hotels Portfolio (Managed by the Group)

	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
Hong Kong		
– The Upper House	117	100%
– EAST, Hong Kong	345	100%
– Headland Hotel ⁽¹⁾	501	0%
Mainland China		
– The Opposite House	99	100%
U.K.		
– The Montpellier Chapter, Cheltenham (formerly called Hotel Kandinsky, Cheltenham)	61	100%
– Avon Gorge Hotel, Bristol	75	100%
– The Magdalen Chapter, Exeter (formerly called Hotel Barcelona, Exeter) ⁽²⁾	59	100%
– Hotel Seattle, Brighton	71	100%
<i>Under Development</i>		
Mainland China		
– EAST, Beijing	369	50%
– Dazhongli Project (Hotels), Shanghai	124	50%
– Daci Temple Project (Hotel), Chengdu	100	50%
Total	1,921	

⁽¹⁾ Headland Hotel is owned by Airline Hotel Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.

⁽²⁾ Refurbishment of the hotel in Exeter is expected to be completed in 2012.



The Opposite House

Beijing

EAST, Hong Kong

EAST, Hong Kong, a 345-room hotel at Island East, has established a loyal following from office tenants in Cityplaza and TaiKoo Place. Occupancy and average room rates were strong in 2011, with revenue per available room increasing by 51% by from 2010. Its rooftop bar, Sugar, was re-launched in 2011 following a renovation of the outdoor deck area. The hotel was recommended in Hot List 2011 of Condé Nast Traveller.

The Opposite House

The Opposite House, a 99-room luxury hotel at Sanlitun Village, Beijing, saw significant improvements in its accommodation, restaurant and bar businesses in 2011, with revenue per available room increasing by 33% from 2010. The hotel appears in the Smart Travel Asia list of top 25 leisure hotels and resorts and Condé Nast Traveller's Gold List 2011.

U.K. Hotels

Swire Properties owns four hotels in the U.K., in Cheltenham, Bristol, Brighton and Exeter. The hotel in Exeter was closed for refurbishment in 2011. An impairment charge was recorded against the hotels in December 2011, reflecting a difficult trading environment. Despite the challenging operating conditions, our hotels performed satisfactorily during the year.

Hotels Market Outlook

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

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

The trading environment in the U.K. remains challenging. The Magdalen Chapter Hotel in Exeter is scheduled to reopen in 2012.

Non-managed Hotels

Swire Properties has ownership interests in (but does not manage) hotels with 3,166 rooms in aggregate, and is developing the Mandarin Oriental, Guangzhou, which will be 97% owned. The Mandarin Oriental, Guangzhou is expected to have a total of 263 rooms and 24 serviced apartments.

Major Hotels Portfolio (Not Managed by the Group)	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
Hong Kong		
– Island Shangri-La Hong Kong	565	20%
– JW Marriott Hotel Hong Kong	602	20%
– Conrad Hong Kong	513	20%
– Novotel Citygate Hong Kong	440	20%
U.S.A.		
– Mandarin Oriental, Miami	326	75%
<i>Under Development</i>		
Mainland China		
– Mandarin Oriental, Guangzhou ⁽¹⁾	287	97%
– Dazhongli Project (Hotels), Shanghai	433	50%
Total	3,166	

⁽¹⁾ Including 24 serviced apartments in the same building.

The non-managed hotels in Hong Kong performed strongly during the year. Trading conditions also improved at the Mandarin Oriental, Miami in 2011.

Capital Commitments

Capital Expenditure and Commitments for Investment Properties and Hotels

Capital expenditure in 2011 on Hong Kong investment properties and hotels, including completed projects, amounted to HK\$3,104 million (2010: HK\$3,031 million). Outstanding capital commitments at 31st December 2011 were HK\$6,740 million (31st December 2010: HK\$1,488 million).

Capital expenditure in 2011 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of jointly controlled companies, amounted

to HK\$3,180 million (2010: HK\$2,983 million). Outstanding capital commitments at 31st December 2011 were HK\$8,430 million (2010: HK\$9,861 million), including the Group's share of the capital commitments of jointly controlled companies of HK\$7,101 million (2010: HK\$6,952 million). The Group is committed to funding HK\$1,828 million (31st December 2010: HK\$2,459 million) of the capital commitments of jointly controlled companies in Mainland China.

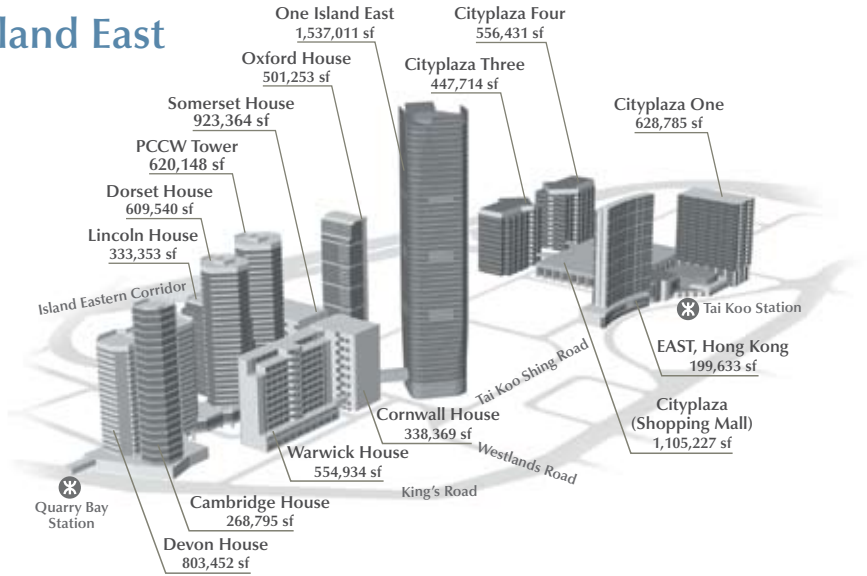
Capital expenditure in 2011 on the investment properties and hotels in the U.S.A. amounted to HK\$7 million (2010: HK\$14 million). Outstanding capital commitments at 31st December 2011 were HK\$2,472 million (2010: HK\$6 million).

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

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

Hong Kong

Island East



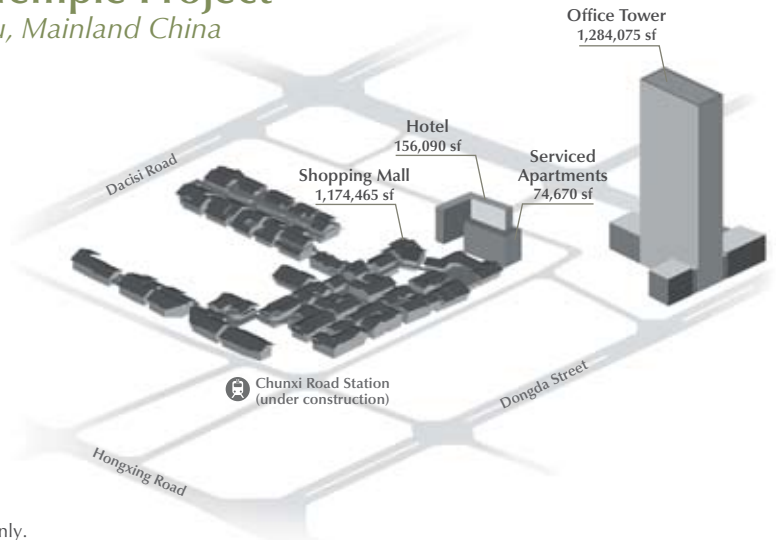
Mainland China

TaiKoo Hui Guangzhou



Future Developments

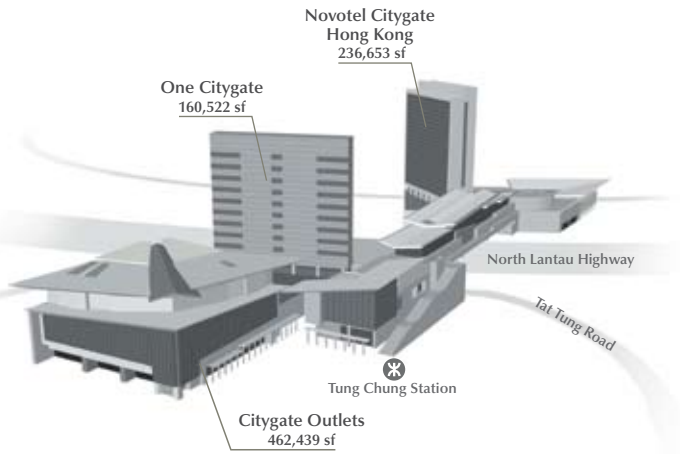
Daci Temple Project Chengdu, Mainland China



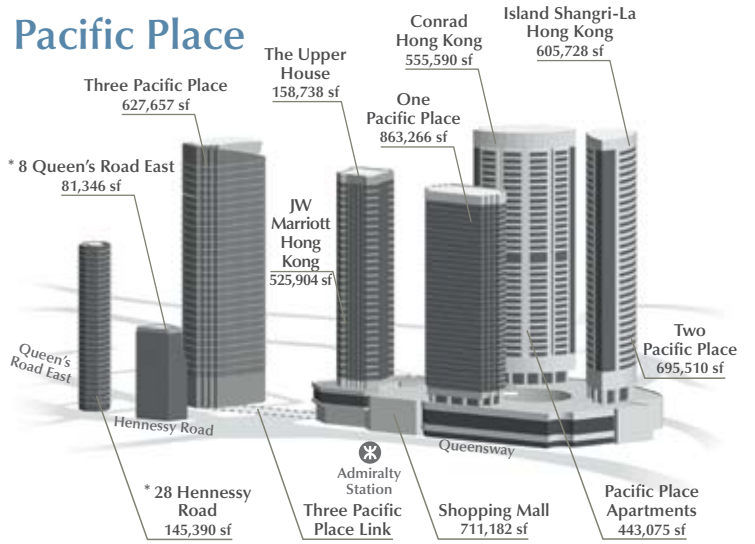
Note: These diagrams are not to scale and are for illustration purpose only.

* Under development

Citygate

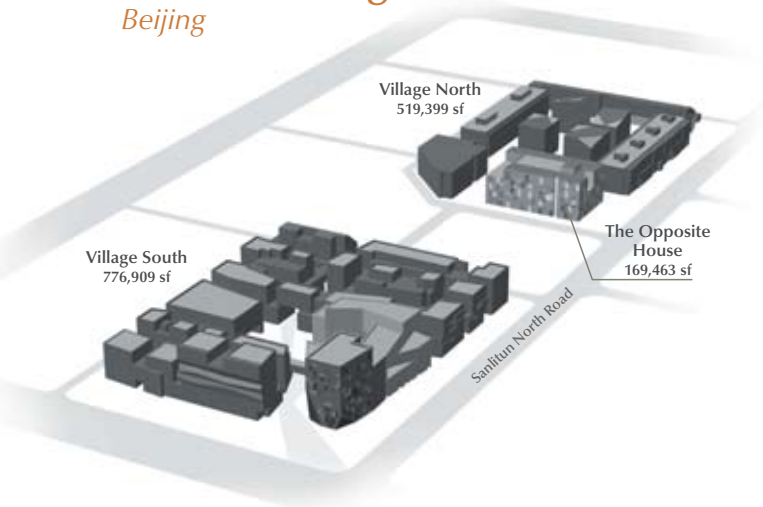


Pacific Place



Sanlitun Village

Beijing



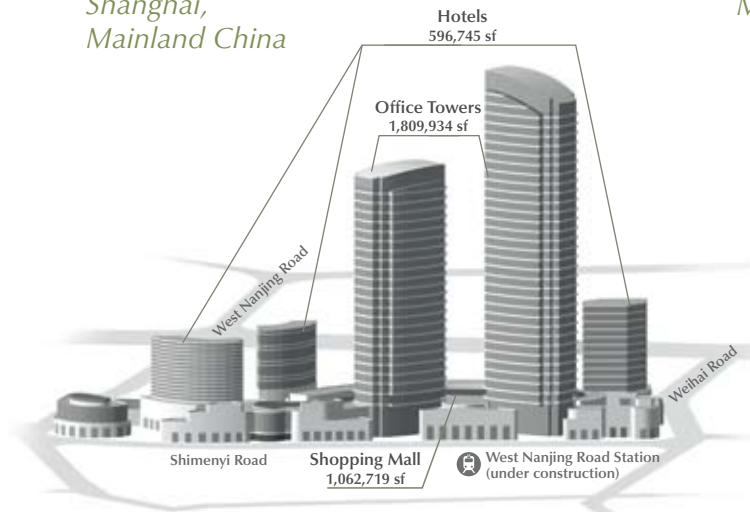
INDIGO

Beijing



Dazhongli Project

Shanghai, Mainland China



Brickell CitiCentre

Miami, U.S.A.



Financial Review

Financial Results Review

Commentary on major balances and year on year variances in the Accounts.
References are to “Notes to the Accounts” on pages 95 to 135.

Consolidated Income Statement

	2011 HK\$M	2010 HK\$M	Reference
Turnover	9,581	8,871	Note 4
<p>The increase in turnover of HK\$710 million compared to 2010 was principally due to higher rental income from our investment properties and higher turnover from our owned and managed hotel operations, partially offset by lower turnover from property trading.</p> <p>Rental income from our investment properties increased by HK\$682 million. There were positive rental reversions and higher turnover rents in Hong Kong, particularly at Pacific Place and One Island East. This was partially offset by the loss of rental income from Festival Walk after its disposal in August 2011. In Mainland China, rental income increased at Sanlitun Village (reflecting increases in base rents and higher occupancy) and the TaiKoo Hui property, which was completed in 2011, began to contribute rental income in the second half of the year.</p> <p>Turnover from our owned and managed hotels increased by HK\$199 million due to a combination of higher occupancy, room rates and non-room revenues at The Upper House, EAST, Hong Kong, The Opposite House and the U.K. hotels.</p> <p>Turnover from property trading fell by HK\$187 million compared to 2010, largely due to the absence of a contribution from the sale of residential units at 5 Star Street in Hong Kong (which accounted for HK\$281 million in turnover in 2010). This was partially offset by higher turnover from the sale of residential units at ASIA in Miami and Island Lodge in Hong Kong.</p>			

Consolidated Income Statement *(continued)*

	2011 HK\$M	2010 HK\$M	Reference
<p>Gross Profit</p> <p>Total gross profit increased by HK\$637 million compared to 2010. Gross profit from our investment properties increased by HK\$587 million, principally due to higher gross rental income. Margins increased from 81.9% to 82.3%. Gross profit from our owned and managed hotels was HK\$133 million compared with a gross loss of HK\$25 million in 2010. The improvement at the hotels reflected higher turnover. Gross profit from property trading fell by HK\$119 million, reflecting lower turnover.</p>	7,247	6,610	
<p>Operating Profit</p> <p>The decrease in operating profit of HK\$24 million compared to 2010 was principally due to lower gains from the disposal of and change in interests in investment properties, impairment losses, lower net revaluation gains on investment properties and higher administrative expenses, partially offset by higher gross profit.</p> <p>The gain from the disposal of Festival Walk in Hong Kong after deducting impairment losses from our U.K. hotels in 2011 was lower than the gains in 2010 from the disposal of Peel Rise in Hong Kong and from the changes in our interest in PCCW Tower.</p> <p>A net revaluation gain on investment properties of HK\$20,345 million was recorded in 2011, HK\$135 million lower than in 2010. Investment properties in Hong Kong recorded a net revaluation gain of HK\$18,766 million, largely due to higher rents at our completed properties. Investment properties in Mainland China recorded a net revaluation gain of HK\$1,546 million, largely due to higher rents at Sanlitun Village and lower capitalisation rates at Sanlitun Village and at the TaiKoo Hui property. The investment property component of the Brickell CitiCentre development in Miami, which was reclassified from property held for development to investment properties, recorded a net revaluation gain of HK\$33 million.</p> <p>Administrative expenses increased by HK\$118 million compared to 2010 largely due to the expenses associated with the listing of the shares of the Company on the Hong Kong Stock Exchange incurred in 2011 exceeding those incurred in 2010, partially offset by the absence of one-off expenses related to the relocation of our head office from Pacific Place to One Island East incurred in 2010.</p>	26,945	26,969	Notes 7 and 9(a)
<p>Net Finance Charges</p> <p>The increase in net finance charges of HK\$240 million compared to 2010 is largely due to a HK\$259 million increase in the fair value of a put option held by the non-controlling interest at Sanlitun Village, compared to a HK\$12 million decrease in the fair value of that put option in 2010. Net finance charges were higher in Mainland China due to higher debt levels and a reduction in the amount of interest capitalised following the completion of the office and retail components at the TaiKoo Hui property. Net finance charges were lower in Hong Kong due to lower debt levels following the disposal of Festival Walk.</p>	1,477	1,237	Note 11

Consolidated Income Statement (continued)

	2011 HK\$M	2010 HK\$M	Reference
<p>Share of Profits Less Losses of Jointly Controlled Companies</p> <p>The decrease of HK\$610 million compared to 2010 is largely due to lower revaluation gains on the Dazhongli and INDIGO investment properties in Mainland China. These gains were partially offset by increases in rental income from and a higher revaluation gain on PCCW Tower in Hong Kong (following the increase in our interest in PCCW Tower from 20% to 50% in 2010), the first revaluation gain on our Daci Temple investment property in Mainland China, higher rental income and higher revaluation gains on other investment properties in Hong Kong and the reversal of a previous impairment at an industrial site in Wong Chuk Hang.</p>	851	1,461	Note 9(a)
<p>Share of Profits Less Losses of Associated Companies</p> <p>The decrease of HK\$69 million compared to 2010 arose principally from the absence of a contribution from PCCW Tower (following its reclassification as a jointly controlled company in 2010). This was partially offset by higher profits from the non-managed hotels at Pacific Place.</p>	156	225	Note 9(a)
<p>Taxation</p> <p>The decrease in taxation of HK\$28 million compared to 2010 is due to lower operating profit, after excluding the non-assessable income (principally revaluation gains on Hong Kong investment properties and the gain from the disposal of Festival Walk) and adding back the non-deductible expenses related to the listing of the shares of the Company on the Hong Kong Stock Exchange and the fair value movement of a put option in relation to the non-controlling interest at Sanlitun Village.</p>	1,296	1,324	Note 12
<p>Profit Attributable to the Company's Shareholder</p> <p>The decrease of HK\$919 million compared to 2010 arose from a lower share of profits less losses from jointly controlled entities, lower revaluation gains from investment properties, lower profit from the disposal of investment properties, higher net finance charges and higher administrative expenses, partially offset by higher gross profit and lower taxation.</p>	25,126	26,045	Note 9(a)

Consolidated Statement of Financial Position

	2011 HK\$M	2010 HK\$M	Reference
<p>Property, Plant and Equipment</p> <p>The increase in property, plant and equipment of HK\$282 million was due to capital expenditure on the Mandarin Oriental Hotel at the TaiKoo Hui property in Mainland China and on the hotel in Exeter in the U.K., and the transfer of the hotel component of the land at Brickell CitiCentre from properties held for development to property, plant and equipment, partially offset by impairment provisions at the U.K. hotels, and the transfer of certain previously owner-occupied space to investment properties.</p>	6,615	6,333	Note 16

Consolidated Statement of Financial Position *(continued)*

	2011 HK\$M	2010 HK\$M	Reference
<p>Investment Properties</p> <p>The increase in investment properties of HK\$8,503 million is largely due to a revaluation gain of HK\$20,345 million, additions during the year of HK\$4,850 million (largely at the TaiKoo Hui property in Mainland China and at investment properties in Hong Kong), a foreign exchange translation gain of HK\$795 million from investment properties in Mainland China, the transfer of part of the land at Brickell CitiCentre in Miami from properties held for development to investment properties and the transfer of certain previously owner-occupied space to investment properties, partially offset by the disposal of Festival Walk (which reduced investment properties by HK\$18,263 million).</p>	187,488	178,985	Note 17
<p>Properties Held for Development</p> <p>The decrease of HK\$319 million compared to 2010 is due to the transfer of the land at Brickell CitiCentre in Miami to investment properties, property, plant and equipment and properties under development.</p>	124	443	Note 20
<p>Investment in Jointly Controlled Companies</p> <p>The increase of HK\$2,060 million compared to 2010 reflects additional net investment of HK\$1,125 million (predominantly at the Daci Temple, Dazhongli and INDIGO projects in Mainland China), our share of profits of jointly controlled companies, including revaluation gains, and an increase in our share of the foreign exchange translation gain of the jointly controlled companies in Mainland China, partially offset by dividends received from jointly controlled companies.</p>	13,000	10,940	Note 22
<p>Investment in Associated Companies</p> <p>The decrease of HK\$66 million compared to 2010 reflects the payment of dividends of HK\$223 million by the associated companies owning the Pacific Place hotels, partially offset by our share of profits less losses of associated companies.</p>	639	705	Note 23
<p>Properties Under Development and for Sale</p> <p>The increase of HK\$1,294 million compared to 2010 is largely due to HK\$656 million development expenditure on our trading property developments, principally at Mid-Levels West in Hong Kong (including AZURA and ARGENTA), the acquisition of two sites at Cheung Sha on Lantau Island in Hong Kong, increase in land premiums on certain developments, the transfer of the trading component of the land at Brickell CitiCentre in Miami from properties held for development to properties under development, partially offset by the sale of the remaining residential units at ASIA in Miami and Island Lodge in Hong Kong.</p>	6,848	5,554	Note 26

Consolidated Statement of Financial Position (continued)

	2011 HK\$M	2010 HK\$M	Reference
<p>Trade and Other Receivables</p> <p>The increase of HK\$777 million compared to 2010 comprises a HK\$80 million increase in trade debtors, a HK\$98 million increase in prepayments and accrued income and a HK\$599 million increase in other receivables. The increase in trade debtors was due to higher gross rents at the Hong Kong investment properties and rental receivables from the newly opened TaiKoo Hui property, partially offset by the absence of rental receivables from Festival Walk. The increase in prepayments is due to prepaid agency fees on the pre-sale of residential units at the AZURA development. The increase in other receivables is due to an increase in the stakeholder's account arising from the pre-sale of residential units at the AZURA development, adjustments to take account of rent-free periods at the TaiKoo Hui property, receivables from the sale of the remaining residential units at Island Lodge, and an increase in receivables from a jointly controlled company in Mainland China in respect of payments made by the Company on its behalf.</p>	1,945	1,168	Note 28
<p>Trade and Other Payables</p> <p>The increase of HK\$2,889 million compared to 2010 largely comprises a HK\$1,244 million increase in trade creditors, a HK\$1,213 million increase in other payables and a HK\$259 million increase in the fair value of a put option in favour of the owner of the non-controlling interest in Sanlitun Village. The increase in trade creditors is largely due to accruals in respect of land acquisition costs, accrual of land premium payments and development expenditure on trading properties. The increase in other payables is largely due to the receipt of deposits in relation to the pre-sale of residential units at the AZURA development and accruals in respect of expenses associated with the listing of the shares of the Company on the Hong Kong Stock Exchange.</p>	8,088	5,199	Note 31
<p>Long-Term Bank Loans (including the component due within one year)</p> <p>The increase of HK\$1,798 million compared to 2010 is due to a higher level of borrowings in Mainland China (incurred to fund capital expenditure at the TaiKoo Hui and Sanlitun Village properties) and higher borrowings to fund expenditure at the Brickell CitiCentre development in Miami.</p>	6,483	4,685	Note 32
<p>Loans Due to a Fellow Subsidiary Company</p> <p>The loans due to a fellow subsidiary company fell by HK\$10,828 million compared to 2010. This principally reflects repayment of loans out of the proceeds from the disposal of Festival Walk and cash generated from operations, partially offset by borrowings to finance expenditures on trading and investment developments and payment of dividends to the Company's shareholder.</p>	21,374	32,202	Note 33
<p>Deferred Tax Liabilities</p> <p>The increase of HK\$346 million compared to 2010 largely reflects deferred tax on revaluation gains on investment properties in Mainland China, partially offset by the reversal of certain deferred tax liabilities upon the disposal of Festival Walk.</p>	4,246	3,900	Note 34

Consolidated Statement of Financial Position *(continued)*

	2011 HK\$M	2010 HK\$M	Reference
Equity Attributable to the Company's Shareholder	176,043	157,877	Notes 36 and 37
The increase in equity attributable to the Company's shareholder in 2011 represents the total comprehensive income for the year attributable to the Company's shareholder (HK\$26,105 million), the subscription for additional shares in the Company by the Company's shareholder (amounting to HK\$4,500 million), partially offset by dividends paid to the Company's shareholder.			
Non-Controlling Interests	532	479	Note 38
The increase in non-controlling interests of HK\$53 million arose from higher profits (derived from the TaiKoo Hui and Island Place properties) and capital contributions at property trading developments, partially offset by dividends paid to non-controlling interests.			

Consolidated Statement of Cash Flows

	2011 HK\$M	2010 HK\$M	Reference
Cash Generated from Operations	7,396	4,753	Note 43(a)
The increase of HK\$2,643 million compared to 2010 is largely due to a HK\$3,045 million increase in trade and other payables and an increase in operating profit after deducting non-cash items, partially offset by an increase in trade receivables.			
Interest Paid	1,664	1,469	
The increase of HK\$195 million compared to 2010 is largely due to higher borrowings in Mainland China, partially offset by lower borrowings in Hong Kong.			
Dividends Received from Jointly Controlled and Associated Companies and Available for Sale Assets	415	48	
The increase of HK\$367 million compared to 2010 largely reflects dividends from the Group's associated companies owning the Pacific Place hotels.			
Purchase of Property, Plant and Equipment	548	507	Note 43(b)
This increase compared to 2010 largely reflects capital expenditure on The Mandarin Oriental Hotel at the TaiKoo Hui property and on the hotel in Exeter in the U.K.			
Additions to Investment Properties	4,717	4,234	
The additions to investment properties in 2011 reflect capital expenditure on the properties at TaiKoo Hui, The Mall at Pacific Place, 28 Hennessy Road and 8 Queen's Road East, and acquisitions of investment properties in Hong Kong for future development.			
Loans (Net of Repayment) to Jointly Controlled Companies	1,125	681	
The increase of HK\$444 million compared to 2010 arose principally from shareholder loans to the companies undertaking the projects at Daci Temple, Dazhongli and INDIGO in Mainland China, partially offset by repayment of loans by the companies owning the Citygate and 625 King's Road properties in Hong Kong.			

Consolidated Statement of Cash Flows (continued)

	2011 HK\$M	2010 HK\$M	Reference
Bank Loans Drawn and Refinancing (Net of Repayment)	1,578	1,473	
Loans drawn in 2011 comprise borrowings drawn to finance expenditure at the TaiKoo Hui and Sanlitun Village properties in Mainland China and borrowings drawn in the U.S.A. to finance the Brickell CitiCentre development. Refer to Financing section on pages 53 to 57 for further details.			
(Decrease)/Increase in Loans Due to a Fellow Subsidiary Company	(10,875)	882	
The decrease in 2011 principally reflected the repayment of loans out of the proceeds from the disposal of Festival Walk, the subscription for additional shares in the Company by Swire Pacific Limited and repayments from cash generated from operations, partially offset by borrowings to finance trading and investment developments and payment of dividends to the Company's shareholder.			

Investment Appraisal and Performance Review

	Net Assets Employed		Capital Commitments*	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Property investment	191,273	183,092	16,589	10,487
Property trading	6,581	6,303	–	–
Hotels	6,421	5,797	1,091	1,005
Total net assets employed	204,275	195,192	17,680	11,492
Less net debt	(27,700)	(36,836)		
Less non-controlling interests	(532)	(479)		
Equity attributable to the Company's shareholder	176,043	157,877		
	Equity Attributable to the Company's Shareholder**		Return on Average Equity Attributable to the Company's Shareholder**	
	2011 HK\$M	2010 HK\$M	2011	2010
Property investment	168,892	150,818	15.7%	19.0%
Property trading	1,248	1,791	0.5%	5.5%
Hotels	5,903	5,268	-0.6%	-2.3%
Total	176,043	157,877	15.0%	18.1%

* 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 159 for definition.

Financing

- Capital Structure
- Financing Arrangements with the Swire Pacific Group
- Changes in Financing
- Net Borrowings
- Sources of Finance
 - Loans
 - Bank Balances and Short-term Deposits
- Maturity Profile and Refinancing
- Currency Profile
- Finance Charges
- Interest Cover and Gearing Ratios
- Capital Management
- Attributable Net Debt
- Debt in Jointly Controlled and Associated Companies

Capital Structure

The Group aims to maintain a capital structure with a view to investing in and financing projects in a disciplined and targeted manner.

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.

Financing Arrangements with the Swire Pacific Group

There are a number of financing arrangements between the Group and the Swire Pacific group.

Audited Financial Information

On 31st March 2010, Swire Properties (Finance) Limited, the Company and Swire Finance Limited ("Swire Finance", a wholly-owned subsidiary of Swire Pacific Limited), entered into five loan agreements ("Loan Agreements") (as amended on 31st October 2011) to record the terms of the borrowings by the Group from Swire Finance. The Loan Agreements substantially mirror the terms and maturity profile (currently ranging, disregarding the perpetual element of the financing arrangements, up to seven years) of the underlying borrowings of Swire Finance from third parties and these borrowings bear interest at the interest rates illustrated in the section on Finance Charges on page 58. The underlying borrowings are in the form of term loans, revolving credit facilities, bonds issued under Swire Pacific group's US\$3.5 billion medium term note programme, and perpetual capital securities. No security has been given by the Group in respect of the Loan Agreements. Upon maturity of the financing arrangements provided by Swire Finance, the Group will obtain new funding (as necessary) on a stand-alone basis without recourse to the Swire Pacific group.

As at 31st December 2011, there was a loan facility of US\$85 million in respect of the Mandarin Oriental Hotel in Miami which is guaranteed by Swire Pacific Limited. (2010: US\$85 million)

As at 31st December 2011, the Group also maintained other loan arrangements with the Swire Pacific group and its jointly controlled companies for a total facility amount of RMB380 million. (2010: RMB50 million)

Changes in Financing

During the year, the Group raised HK\$4,555 million of new facilities. This comprised:

- three 3-year bilateral revolving credit facilities totalling HK\$1,500 million with maturity in year 2013 through the Loan Agreements
- four 5-year bilateral revolving credit facilities totalling HK\$2,500 million with maturity in year 2015 through the Loan Agreements
- an increase of RMB300 million in the refinancing of a 3-year syndicated loan facility to RMB2,700 million

- two 3-year bilateral term loan facilities totalling RMB100 million
- a net increase of RMB50 million upon renewal of a revolving loan and overdraft facility

Significant debt repayments under the Loan Agreements included the repayment of two medium-term notes totalling HK\$700 million upon maturity and the repayment of a medium-term note of HK\$3,882 million and five bilateral term loan facilities totalling HK\$2,900 million. These repayments were mainly funded by proceeds from the sale of Festival Walk. During the year, two revolving credit facilities totalling HK\$4,500 million under the Loan Agreements expired.

Audited Financial Information	2011 HK\$M	2010 HK\$M
Bank loans and loans from fellow subsidiary companies		
At 1st January	37,859	35,533
Bank loans drawn and refinancing	2,206	1,822
Repayment of bank loans	(628)	(349)
Loans (repaid to)/drawn from fellow subsidiary companies	(10,875)	882
Other non-cash movements	317	(29)
	28,879	37,859
Overdrafts	1	19
At 31st December	28,880	37,878

Net Borrowings

Our borrowings are principally denominated in Hong Kong dollars, Renminbi and U.S. dollars. Outstanding borrowings as at 31st December 2011 and 2010 are as follows:

Audited Financial Information	2011 HK\$M	2010 HK\$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	5,819	1,582
Borrowings from Swire Finance – unsecured	14,431	26,974
Borrowings included in current liabilities		
Bank borrowings – unsecured	1,687	4,094
Borrowings from Swire Finance – unsecured	6,943	5,228
Total borrowings	28,880	37,878
Less: cash and cash equivalents	(1,180)	(1,042)
Net borrowings	27,700	36,836

Sources of Finance

At 31st December 2011, committed loan facilities and debt securities amounted to HK\$35,703 million, of which HK\$8,003 million (22.4%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$1,446 million. Sources of funds at 31st December 2011 comprised the following:

Audited Financial Information	Available HK\$M	Drawn HK\$M	Undrawn Expiring Within One Year HK\$M	Undrawn Expiring Beyond One Year HK\$M
Facilities from third parties				
Long-term loans	7,239	6,286	60	893
Facilities from Swire Finance				
Revolving credit and short-term loans	9,000	1,950	3,050	4,000
Term loans	5,000	5,000	–	–
Medium-term notes	12,135	12,135	–	–
Perpetual capital securities	2,329	2,329	–	–
Total Committed Facilities	35,703	27,700	3,110	4,893
Total Uncommitted Facilities	2,710	1,264	1,446	–
Total Loan Facilities	38,413	28,964	4,556	4,893

Loans

For accounting purposes, the loans (including those borrowed from Swire Finance under the Loan Agreements) are classified as follows:

Audited Financial Information	2011			2010		
	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
Group						
Bank overdrafts and short-term loans						
– unsecured	1,023	–	1,023	991	–	991
Long-term loans at amortised cost	27,941	(84)	27,857	37,017	(130)	36,887
Less: amount due within one year included under current liabilities	(7,614)	7	(7,607)	(8,331)	–	(8,331)
	20,327	(77)	20,250	28,686	(130)	28,556

Audited Financial Information

Included under the Loan Agreements are perpetual capital securities issued by a wholly-owned subsidiary (the “Issuer”) of Swire Pacific Limited on 13th May 1997, amounting to US\$300 million and bearing cumulative interest at 8.84% per annum. This issue has no scheduled maturity but is redeemable at the option of Swire Pacific Limited 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 Swire Pacific Limited’s or the Issuer’s winding up. The perpetual capital securities are unconditionally and irrevocably guaranteed, on a subordinated basis, by Swire Pacific Limited.

At 31st December 2011 the fair value was HK\$2,471 million (2010: HK\$2,565 million). The perpetual capital securities are listed on the Luxembourg Stock Exchange.

Bank Balances and Short-Term Deposits

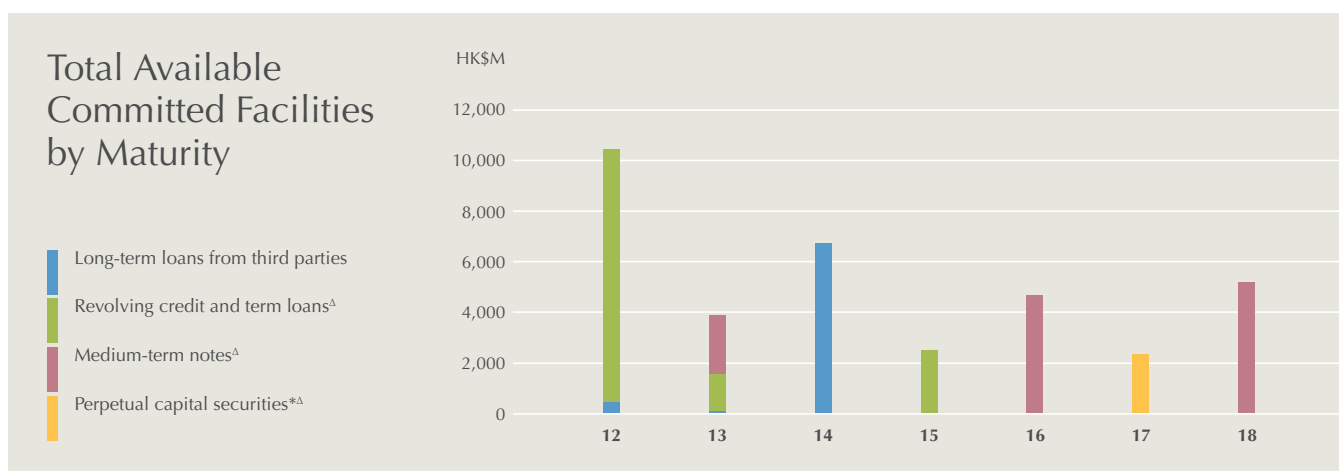
The Group had bank balances and short-term deposits of HK\$1,180 million at 31st December 2011, compared to HK\$1,042 million at 31st December 2010.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2018 (2010: up to 2019). The weighted average term and cost of the Group’s debt is:

	2011	2010
Weighted average term of debt	2.9 years	3.7 years
Weighted average term of debt (excluding perpetuals)	2.8 years	3.5 years
Weighted average cost of debt	4.6%	4.1%
Weighted average cost of debt (excluding perpetuals)	4.4%	3.8%

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



^Δ Facilities from Swire Finance under the Loan Agreements.

* 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 table below sets forth the maturity profile of the Group's borrowings:

Audited Financial Information	2011 HK\$M	2010 HK\$M
Bank borrowings:		
Within 1 year	1,687	4,094
1-2 years	93	–
2-5 years	5,726	1,582
Over 5 years	–	–
Borrowings from Swire Finance:		
Within 1 year	6,943	5,228
1-2 years	2,296	7,128
2-5 years	4,638	3,800
Over 5 years	7,497	16,046
	28,880	37,878
Amount due within one year included under current liabilities	(8,630)	(9,322)
	20,250	28,556

Currency Profile

An analysis of the outstanding borrowings by currency is shown below:

Audited Financial Information	2011		2010	
	HK\$M		HK\$M	
Currency				
Hong Kong dollar	20,598	71%	31,426	83%
United States dollar	1,182	4%	926	3%
Renminbi	7,040	25%	5,466	14%
Others	60	0%	60	0%
Total	28,880	100%	37,878	100%

Finance Charges

An analysis of the outstanding borrowings by floating or fixed interest rate bases is shown below:

Audited Financial Information	2011		2010	
	HK\$M		HK\$M	
Fixed	19,164	66%	25,146	66%
Floating	9,800	34%	12,734	34%
Sub-total	28,964	100%	37,880	100%
Interest-free	–		128	
Unamortised loan fee	(84)		(130)	
Total	28,880		37,878	

The exposure of the Group's borrowings to interest rate changes can be illustrated as follows:

Audited Financial Information	Interest-free HK\$M	Floating Interest Rate HK\$M	Fixed Interest Rate Maturing in:			Total HK\$M
			1 year or Less HK\$M	1 to 5 Years HK\$M	Over 5 Years HK\$M	
At 31st December 2011	–	9,738	4,997	6,648	7,497	28,880
At 31st December 2010	128	12,654	2,100	6,950	16,046	37,878

Interest charged and earned during the year was as follows:

Audited Financial Information	2011 HK\$M	2010 HK\$M
Interest charged on:		
Bank loans and overdrafts	(418)	(265)
Loans from fellow subsidiary companies	(1,096)	(1,202)
Loan from a jointly controlled company	(2)	–
Other financing costs	(104)	(95)
Loss on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in a subsidiary	(259)	–
Capitalised on:		
Investment properties	197	180
Properties under development and for sale	155	101
Hotel and other properties	23	17
	(1,504)	(1,264)
Interest Income on:		
Short-term deposits and bank balances	12	9
Loan to a fellow subsidiary company	2	–
Loans to jointly controlled companies	9	3
Gain on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in a subsidiary	–	12
Others	4	3
	27	27
Net Finance Charges	(1,477)	(1,237)

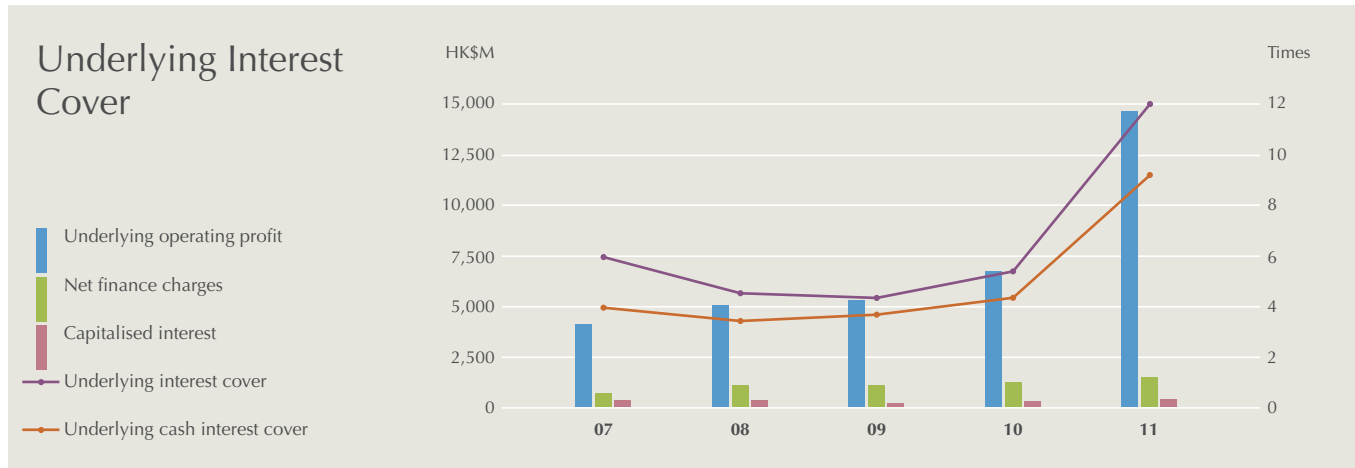
The capitalised interest rates on funds both borrowed generally and used for the development of investment properties, hotels and properties under development and for sale were between 3.65% and 6.20% per annum (2010: 3.68% and 5.60% per annum).

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

Audited Financial Information	2011				2010			
	HK\$ %	US\$ %	RMB %	Others %	HK\$ %	US\$ %	RMB %	Others %
Bank overdrafts and short-term loans	–	–	3.14-7.93	–	–	–	4.37-4.59	–
Long-term loans	0.53-5.35	1.11	5.60-7.87	2.05	0.49-5.35	1.11	4.86-5.94	1.89
Perpetual capital securities	–	7.22-8.84	–	–	–	7.22-8.84	–	–

Interest Cover and Gearing Ratios

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



	2011	2010
Gearing ratio*		
Per accounts	15.7%	23.3%
Underlying	15.3%	22.7%
Interest cover – times*		
Per accounts	18.2	21.8
Underlying	12.0	5.4
Cash interest cover – times*		
Per accounts	14.5	17.6
Underlying	9.2	4.3

* Refer to Glossary on page 159 for definition.

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 less short-term deposits and bank balances. Capital comprises total equity, as shown in the consolidated statement of financial position.

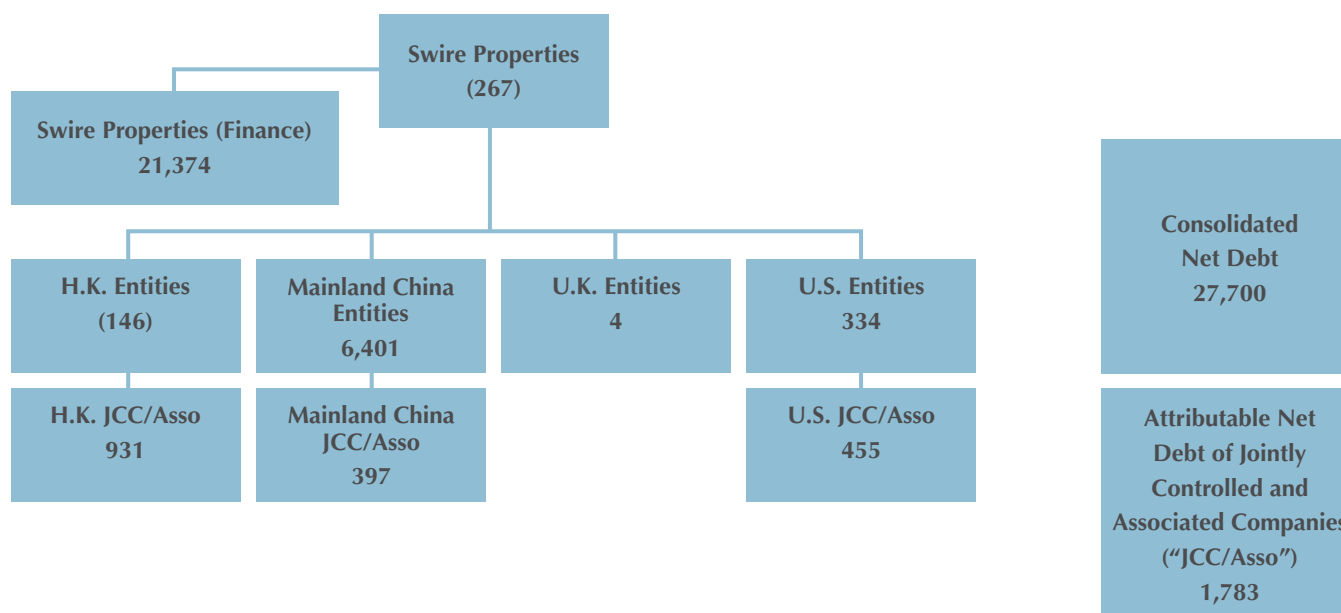
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2011 and 31st December 2010 were as follows:

	2011 HK\$M	2010 HK\$M
Total borrowings	28,880	37,878
Less: Short-term deposits and bank balances	(1,180)	(1,042)
Net debt	27,700	36,836
Total equity	176,575	158,356
Gearing ratio	15.7%	23.3%

The decrease in the gearing ratio during 2011 principally reflects repayment of debt following the disposal of Festival Walk.

Attributable Net Debt

The chart below illustrates, by entity, the Group's attributable net debt (in HK\$M):



Debt in Jointly Controlled and Associated Companies

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

	Total Net Debt/(Cash) of Jointly Controlled and Associated Companies		Portion of Net Debt/ (Cash) Attributable to the Group		Debt Guaranteed by Swire Properties or its Subsidiaries	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
H.K. Entities	1,618	2,026	931	906	–	–
Mainland China Entities	794	(191)	397	(95)	–	–
U.S. Entities	606	628	455	471	–	–
	3,018	2,463	1,783	1,282	–	–

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 16.7% and underlying gearing would rise to 16.3%.



Corporate
Governance &
Sustainability

alain mikl



Corporate Governance

Governance Culture

Swire Properties is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Swire Properties believes that shareholder wealth will be maximised in the long term and that its employees, its 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
- that high standards of ethics are maintained

Corporate Governance Practices

The Code on Corporate Governance Practices (the “Code”) as published by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) sets out the principles of good corporate governance. The shares of the Company were listed on the Stock Exchange with effect from 18th January 2012. As the Company was not a listed company during the year ended 31st December 2011, the Code was not applicable to it during that period. The Code will be applicable to the

Company with effect from the year ending 31st December 2012. The Company supports the principles-based approach of the Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Corporate governance does not stand still; it evolves with each business and its operating environment. The Company is always ready to learn and adopt best practices.

Board of Directors

Role of the Board

The Company is governed by a Board of Directors, which has responsibility for the strategic leadership and control of the Group in its effort to maximise shareholder value, while taking due account of the broad range of stakeholder interests.

Responsibility for achieving the Company’s objectives and running the business on a day-to-day basis is delegated to management. The Board exercises a number of reserved powers which include:

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including accounts
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy

- approving appointments to the Board
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of internal control and risk management, including the adequacy of the resources, qualifications and experience of the staff responsible for the Company's accounting and financial reporting, and their training programmes and budgets

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see page 69) and the Remuneration Committee (see page 68).

Chairman and Chief Executive

The Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a 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

The Chief Executive is 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 business.

Throughout the year, there was a clear division of responsibilities between the Chairman and the Chief Executive.

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 comprises the Chairman, five other Executive Directors and eight Non-Executive Directors. Their

biographical details are set out on pages 72 and 73 of this report and are posted on the Company's website.

The Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Board considers that five of the eight Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. Confirmation has been received from all five Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

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.

The Audit and Remuneration Committees of the Board are comprised only of Non-Executive 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 or her 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.

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 and
- the latest financial information

Directors update their skills, knowledge and familiarity with the Group through their ongoing participation at meetings of the Board and its committees and through regular meetings with management at the head office and in the divisions.

Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

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

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

Details of Directors' other appointments are shown in their biographies on pages 72 to 73.

Board Processes

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

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

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

The Chairman takes the lead to ensure that the Board acts in the best interests of the Company, 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 made available to all Directors. The minutes record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and records 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

- a review of a report by the Chief Executive 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
- the 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 provides 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.

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

Four meetings of the Board were held during the year and the attendance of Directors is set out in the table on page 67. The Audit Committee and Remuneration Committee did not meet in 2011 (when the Company was not yet a listed company) and will hold meetings from 2012 onwards.

Directors' and Officers' Insurance

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

Conflicts of Interest

If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstain 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 the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the Chief Executive. The Chief Executive has been given clear guidelines and directions as to his powers and, in particular, the

Directors	Meetings Attended/Held
	Board
Executive Directors	
C.D. Pratt	4/4
M. Cubbon	4/4
M.M.S. Low	4/4
J.C.G. Bremridge (resigned with effect from 12th September 2011)	2/2
G.M.C. Bradley	4/4
D.C.Y. Ho	4/4
G.J. Ongley	3/4
Non-Executive Directors	
J.W.J. Hughes-Hallett	3/4
P.A. Kilgour	4/4
M.B. Swire	2/4
Independent Non-Executive Directors	
S.E. Bradley	3/4
J.C.C. Chan	4/4
H.C. Cheng	4/4
P.K. Etchells	4/4
S.C. Liu	4/4
Average attendance	92%

circumstances under which he should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

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

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

Securities Transactions

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

A copy of the Securities Code has been sent to each Director of the Company and will be sent to each Director 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 18th January 2012 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 77 to 79.

Remuneration Committee

Full details of Directors' remuneration are provided in note 10 to the accounts.

The Remuneration Committee comprises three Non-Executive Directors, two of whom are independent. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are posted on the Company's website.

A Services Agreement exists between the Company and John Swire & Sons (H.K.) Limited, a wholly-owned subsidiary of John Swire & Sons Limited, which is the parent company of the Swire group. This agreement has been considered in detail and approved by the Independent Non-Executive Directors of the Company. Under the terms of the agreement, staff at various levels, including Executive Directors, 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 indirect shareholder of the Company, it is in the best interests of the Swire group to ensure that executives of high quality are seconded to and retained within the Swire Properties 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.

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

The following fee levels were approved by the Board:

Fee	2011 HK\$	2012 HK\$
Director's Fee	500,000	500,000
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 policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate

Internal Controls

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

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.

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

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

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

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 management 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 auditors 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 occasion, be some overlap between them. The typical control activities include:

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

The Company 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 page 70.

Audit Committee

The Audit Committee consists of three Non-Executive Directors, two of whom are independent. 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 Code. They are available on the Company's website.

The Audit Committee has met twice since the shares of the Company became listed on the Stock Exchange on

18th January in 2012. Regular attenders at the meetings were the Finance Director of the Company and the external auditors. The independent property valuers and a representative of the internal audit also attended one of the meetings.

The work of the Committee to date in 2012 included reviews of the revaluation of the investment property portfolio at 31st December 2011, the internal audit work done in 2011 and that proposed for 2012, a memorandum by the external auditors on the audit strategy for 2011 and the independence of the external auditors. The Audit Committee has also reviewed, and recommended to the Board for approval, the 2011 accounts.

Assessing the Effectiveness of Internal Controls

The Audit Committee has the responsibility to review annually, on behalf of the Board, the effectiveness of the Company'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. In relation to 2011 (when the shares of the Company were not listed on The Stock Exchange of Hong Kong Limited), the Audit Committee relied for this purpose on the assessment carried out by the audit committee of Swire Pacific Limited, insofar as it related to the property division (of which the Company was the principal component) of Swire Pacific Limited. That assessment considered, in relation to the Swire Pacific group:

- the scope and quality of the Swire Pacific Limited management's monitoring of risks and of the systems of internal control, the work of the Swire Pacific Limited Internal Audit Department and the assurances provided by the Group Finance Director of Swire Pacific Limited
- the changes in the nature and extent of significant risks since the previous review and the Swire Pacific 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 Swire Pacific Audit Committee to build up a cumulative assessment of the state of control in the Swire Pacific 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 Swire Pacific Limited's financial performance or position
- the effectiveness of the Swire Pacific Limited's processes in relation to financial reporting and statutory and regulatory compliance
 - areas of risk identified by management
 - significant risks reported by the Swire Pacific Limited Internal Audit Department and group risk management committee
 - work programmes proposed by the Swire Pacific Limited Internal Audit Department and the external auditors of Swire Pacific Limited
 - significant issues arising from Swire Pacific Limited's internal and external audit reports
 - the results of the control self assessment exercise undertaken by the management of Swire Pacific Limited.

Having considered the above assessment, the Board confirms that the Company's internal control systems are adequate and effective.

Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 16 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 18 audit professionals and conducts audits of the Group and other companies in the Swire group. 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 Properties are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

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

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

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

Audit Conclusion and Response

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

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

External Auditors

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

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

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual accounts
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors

- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity is not, and is not seen to be, compromised
- approval of audit and non-audit fees

Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of the International Ethics Standards Board for 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 and the nature of the non-audit work) at a meeting of the Audit 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 8 to the accounts.

Investor Relations

All communications for shareholders including reports, announcements and the results of polls of shareholders at shareholder meetings are posted on the Company's website: www.swireproperties.com. Copies of the annual and interim reports will also be made available to shareholders in printed or electronic form. Briefings for the investment community will be held shortly after the interim and final results announcements.

Key shareholder dates for 2012 are set out on page 160 of this report.

Directors and Officer

Executive Directors

PRATT, Christopher Dale, CBE, aged 55, has been a Director of the Company since February 2003 and Chairman of the Company since June 2009. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Pacific Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company 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.

CUBBON, Martin, aged 54, has been a Director of the Company since March 2000 and Chief Executive of the Company since June 2009. He is also a Director of John Swire & Sons (H.K.) Limited and Swire Pacific Limited, with responsibility for group finance from September 1998 to March 2009. He joined the Swire group in 1986.

LOW, Mei Shuen Michelle, aged 51, has been a Director of the Company since September 2010 when she was appointed Human Resources Director of the Company. In September 2011, she was appointed Director, Finance & Human Resources of the Company with responsibility for the financial interests and human resources management of the Company. She is also a Director of John Swire & Sons (H.K.) Limited. She joined the Swire group in 1987.

BRADLEY, Guy Martin Coutts, aged 46, has been a Director of the Company since January 2008. He was appointed Chief Executive Officer – Mainland China in June 2011 and is

responsible for the Company's Mainland China business. He is also a Director of John Swire & Sons (China) Limited and chief representative of its representative office in Beijing. He joined the Swire group in 1987 and has worked with the group in Hong Kong, Papua New Guinea, Japan, the U.S.A., Vietnam, Mainland China, Taiwan and the Middle East.

HO, Cho Ying Davy, aged 64, has been a Director of the Company since April 2010. He is responsible for relations with joint venture partners and government authorities in Hong Kong and Mainland China. He joined the Swire group in 1970 and has worked with the group in Hong Kong, Mainland China and Taiwan.

ONGLEY, Gordon James, aged 58, has been a Director of the Company since February 2003. He was appointed Chief Operating Officer – Hong Kong in June 2011 and is responsible for the Company's Hong Kong business. He joined the Company in 1995 and has worked with the Company in Hong Kong and Mainland China.

Non-Executive Directors

HUGHES-HALLETT, James Wyndham John, SBS, aged 62, has been a Director of the Company since July 1998. He is Chairman of John Swire & Sons Limited and a Director of Swire Pacific Limited, Cathay Pacific Airways Limited, Steamships Trading Company Limited and HSBC Holdings plc. He joined the Swire group in 1976 and has worked with the group in Hong Kong, Taiwan, Japan, Australia and London.

KILGOUR, Peter Alan, aged 56, has been a Director of the Company since February 2001. He is also Finance Director of Swire Pacific Limited, and a Director of Cathay Pacific Airways Limited and John Swire & Sons (H.K.) Limited. He joined the Swire group in 1983.

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

Independent Non-Executive Directors

BRADLEY, Stephen Edward, aged 53, has been a Director of the Company since April 2010. He is Senior Representative (China) of Grosvenor Limited, Chairman of CSS Mobile Promotions, Vice Chairman (Asia Pacific) of ICAP (Hong Kong) Limited, and a Director of Husky Energy Inc. He is also an advisor to Rio Tinto group.

Dr. CHAN, Cho Chak John, GBS, JP, aged 68, has been a Director of the Company since April 2010. He is Chairman of RoadShow Holdings Limited and an Independent Non-Executive Director of Guangdong Investment Limited, Hang Seng Bank Limited and Transport International Holdings Limited. He is also a Director of Community Chest of Hong Kong.

CHENG, Hoi Chuen, GBS, OBE, JP, aged 63, has been a Director of the Company since April 2010. He is Adviser to the Group Chief Executive of HSBC Holdings plc. He is an Independent Non-Executive Director of CLP Holdings Limited, Great Eagle Holdings Limited, Hui Xian Asset Management Limited and MTR Corporation Limited. He is Vice-Chairman of the China Banking Association and Honorary Advisory President of the Hong Kong Institute of Bankers. He is Chairman of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR Government and the Council of The Chinese University of Hong Kong. Mr. Cheng was appointed as a Non-Executive Director of the Company on 14th April 2010 and was re-designated as an Independent Non-Executive Director of the Company on 16th December 2011.

ETCHELLS, Paul Kenneth, aged 61, has been a Director of the Company since April 2010. He is an Independent Non-Executive Director of Samsonite International S.A. He was employed by the Swire group in Hong Kong from 1976 to 1998. He was employed by The Coca-Cola Company from July 1998 to June 2010, and worked in the U.S.A., Mainland China and Hong Kong.

LIU, Sing Cheong, JP, aged 56, has been a Director of the Company since April 2010. He is Chairman of My Top Home (China) Holdings Limited, and a Director of Prada S.p.A., Hong Kong Science and Technology Parks Corporation and Hong Kong University of Science and Technology R and D Corporation Limited.

Secretary

FU, Yat Hung David, aged 48, has been Company Secretary since February 2010. He joined the Swire group in 1988.

Notes:

1. The Audit Committee comprises P.K. Etchells (committee chairman), J.C.C. Chan and P.A. Kilgour.
2. The Remuneration Committee comprises J.W.J. Hughes-Hallett (committee chairman until 31st March 2012), S.E. Bradley and S.C. Liu.
3. G.M.C. Bradley, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, M.M.S. Low, C.D. Pratt and M.B. Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31st December 2011, which are set out on pages 89 to 147.

Principal Activities

The principal activities of Swire Properties Limited (the "Company") and its subsidiaries (together, the "Group") are: (i) property investment, that is the development, leasing and management of commercial, retail and some residential properties; (ii) property trading, that is the development and construction of properties, principally residential apartments, for sale; and (iii) investment in and operation of hotels.

The principal activities of the Company's major subsidiary, jointly controlled and associated companies are shown on pages 145 to 147. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 9 to the accounts.

Listing of the Company

On 7th October 2011, Swire Pacific Limited ("Swire Pacific") submitted a spin-off proposal to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in relation to the proposed spin-off of the Company ("Spin-off") by way of a separate listing of the ordinary shares of HK\$1.00 each of the Company (the "Swire Properties Shares") on the Main Board of the Stock Exchange.

On 27th October 2011, the Company submitted a listing application form (Form A1) to the Stock Exchange in order to apply for the listing of, and permission to deal in, the Swire Properties Shares on the Main Board of the Stock Exchange. The listing of the Swire Properties Shares would be by way of introduction achieved by a distribution in specie by Swire Pacific of approximately 18% of the Swire Properties Shares.

On 21st December 2011, the board of Swire Pacific declared conditional special interim dividends ("Conditional Swire Pacific Dividend") for the year ended 31st December 2011 of 7 Swire Properties Shares for every 10 'A' shares held in Swire Pacific and 7 Swire Properties Shares for every 50 'B' shares held in Swire Pacific to the shareholders on Swire Pacific's register of members as at the close of business on 6th January 2012. Fractional entitlements were disregarded. The Conditional Swire Pacific Dividend became unconditional upon the listing of the Swire Properties Shares under stock code 1972 on the Main Board of the Stock Exchange on 18th January 2012 and was satisfied wholly by way of a distribution in specie of an aggregate of 1,053,234,165 Swire Properties Shares, representing approximately 18% of the total of 5,850,000,000 Swire Properties Shares in issue, on 18th January 2012.

With effect from the listing of the Swire Properties shares on the Main Board of the Stock Exchange on 18th January 2012, Swire Pacific's shareholding in the Company decreased from 100% to approximately 82%.

Dividends

Swire Pacific was the sole shareholder of the Company until the listing of the Swire Properties Shares on the Main Board of the Stock Exchange on 18th January 2012.

In respect of the year ended 31st December 2010, a final dividend of HK\$2,424,921,000 was paid to Swire Pacific on 9th June 2011 as recommended by the Directors.

In respect of the year ended 31st December 2011, a first special interim dividend of HK\$4,513,877,000 was paid to Swire Pacific on 30th September 2011 and a second special interim dividend of HK\$5,500,000,000 was paid to Swire Pacific on 8th November 2011, in each case as recommended by the Directors.

The Directors have declared a first interim dividend of HK¢18 per share on 15th March 2012 for the year ended 31st December 2011. This interim dividend will be in lieu of a final dividend. Together with the first and second special interim dividends paid in 2011, this represents a total distribution for the year of HK\$11,067 million.

The first interim dividend will be paid on 3rd May 2012 to shareholders registered at the close of business on the record date, being Thursday, 5th April 2012. Shares of the Company will be traded ex-dividend as from Monday, 2nd April 2012.

In future, the Company intends to pay two interim dividends instead of an interim dividend and a final dividend. A second interim dividend will be in lieu of a final dividend. The total amount of dividends paid to shareholders for a year will be the same with two interim dividends as it would have been with an interim dividend and a final dividend.

Closure of Register of Members

The register of members will be closed on Thursday, 5th April 2012, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 3rd April 2012.

To facilitate the processing of proxy voting for the annual general meeting to be held on 10th May 2012, the register of members will be closed from 7th May 2012 to 10th May

2012, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4th May 2012.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 37 to the accounts.

Share Capital

During the year under review, the Group did not purchase, sell or redeem any shares in the Company and the Group has not adopted any share option scheme.

On 30th November 2011, the Company allotted 160,000,000 ordinary shares of HK\$1.00 each of the Company, fully paid, to Swire Pacific for an aggregate cash consideration of HK\$4,500,000,000.

As at 31st December 2011, 5,850,000,000 shares were in issue (31st December 2010: 5,690,000,000 shares). Details of the movement of share capital can be found in note 36 to the accounts.

Accounting Policies

The principal accounting policies of the Group are set out on pages 136 to 144.

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 46 to 52. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown on pages 3 to 5.

Corporate Governance

As the Company was not a listed company during the year ended 31st December 2011, the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules (the "Code") was not applicable to it during that period. The Code will be applicable to the Company with effect from the year ending 31st December 2012. Details of the Company's corporate governance practices are set out on pages 64 to 71.

Donations

During the year, the Group made donations for charitable purposes of HK\$18 million and donations towards various scholarships of HK\$1 million.

Fixed Assets

For details of movements in fixed assets refer to notes 16 and 17 to the accounts.

The annual valuation of the Group's investment property portfolio, whether complete or in the course of development, was carried out by professionally qualified valuers (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value at 31st December 2011. This valuation resulted in an increase of HK\$20,345 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 148 to 158.

Borrowings

For details of the Group's borrowings refer to pages 53 to 61.

Interest

Refer to page 58 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 72 and 73. All of them served throughout the calendar year 2011. During the year, J.C.G. Bremridge served as an Executive Director until his resignation with effect from 12th September 2011. H.C. Cheng, who was appointed as a Non-Executive Director on 14th April 2010, was re-designated as an Independent Non-Executive Director on 16th December 2011.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors listed on page 73 confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent. The confirmation from H. C. Cheng refers to his re-designation from a Non-Executive director to an Independent Non-Executive Director on 16th December 2011 and his being Adviser to the Group Chief Executive of HSBC Holdings plc, which is mentioned under "Directors and Officer – Independent Non-Executive Directors" on page 73.

The Board considers that all of its Independent Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules.

H.C. Cheng joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in 1978 and was Chairman and a Director of HSBC until 1st February 2010. He was an Executive Director of HSBC Holdings plc, the holding company of HSBC, until 27th May 2011. HSBC, together with BOCI Asia Limited, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited, were engaged by the Company and Swire Pacific as joint sponsors in respect of the Spin-off and listing of shares in the Company which took place on 18th January 2012.

The Board considers that H.C. Cheng's previous designation as a Non-Executive Director of the Company and his current advisory role to the Group Chief Executive of HSBC Holdings plc should not affect his independence as an Independent Non-Executive Director since (a) he has never held any executive office, nor has he been involved in any executive capacity, in the Company and his role as a Non-Executive Director of the Company has been no different from that of an Independent Non-Executive Director and (b) he has not, at

least in the past 21 months, been a director, an employee or a principal of HSBC (which is a joint sponsor, as described in the previous paragraph) and in his current advisory role to the Group Chief Executive of HSBC Holdings plc, he is not involved in the day-to-day operations of HSBC Holdings plc or its subsidiaries and, in particular, he has not been involved in HSBC's role in providing services to the Company as a joint sponsor.

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. None of the Directors will retire this year.

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 10 to the accounts.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK\$2,950,000. They received no other emoluments from the Group.

Directors' Interests

As at 31st December 2011, the requirement under Section 352 of the Securities and Futures Ordinance ("SFO") to maintain a register of directors' and chief executives' interests and short positions was not applicable to the Company because the Company was not yet a listed corporation (within the meaning of Part XV of the SFO).

On 18th January 2012, the Company became a listed corporation. As at 18th January 2012, the register maintained under Section 352 of the 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, Swire Pacific Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest					
	Personal	Family	Trust Interest			
Swire Properties Limited						
S.E. Bradley	700	–	–	700	0.00001	
P.K. Etchells	–	8,400	–	8,400	0.00014	
D.C.Y. Ho	14,000	–	–	14,000	0.00024	
P.A. Kilgour	3,500	–	–	3,500	0.00006	
C.D. Pratt	49,700	–	–	49,700	0.00085	
M.B. Swire	354,961	–	551,397	906,358	0.01549	(1)

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest					
	Personal	Family	Trust Interest			
John Swire & Sons Limited						
Ordinary Shares of £1						
M.B. Swire	3,140,523	–	19,222,920	22,363,443	22.36	(1)
8% Cum. Preference Shares of £1						
M.B. Swire	846,476	–	5,655,441	6,501,917	21.67	(1)

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest					
	Personal	Family	Trust Interest			
Swire Pacific Limited						
'A' shares						
S.E. Bradley	1,000	–	–	1,000	0.0001	
P.K. Etchells	–	12,000	–	12,000	0.0013	
P.A. Kilgour	5,000	–	–	5,000	0.0006	
C.D. Pratt	51,000	–	–	51,000	0.0056	
M.B. Swire	58,791	–	–	58,791	0.0065	
'B' shares						
D.C.Y. Ho	100,000	–	–	100,000	0.0033	
C.D. Pratt	100,000	–	–	100,000	0.0033	
M.B. Swire	2,241,483	–	3,938,554	6,180,037	0.2063	(1)

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest					
	Personal	Family	Trust Interest			
Hong Kong Aircraft Engineering Company Limited						
D.C.Y. Ho	6,400	–	–	6,400	0.0038	

Note:

(1) M.B. Swire is a trustee of trusts which held 425,295 shares in the Company, 10,766,080 ordinary shares and 3,121,716 preference shares in John Swire & Sons Limited and 3,037,822 'B' shares in Swire Pacific Limited included under "Trust interest" and does not have any beneficial interest in those shares.

Other than as stated above, no Director or Chief Executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) on 18th January 2012.

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

As at 31st December 2011, the requirement under Section 336 of the SFO to maintain a register of interests in shares and short positions was not applicable to the Company because the Company was not yet a listed corporation (within the meaning of Part XV of the SFO).

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 18th January 2012 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

	Number of Shares	Percentage of Issued Capital (%)	Type of Interest (notes)
1. Swire Pacific Limited	4,796,765,835	82.00	Beneficial owner (1)
2. John Swire & Sons Limited	5,247,704,623	89.70	Beneficial owner and attributable interest (2)

Notes:

As at 18th January 2012:

(1) Swire Pacific Limited was interested in 4,796,765,835 shares of the Company as beneficial owner;

(2) John Swire & Sons Limited is deemed to be interested in a total of 5,247,704,623 shares of the Company, comprising:

(a) 1,626,412 shares held directly;

(b) 14,106,194 shares held by its wholly-owned subsidiary Taikoo Limited;

(c) 435,206,182 shares held by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and

(d) 4,796,765,835 shares in which Swire Pacific Limited was interested, by virtue of the John Swire & Sons Limited group's interest in shares of Swire Pacific Limited representing approximately 43.13% of the issued share capital and approximately 58.58% of the voting rights.

Public Float

Listing Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. The Company has been granted by the Stock Exchange a waiver from strict compliance with Listing Rule 8.08(1) so as to allow a lower public float percentage of 10% (or such higher percentage as may be held by the public upon completion of the Spin-off). Immediately upon completion of the Spin-off on 18th January 2012, the public float percentage was approximately 10.28%.

Continuing Connected Transactions

During the year ended 31st December 2011, the Group had the following continuing connected transactions, details of which are set out below:

(a) JSSHK Services Agreement

There is an agreement for services ("Services Agreement"), 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 its subsidiary 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. No fee is payable in consideration of such procurement obligation or such use. The procurement obligation would fall away if the Services Agreement were terminated or not renewed.

In return for these services, JSSHK receives annual service fees calculated as 2.5% of the Company's consolidated profit before taxation and non-controlling interests after certain adjustments. The fees for each year are payable in cash in arrear in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

The Services Agreement, which was entered into between JSSHK and the Company on 1st December 2004, took effect from 1st January 2005, was renewed on

1st October 2007, was amended and restated with effect from 1st January 2010, and was renewed again on 1st October 2010. The current term of the Services Agreement is from 1st January 2011 to 31st December 2013 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2011 are given in note 42 to the accounts.

(b) JSSHK Tenancy Framework Agreement

The Company and JSSHK entered into a tenancy framework agreement (the "JSSHK Tenancy Framework Agreement") on 18th October 2011 to govern existing and future tenancy agreements between members of the Group and members of the JSSHK group (excluding the Swire Pacific group) for a term of six years from 1st January 2010 to 31st December 2015. Pursuant to the JSSHK Tenancy Framework Agreement, members of the Group will enter into tenancy agreements with members of the JSSHK group (excluding the Swire Pacific group) from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is renewable for successive periods of six years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

For the year ended 31st December 2011, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement totalled HK\$76 million.

(c) Swire Pacific Tenancy Framework Agreement

The Company and Swire Pacific entered into a tenancy framework agreement (the "Swire Pacific Tenancy Framework Agreement") on 18th October 2011 to govern existing and future tenancy agreements between members of the Group and members of the Swire Pacific group (excluding the Group) for a term of six years from 1st January 2010 to 31st December 2015. Pursuant to the Swire Pacific Tenancy Framework Agreement, members of the Group will enter into tenancy agreements with members of the Swire Pacific group (excluding the

Group) from time to time on normal commercial terms based on prevailing market rentals. The Swire Pacific Tenancy Framework Agreement is renewable for successive periods of six years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

For the year ended 31st December 2011, the aggregate rentals payable to the Group under the tenancies pursuant to the Swire Pacific Tenancy Framework Agreement totalled HK\$60 million.

As at 31st December 2011, the Swire group owned approximately 42.79% of the issued capital of Swire Pacific and approximately 58.45% of voting rights attached to such issued share capital and the Company was a wholly owned subsidiary of Swire Pacific. As at 18th January 2012, Swire Pacific owned approximately 82.00% of the issued share capital of the Company. JSSHK, as a wholly-owned subsidiary of Swire, and Swire Pacific are therefore connected persons of the Company under the Listing Rules. The transactions under the Services Agreement, JSSHK Tenancy Framework Agreement and Swire Pacific Tenancy Framework Agreement are continuing connected transactions, the particulars of which are set out in the listing document of the Company dated 21st December 2011.

As directors and/or employees of the Swire group, G.M.C. Bradley, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, M.M.S. Low, C.D. Pratt, and M.B. Swire are interested in the Services Agreement and the JSSHK Tenancy Framework Agreement. J.C.G. Bremridge was interested as a director and employee of the Swire group until his resignation with effect from 12th September 2011. M.B. Swire is also interested as a shareholder of Swire.

As directors of Swire Pacific, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, C.D. Pratt and M.B. Swire are interested in the Swire Pacific Tenancy Framework Agreement.

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

The auditors of the Company have also reviewed these transactions and confirmed to the Board that these transactions have been approved by the Board of the Company and have been entered into in accordance with the relevant agreements governing the transactions; that they are in accordance with the pricing policies of the Group (if the transactions involve provision of goods or services by the Group); and that they have not exceeded the relevant annual caps disclosed in the listing document of the Company dated 21st December 2011.

On behalf of the Board

Christopher Pratt | *Chairman*

Hong Kong, 15th March 2012

Sustainable Development

We believe that long-term value creation depends on the sustainable development of our business and the communities in which we operate.

Our commitment to sustainable development means that we incorporate social, economic and environmental risks and benefits into our business decision-making. We take these considerations through all phases of a development project: from inception, design, procurement, construction and occupation to demolition or conversion.

Our approach is reflected in our Sustainable Development Policy and supported by our Environment, Health & Safety policies and Supplier Code of Conduct, all of which are available, together with additional information, on our website <http://www.swireproperties.com/en/sustainability/commitments/pages/index.aspx>.

We will publish a separate 2011 Sustainable Development Report later this year.

Sustainable Development Steering Committee

Our Sustainable Development Steering Committee is responsible for balancing social, economic and environmental risks and benefits in our business decision-making process and for monitoring performance. The Committee is convened by the General Manager of Technical Services and Sustainability and includes representatives from the Finance & Human Resources, Marketing, Communications & e-Services, Development & Valuations, Projects and Portfolio Management departments

and from Swire Hotels. The Head of the Sustainable Development Office of John Swire & Sons (H.K.) Ltd. is also a member of the Committee, to aid the sharing of best practices from and with the remainder of the Swire group.

Environment

As a leading property developer, we recognise the need to be a role model for the industry, and to take the lead in reducing our environmental impact and in incorporating sustainable practices in our developments.

We work to reduce our impact on the environment by minimising our use of natural resources, reducing or preventing pollution, managing waste effectively and ensuring environmental considerations are an integral part of our decision-making process.

Actions taken on climate change and environmental protection in 2011 include the following:

1. The TaiKoo Hui property in Guangzhou (our most recently opened development in Mainland China) incorporated sustainability elements in its design and construction. We aimed to achieve LEED's (Leadership in Energy and Environmental Design) Gold certification for the development, so we included from the start environmental considerations in relation to the site development, materials, waste management, energy use, indoor air quality and water conservation.



Establishment of a Joint Research Centre for Building Energy Efficiency and Sustainability

September, Beijing

- a. We used Building Information Modelling (BIM) (three-dimensional, real-time modelling software) in the design of TaiKoo Hui. This software enables us to detect design clashes in advance of construction, which reduces the amount of building waste produced.
 - b. We tried to source materials from suppliers within a radius of 500 miles during the construction of TaiKoo Hui, to reduce the energy required to transport them.
 - c. We aim to save over 140 million litres of water per year. We use rainwater for the cooling tower water supply. Treated waste water from the offices and the hotel will be used for the flushing system in the shopping mall and to wash the loading bay floor.
2. Together with the Building Energy Research Centre of Tsinghua University, we established a Joint Research Centre for Building Energy Efficiency and Sustainability, providing US\$1 million per annum in funding for an initial three years from September 2011. The centre will extend its research to our projects in Mainland China. A “Microclimate Analysis” and a “Three-Star Green Building Evaluation” will be conducted for the Daci Temple project in Chengdu, with a view to reducing carbon emissions and making the project energy efficient. The joint research centre will undertake further research into building energy efficiency and will promote sustainable development in the property industry.
 3. We have accelerated the time period during which we aim to reduce energy consumption at our investment property portfolio by 50M kWh: the target date for achieving this goal has been brought forward from 2020 to 2016. We achieved 12.8M kWh energy reduction from 2008 baseline in 2011.

Health & Safety

The safety of our employees, tenants, contractors and those who use our facilities is a high priority for our business. Our

approach is guided by our Health & Safety Policy and directed by our Health & Safety Team. We established a Safety Management System (SMS) in Hong Kong in 2003. There is a SMS Steering Committee, which includes representatives from operating departments, support departments and our Health & Safety team. The Steering Committee monitors our health & safety performance, identifies workplace hazards and unsafe practices and addresses safety concerns raised by our employees and tenants and by the general public.

With our expansion in Mainland China and in light of the increasing demand for contractor safety, we have implemented a safety monitoring scheme at our properties in Mainland China, with a view to raising our contractors’ health & safety standards.

We very much regret that, despite our best efforts, an employee of a contractor was killed at one of our construction sites in Hong Kong in 2011.

Communities

We believe that, when the communities in which we operate prosper, so do we. We concentrate on projects where we can make a difference. We support community projects with money, our products and services and the time and energy of our staff.

Arts and Culture

We believe that cultural development is an effective way to enrich a society. We are a long-standing and committed patron of the arts. In Hong Kong, a highlight of our activities in 2011 was “After Hour Classics” at ArtisTree, a collaboration in March with the Hong Kong Philharmonic Orchestra. From September to October, we presented “Outside the Box | Frank Gehry” at ArtisTree, bringing to



First Frank Gehry Exhibition

in Hong Kong

September, Hong Kong

Hong Kong the first exhibition of the work of Pritzker Prize-winning architect, Frank Gehry. The exhibition drew large numbers of people, including students and members of professional groups.

In Mainland China, we presented “Experiencing Rhythms Anew”, the inaugural concert of the “Urban Series” for the Beijing Music Festival (BMF). Held in October at The Orange at Sanlitun Village, the concert featured the acclaimed JU Percussion Group from Taiwan and marked the beginning of a long-term collaboration between Swire Properties and BMF intended to promote arts and culture appreciation in Beijing.

Volunteer Service

Social responsibility is one of Swire Properties’ core values. Since we established the Community Ambassador Programme in 2001, the programme has grown from 40 to more than 1,000 Ambassadors, who work with an expanding network of family members and stakeholders, including tenants, NGOs and other business partners.

The Community Ambassador Programme is led by our employees, who design and organise all of the programme’s activities and contribute their skills, professional expertise and resources to support those in need. The Company supports their initiatives with flexible work arrangements, special award schemes and a special day-off arrangement for staff



“Experiencing Rhythms Anew” at the Beijing Music Festival

October, Beijing

who have accumulated a certain number of hours of volunteer service.

Since 2001, our Ambassadors have contributed over 45,000 service hours through more than 400 volunteering activities to benefit more than 50,000 people in the community. Our efforts have been recognised with the Fourth Hong Kong Volunteer Award (Corporate Award), presented by the Agency for Volunteer Service. This award acknowledges corporations’ outstanding contributions and accomplishments in promoting volunteering in Hong Kong.

In 2011, the Community Ambassador Programme celebrated its tenth anniversary of community service with the Love’s Team Charity Bazaar, which was held in Island East in December. The event raised a total of HK\$1,055,007, including a donation from the Swire Group Charitable Trust. The money was donated to the five NGOs who co-organised the event with us.

Environmental and Educational Programmes

Our environmental and educational programmes are designed to promote eco-friendly practices. We actively encourage our tenants and stakeholders to collaborate with us on these programmes. In 2011, we concentrated on collecting and recycling reading materials for the needy.



Community Ambassador Programme's 10th Anniversary – Love's Team Charity Bazaar

December, Hong Kong

In May, we ran a three-month book drive, "Books for Love", to collect books to sell at the Love's Team Charity Bazaar. We invited our stakeholders in Hong Kong (including residents of 11 residential developments, tenants from 19 commercial properties and employees of all Swire group companies and their subsidiaries) to donate new or second-hand books. More than 30,000 books were collected.

In Shanghai, we donated more than 900 new English and Hong Kong books to Jing'an District Library in July, offering residents a rich new variety of reading materials. Also in Shanghai, we launched the Youth for Environmental Sustainability (YES) programme at a primary school affiliated to Shanghai Normal University in September. The programme used creative activities to help students understand more about environmental protection.

Value Chain

Our approach to sustainable development encompasses our suppliers and customers. This approach requires us to address such issues as ethical conduct, labour standards, human rights, product responsibility and environmental impacts.

We have a Supply Chain Sustainability Committee, chaired by the General Manager of Technical Services and Sustainability and including representatives from departments in Hong Kong and Mainland China. These representatives head a number of



Launch of YES programme

September - December, Shanghai

subcommittees, which are responsible for various supplier relationships.

Through our Supply Chain Sustainability Programme, we seek commitments to sustainable development from our suppliers. We address sustainability issues and manage risk in our supply chain through a supplier self-assessment, supported by our Supplier Code of Conduct. We include the Supplier Code of Conduct in our contracts with our most significant suppliers in Hong Kong and Mainland China. In case of non-compliance, the supplier must submit a corrective action plan and implement it within an agreed period, or risk termination of the contract.

Employees

Swire Properties employs over 4,000 people in Hong Kong, Mainland China, the U.S. and the U.K. As an equal opportunity employer, we are committed to providing equal opportunities in relation to all human resources matters and strive to offer a workplace free from discrimination and harassment.

The Company provides training and development for its employees, including trainee programmes for fresh graduates, external educational courses, on-the-job training, internal job rotations, mentoring and overseas secondments. We also offer an Employee Assistance Programme to assist staff in resolving work and personal problems.

Financial Contents

AUDITOR'S REPORT AND ACCOUNTS

- 88 Independent Auditor's Report
- 89 Consolidated Income Statement
- 90 Consolidated Statement of Comprehensive Income
- 91 Consolidated Statement of Financial Position
- 92 Company Statement of Financial Position
- 93 Consolidated Statement of Cash Flows
- 94 Consolidated Statement of Changes in Equity
- 95 Notes to the Accounts
- 136 Principal Accounting Policies
- 145 Principal Subsidiary, Jointly Controlled and Associated Companies

SUPPLEMENTARY INFORMATION

- 148 Schedule of Principal Group Properties
- 159 Glossary
- 160 Financial Calendar and Information for Investors





Independent Auditor's Report

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

We have audited the accounts of Swire Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 89 to 147, which comprise the consolidated and company statement of financial position as at 31st December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Accounts

The directors of the Company are responsible for the preparation of accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's 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 of accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

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

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15th March 2012

Consolidated Income Statement

For the year ended 31st December 2011

	Note	2011 HK\$M	2010 HK\$M
Turnover	4	9,581	8,871
Cost of sales	5	(2,334)	(2,261)
Gross profit		7,247	6,610
Administrative expenses		(1,029)	(911)
Other operating expenses		(130)	(135)
Profit on sale of interest in Festival Walk	6	595	–
Other net (losses)/gains	7	(83)	925
Change in fair value of investment properties		20,345	20,480
Operating profit		26,945	26,969
Finance charges		(1,504)	(1,264)
Finance income		27	27
Net finance charges	11	(1,477)	(1,237)
Share of profits less losses of jointly controlled companies		851	1,461
Share of profits less losses of associated companies		156	225
Profit before taxation		26,475	27,418
Taxation	12	(1,296)	(1,324)
Profit for the year		25,179	26,094
Profit for the year attributable to:			
The Company's shareholder	37	25,126	26,045
Non-controlling interests	38	53	49
		25,179	26,094
Dividends			
Special interim – paid		10,014	–
Interim – paid		–	1
First interim – declared on 15th March 2012		1,053	–
Final – paid		–	2,425
	14	11,067	2,426
		HK\$	HK\$
Earnings per share for profit attributable to the Company's shareholder (basic and diluted)	15	4.40	4.58

The notes on pages 95 to 135 and the principal accounting policies on pages 136 to 144 form part of these accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

	2011 HK\$M	2010 HK\$M
Profit for the year	25,179	26,094
Other comprehensive income		
Revaluation of properties previously occupied by the Group		
– gain recognised during the year	186	1,448
Share of other comprehensive income of jointly controlled and associated companies	276	132
Net translation differences on foreign operations	517	441
Other comprehensive income for the year, net of tax	979	2,021
Total comprehensive income for the year	26,158	28,115
Total comprehensive income attributable to:		
– The Company's shareholder	26,105	28,063
– Non-controlling interests	53	52
	26,158	28,115

Note: Items shown within other comprehensive income have no tax effect.

The notes on pages 95 to 135 and the principal accounting policies on pages 136 to 144 form part of these accounts.

Consolidated Statement of Financial Position

At 31st December 2011

	Note	2011 HK\$M	2010 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	6,615	6,333
Investment properties	17	187,488	178,985
Leasehold land and land use rights	18	3	6
Intangible assets	19	7	187
Properties held for development	20	124	443
Jointly controlled companies	22	13,000	10,940
Associated companies	23	639	705
Available-for-sale assets	25	9	7
Deferred tax assets	34	57	94
Retirement benefit assets	35	108	83
		208,050	197,783
Current assets			
Properties under development and for sale	26	6,848	5,554
Stocks and work in progress	27	69	59
Trade and other receivables	28	1,945	1,168
Amount due from immediate holding company – Swire Pacific Limited	29	142	106
Cash and cash equivalents	30	1,180	1,042
		10,184	7,929
Current liabilities			
Trade and other payables	31	8,088	5,199
Taxation payable		445	379
Bank overdrafts and short-term bank loans	32	1,023	991
Long-term loans due within one year	32	664	3,103
Loans due to a fellow subsidiary company – Swire Finance Limited	33	6,943	5,228
		17,163	14,900
Net current liabilities			
		(6,979)	(6,971)
Total assets less current liabilities			
		201,071	190,812
Non-current liabilities			
Long-term bank loans	32	5,819	1,582
Deferred tax liabilities	34	4,246	3,900
Loans due to a fellow subsidiary company – Swire Finance Limited	33	14,431	26,974
		24,496	32,456
NET ASSETS			
		176,575	158,356
EQUITY			
Share capital	36	5,850	5,690
Reserves	37	170,193	152,187
Equity attributable to the Company's shareholder			
		176,043	157,877
Non-controlling interests	38	532	479
TOTAL EQUITY			
		176,575	158,356

Christopher D. Pratt

Paul K. Etchells

Directors

Hong Kong, 15th March 2012

The notes on pages 95 to 135 and the principal accounting policies on pages 136 to 144 form part of these accounts.

Company Statement of Financial Position

At 31st December 2011

	Note	2011 HK\$M	2010 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	74	88
Intangible assets	19	7	5
Subsidiary companies	21	45,005	36,430
Jointly controlled companies	22	492	515
Associated companies	23	179	179
Retirement benefit assets	35	99	79
		45,856	37,296
Current assets			
Trade and other receivables	28	92	58
Tax recoverable		3	–
Cash and cash equivalents	30	267	285
		362	343
Current liabilities			
Trade and other payables	31	2,992	2,691
Taxation payable		–	1
		2,992	2,692
Net current liabilities		(2,630)	(2,349)
Total assets less current liabilities		43,226	34,947
Non-current liabilities			
Deferred tax liabilities	34	19	4
NET ASSETS		43,207	34,943
EQUITY			
Equity attributable to the Company's shareholder			
Share capital	36	5,850	5,690
Reserves	37	37,357	29,253
TOTAL EQUITY		43,207	34,943

Christopher D. Pratt

Paul K. Etchells

Directors

Hong Kong, 15th March 2012

The notes on pages 95 to 135 and the principal accounting policies on pages 136 to 144 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31st December 2011

	Note	2011 HK\$M	2010 HK\$M
Operating activities			
Cash generated from operations	43(a)	7,396	4,753
Interest paid		(1,664)	(1,469)
Interest received		38	15
Profits tax paid		(485)	(435)
		5,285	2,864
Dividends received from jointly controlled and associated companies and available-for-sale assets		415	48
Net cash from operating activities		5,700	2,912
Investing activities			
Purchase of property, plant and equipment	43(b)	(548)	(507)
Additions to investment properties		(4,717)	(4,234)
Purchase of intangible assets		(5)	(3)
Proceeds from disposals of property, plant and equipment		1	–
Proceeds from disposals of investment properties		–	1,213
Proceeds from disposal of Festival Walk	43(c)	18,305	–
Purchase of shares in subsidiary companies		–	(189)
Purchase of shares in jointly controlled companies		–	(284)
Loans to jointly controlled companies		(2,294)	(1,032)
Purchase of shares in PCCW Tower		–	(1,824)
Repayment of loans by jointly controlled companies		1,169	351
Proceeds from disposal of shares in PCCW Tower		–	1,353
Initial leasing costs incurred		(193)	(117)
Net cash generated from/(used in) investing activities		11,718	(5,273)
Net cash inflow/(outflow) before financing		17,418	(2,361)
Financing activities			
Bank loans drawn and refinancing		2,206	1,822
Repayment of bank loans		(628)	(349)
		1,578	1,473
Proceeds from issuance of ordinary shares		4,500	–
Capital contribution from non-controlling interests	38	12	11
(Decrease)/increase in loans due to a fellow subsidiary company		(10,875)	882
Decrease in amount due to immediate holding company		–	(11)
Dividends paid to the Company's shareholder	37	(12,439)	(1)
Dividends paid to non-controlling interests	43(d)	(12)	(8)
Net cash (used in)/generated from financing activities		(17,236)	2,346
Increase/(decrease) in cash and cash equivalents		182	(15)
Cash and cash equivalents at 1st January		1,023	1,066
Currency adjustment		(26)	(28)
Cash and cash equivalents at 31st December		1,179	1,023
Represented by:			
Bank balances and short-term deposits maturing within three months	30	1,180	1,042
Bank overdrafts		(1)	(19)
		1,179	1,023

The notes on pages 95 to 135 and the principal accounting policies on pages 136 to 144 form part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

	Note	Attributable to the Company's shareholder				Non-controlling interests HK\$M	Total equity HK\$M
		Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M	Total HK\$M		
At 1st January 2011		5,690	150,317	1,870	157,877	479	158,356
Profit for the year		–	25,126	–	25,126	53	25,179
Other comprehensive income		–	–	979	979	–	979
Total comprehensive income for the year	37, 38	–	25,126	979	26,105	53	26,158
Dividend paid		–	(12,439)	–	(12,439)	(12)	(12,451)
Capital contribution		160	–	4,340	4,500	12	4,512
At 31st December 2011		5,850	163,004	7,189	176,043	532	176,575

	Note	Attributable to the Company's shareholder				Non-controlling interests HK\$M	Total equity HK\$M
		Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M	Total HK\$M		
At 1st January 2010		5,690	124,273	(148)	129,815	424	130,239
Profit for the year		–	26,045	–	26,045	49	26,094
Other comprehensive income		–	–	2,018	2,018	3	2,021
Total comprehensive income for the year	37, 38	–	26,045	2,018	28,063	52	28,115
Dividend paid		–	(1)	–	(1)	(8)	(9)
Capital contribution		–	–	–	–	11	11
At 31st December 2010		5,690	150,317	1,870	157,877	479	158,356

The notes on pages 95 to 135 and the principal accounting policies on pages 136 to 144 form part of these accounts.

Notes to the Accounts

1. Changes in Accounting Standards

- (a) The Group has adopted the following relevant revised Hong Kong Financial Reporting Standards (“HKFRS”), amendments and interpretations effective from 1st January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HKAS 24 (Revised)	Related Party Disclosures
HKAS 12 (Amendment)	Income taxes*

* The Group has early adopted the amendment to HKAS 12 in 2010. The new accounting policy has been retrospectively applied for annual periods beginning before 1st January 2010.

The improvements to HKFRSs 2010 consist of amendments to existing standards. It has had no financial impact on the Group’s annual accounts.

The amendment to HK(IFRIC)-Int 14 permits companies which make an early payment of contributions to cover minimum funding requirements to treat that payment as an asset. It has had no significant effect on the Group’s results or net assets.

HKAS 24 (Revised) has changed the definition of Related Parties. It has had no financial impact on the Group’s annual accounts.

- (b) The following amended HKFRS and interpretations are effective but not relevant to the Group’s operations:

HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 32 (Amendments)	Classification of Rights Issues

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

HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendment)	Presentation of Financial Statement ²
HKAS 19 (revised 2011)	Employee Benefits ²
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures ²

¹ To be applied by the Group from 1st January 2012.

² To be applied by the Group from 1st January 2013.

³ To be applied by the Group from 1st January 2015.

HKFRS 7 (Amendment) introduces new disclosure requirements on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity’s balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). It is not expected that this amendment will have a significant effect on the accounts.

1. Changes in Accounting Standards *(continued)*

HKFRS 9 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. It is not expected that the new standard will have a significant effect on the Group's results and net assets.

HKFRS 10 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. It is not expected that the new standard will have a significant effect on the Group's results and net assets.

HKFRS 11 'Joint Arrangements', which supersedes HKAS 31 Interests in Joint Ventures, classifies joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity). The determination of as to whether it is a joint operation or a joint venture is based on the rights and obligations under the arrangement rather than its legal form. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement whereas joint ventures arise where the joint operator has rights to the net assets of the arrangement. The new standard requires the use of the equity method of accounting for interests in joint ventures and has eliminated the option of using proportionate consolidation method. It is not expected that the new standard will have a significant effect on the Group's results or net assets.

HKFRS 12 'Disclosures of Interests in Other Entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. It is not expected that the new standard will have a significant effect on the Group's results and net assets.

HKFRS 13 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. It is not expected that the new standard will have a significant effect on the Group's results and net assets.

The amendment to HKAS 1 focuses on improving presentation of components of other comprehensive items. The Group will be required to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

The amendment to HKAS 19 requires the recognition of changes in the defined benefit obligation and in plan assets when those changes occur. It also eliminates the corridor approach and calculates the finance costs on a net funding basis. The Group is yet to assess the full impact of the amendments.

HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. It is not expected that the amendment will have a significant effect on the Group's results or net assets.

- (d) The following revised standards and amendments have been issued which are not yet effective and not relevant to the Group's operations:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
HKAS 27 (revised)	Separate Financial Statements

2. Financial Risk Management

Financial risk factors

The Group is exposed to financial risks attributable to cash flow interest rate, credit and liquidity. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board of Directors of the Group in conjunction with policies approved by the Board of Directors of its immediate holding company. The Board of Directors identify and evaluate financial risks and maintain and develop the Group's financial risk management policies and procedures which are implemented by the Group.

(i) Interest rate exposure

The Group's interest rate risk arises mainly from borrowings from banks and a fellow subsidiary. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose to the Group to fair value interest rate risk. The Group earns interest income on cash deposits and loans due from jointly controlled companies.

The Group did not enter into interest rate swap contracts. The Group manages its interest rate risk by closely monitoring the movement of interest rates and the parent company of the Company uses interest rate swaps to manage the long-term interest rate exposure on behalf of the Company. The effects of these interest rate swaps are reflected in the intercompany interest charged.

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

	100 basis-points increase in interest rates HK\$M	100 basis-points decrease in interest rates HK\$M
At 31st December 2011		
Impact on income statement: (loss)/gain	(86)	86
At 31st December 2010		
Impact on income statement: (loss)/gain	(131)	131

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
- All other financial assets and liabilities are held constant

(ii) 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 has no significant direct exposure to foreign currencies as these are managed by a fellow subsidiary. Indirectly through the borrowings from its fellow subsidiary, the Group

2. Financial Risk Management *(continued)*

hedges 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.

As at 31st December 2011, the Group had (through borrowings from its fellow subsidiary) 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 are monitored on a continuous basis. On a quarterly basis, sensitivity testing is performed by varying forecast foreign exchange rates. The interest charged on the Group's borrowings from its fellow subsidiary reflects, among other things, the Group's proportionate share of the relevant currency hedging costs or savings. Otherwise, currently the Group does not engage in hedging activities designed or intended to manage currency risk.

(iii) Credit exposure

The Group's credit risk is mainly attributable to trade debtors, deposits with financial institutions, receivables from jointly controlled companies and associated companies. The exposure to these credit risks is closely monitored on an ongoing basis by established credit policies. For financial institutions, only independently rated parties with good credit ratings are accepted. Tenants are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. The Group does not grant credit terms to its customers except to corporate customers in the hotel business where commercial trade credit terms are given. The Group also holds rental deposits as security against trade debtors. In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, jointly controlled companies and associated companies through exercising control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

(iv) Liquidity exposure

The Group takes liquidity risk into consideration when deciding its sources of funds and their respective tenors. The tables below analyse the contractual undiscounted cash flows of the Group's and the Company's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group and the Company can be required to pay:

Group At 31st December 2011

	Note	Carrying amount HK\$M	Total contractual undiscounted cash flow HK\$M	Within 1 year or on demand HK\$M	More than 1 year but less than 2 years HK\$M	More than 2 years but less than 5 years HK\$M	More than 5 years HK\$M
Trade creditors	31	1,788	1,788	1,788	–	–	–
Amount due to intermediate holding company	31	79	79	79	–	–	–
Amount due to a fellow subsidiary company	31	102	102	102	–	–	–
Amount due to a jointly controlled company		2	2	2	–	–	–
Interest-bearing advances from a jointly controlled company	31	225	225	225	–	–	–
Advances from non-controlling interests	31	234	234	234	–	–	–
Rental deposits from tenants	31	1,780	1,908	379	380	809	340
Accrued capital expenditure		1,215	1,215	1,215	–	–	–
Other payables	31	1,726	1,726	1,726	–	–	–
Non-controlling interest put option	31	937	937	937	–	–	–
Borrowings from banks (including interest obligations)	32	7,506	8,437	2,084	464	5,889	–
Loans due to a fellow subsidiary company (including interest obligations)	33	21,374	25,144	7,737	3,000	6,491	7,916
		36,968	41,797	16,508	3,844	13,189	8,256

2. Financial Risk Management (continued)

Group

At 31st December 2010

	Note	Carrying amount HK\$M	Total contractual undiscounted cash flow HK\$M	Within 1 year or on demand HK\$M	More than 1 year but less than 2 years HK\$M	More than 2 years but less than 5 years HK\$M	More than 5 years HK\$M
Trade creditors	31	544	544	544	–	–	–
Amount due to intermediate holding company	31	99	99	99	–	–	–
Interest-bearing advance from an associated company	31	149	149	149	–	–	–
Advances from non-controlling interests	31	214	214	214	–	–	–
Rental deposits from tenants	31	1,810	1,912	441	349	842	280
Accrued capital expenditure		1,192	1,192	1,192	–	–	–
Other payables	31	513	513	513	–	–	–
Non-controlling interest put option	31	678	678	678	–	–	–
Borrowings from banks (including interest obligations)	32	5,676	6,026	4,310	169	1,547	–
Loans due to a fellow subsidiary company (including interest obligations)	33	32,202	38,364	6,215	8,085	6,417	17,647
		43,077	49,691	14,355	8,603	8,806	17,927

Company

At 31st December 2011

	Note	Carrying amount HK\$M	Total contractual undiscounted cash flow HK\$M	Within 1 year or on demand HK\$M	More than 1 year but less than 2 years HK\$M	More than 2 years but less than 5 years HK\$M	More than 5 years HK\$M
Amount due to intermediate holding company	31	79	79	79	–	–	–
Amounts due to subsidiary companies	31	2,586	2,586	2,586	–	–	–
Other payables	31	327	327	327	–	–	–
		2,992	2,992	2,992	–	–	–

At 31st December 2010

	Note	Carrying amount HK\$M	Total contractual undiscounted cash flow HK\$M	Within 1 year or on demand HK\$M	More than 1 year but less than 2 years HK\$M	More than 2 years but less than 5 years HK\$M	More than 5 years HK\$M
Trade creditors	31	15	15	15	–	–	–
Amount due to intermediate holding company	31	99	99	99	–	–	–
Amounts due to subsidiary companies	31	2,386	2,386	2,386	–	–	–
Interest-bearing advances from an associated company	31	149	149	149	–	–	–
Other payables	31	42	42	42	–	–	–
		2,691	2,691	2,691	–	–	–

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 an independent valuation of the major portion of the Group’s investment property portfolio as at 31st December 2011. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion”.

DTZ has derived the valuation of the Group’s completed investment property portfolio by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions as available in the relevant property market. They make assumptions 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 it 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 from the valuation.

Management has reviewed the DTZ 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 DTZ valuation of the Group’s investment property portfolio is reasonable.

(b) Impairment of assets

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

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations relating to the Group’s ordinary business activities for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are 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 145 to 147.

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

	Group	
	2011 HK\$M	2010 HK\$M
Gross rental income from investment properties	8,557	7,875
Property trading	213	400
Hotels	717	518
Rendering of services	94	78
	9,581	8,871

5. Cost of Sales

The following table illustrates the cost of sales for the year:

	Group	
	2011 HK\$M	2010 HK\$M
Direct rental outgoings in respect of investment properties that		
– generated rental income	(1,471)	(1,330)
– did not generate rental income	(46)	(92)
	(1,517)	(1,422)
Property trading	(199)	(267)
Hotels	(584)	(543)
Rendering of services	(34)	(29)
	(2,334)	(2,261)

6. Profit on Sale of Interest in Festival Walk

In July 2011, an agreement was entered into with an Independent Third Party for the disposal of the Group's entire interest in Festival Walk for a cash consideration of HK\$18,800 million, subject to an adjustment by reference to net current assets and liabilities at completion. The adjustment resulted in an additional receipt of approximately HK\$116 million. Completion took place on 18th August 2011.

The profit on the sale, which excludes gains on revaluation of the property previously credited to the consolidated income statement up to 30th June 2011 (of which HK\$1,098 million arose in the six months ended on that date), is HK\$595 million.

7. Other Net (Losses)/Gains

	Group	
	2011 HK\$M	2010 HK\$M
Profit on sale of investment properties	–	544
Remeasurement gains and profit on disposal relating to the change of shareholding in PCCW Tower	–	342
Impairment (losses)/reversals on hotel and trading properties	(100)	1
Net foreign exchange losses	(6)	(2)
Provision written back	19	18
Reversal of income previously recognised as forfeited deposit on trading properties	(16)	–
Others	20	22
	(83)	925

8. Expenses by Type

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

	Group	
	2011 HK\$M	2010 HK\$M
Depreciation of property, plant and equipment (note 16)	224	214
Amortisation of		
– intangible assets (note 19)	3	4
– initial leasing costs on investment properties	65	34
Staff costs	1,137	1,087
Operating lease rentals		
– properties	55	8
Auditors' remuneration		
– audit services	8	5
– tax services	1	6
– other services	15	19

9. Segment Information

(a) Information about reportable segments

Analysis of Consolidated Income Statement

	External turnover HK\$M	Inter-segment turnover HK\$M	Operating profit/(loss) after depreciation and amortisation 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	Profit/(loss) before taxation HK\$M	Tax charge HK\$M	Profit/(loss) for the year HK\$M	Profit/(loss) attributable to the Company's shareholder HK\$M	Depreciation and amortisation charged to operating profit HK\$M
Year ended 31st December 2011												
Property investment	8,651	8	6,743	(1,464)	24	123	–	5,426	(760)	4,666	4,656	(163)
Property trading	213	–	(50)	(5)	3	59	–	7	(3)	4	7	(9)
Hotels	717	2	(93)	(35)	–	(7)	155	20	(53)	(33)	(33)	(120)
Change in fair value of investment properties	–	–	20,345	–	–	676	1	21,022	(480)	20,542	20,496	–
Inter-segment elimination	–	(10)	–	–	–	–	–	–	–	–	–	–
	9,581	–	26,945	(1,504)	27	851	156	26,475	(1,296)	25,179	25,126	(292)

Year ended 31st December 2010												
Property investment	7,953	4	6,561	(1,233)	24	19	18	5,389	(793)	4,596	4,589	(132)
Property trading	400	–	72	(6)	3	30	–	99	(12)	87	87	–
Hotels	518	–	(144)	(25)	–	(23)	132	(60)	(49)	(109)	(109)	(120)
Change in fair value of investment properties	–	–	20,480	–	–	1,435	75	21,990	(470)	21,520	21,478	–
Inter-segment elimination	–	(4)	–	–	–	–	–	–	–	–	–	–
	8,871	–	26,969	(1,264)	27	1,461	225	27,418	(1,324)	26,094	26,045	(252)

Analysis of total assets of the Group

	Segment assets HK\$M	Jointly controlled companies HK\$M	Associated companies HK\$M	Bank deposits HK\$M	Total assets HK\$M	Additions to non-current assets (note) HK\$M
At 31st December 2011						
Property investment	190,771	11,303	55	1,003	203,132	5,117
Property trading and development	7,479	842	–	76	8,397	2
Hotels	5,165	855	584	101	6,705	586
	203,415	13,000	639	1,180	218,234	5,705
At 31st December 2010						
Property investment	182,116	9,965	53	960	193,094	4,623
Property trading and development	6,150	348	–	42	6,540	2
Hotels	4,759	627	652	40	6,078	236
	193,025	10,940	705	1,042	205,712	4,861

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

9. Segment Information *(continued)*

(a) Information about reportable segments *(continued)*

Analysis of total liabilities and non-controlling interests of the Group

	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	Gross borrowings HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
At 31st December 2011					
Property investment	6,184	4,672	22,852	33,708	532
Property trading and development	1,721	19	5,409	7,149	–
Hotels	183	–	619	802	–
	8,088	4,691	28,880	41,659	532
At 31st December 2010					
Property investment	4,764	4,278	32,755	41,797	479
Property trading and development	194	1	4,554	4,749	–
Hotels	241	–	569	810	–
	5,199	4,279	37,878	47,356	479

The Swire Properties Group is organised on a divisional basis: Property investment, Property trading and development, and Hotels.

The reportable segments within each of the three divisions are classified according to the nature of the business.

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong, Mainland China, the United States of America and the United Kingdom.

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

	Turnover		Non-current assets*	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Hong Kong	8,392	8,301	169,779	166,268
Mainland China	932	446	23,378	18,693
United States of America	146	50	569	446
United Kingdom	111	74	511	547
	9,581	8,871	194,237	185,954

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

10. Directors' and Executive Officers' Emoluments

(a) Details of the emoluments paid and payable to the directors of the Group for the year ended 31st December 2011 are as follows:

	Cash			Non cash			Total 2011 HK\$'000	Total 2010 HK\$'000
	Salary/fee HK\$'000	Discretionary bonus (note (vi)) HK\$'000	Allowances and benefits HK\$'000	Retirement schemes contributions HK\$'000	Discretionary bonus paid to retirement schemes HK\$'000	Housing and other benefits HK\$'000		
For the year ended 31st December 2011								
Executive Directors								
C.D. Pratt	–	–	–	–	–	–	–	–
M. Cubbon	4,320	3,213	401	1,243	1,102	3,428	13,707	10,028
M.M.S. Low	1,860	483	580	99	–	54	3,076	777
G.M.C. Bradley	1,728	1,140	1,610	499	681	2,262	7,920	5,829
D.C.Y. Ho	3,744	646	–	12	–	111	4,513	2,665
G.J. Ongley	3,838	2,133	162	560	–	2,748	9,441	10,384
J.C.G. Bremridge (note (i))	1,231	948	158	367	757	1,820	5,281	5,831
J.C. Culbertson (note (ii))	–	474	–	–	–	–	474	3,132
S.G. Spurr (note (iii))	–	500	–	–	–	–	500	2,854
K.G. Kerr (note (iv))	–	–	–	–	–	–	–	2,187
Non-Executive Directors								
J.W.J. Hughes-Hallett	–	–	–	–	–	–	–	–
P.A. Kilgour	–	–	–	–	–	–	–	439
M.B. Swire	–	–	–	–	–	–	–	–
P.N.L. Chen (note (v))	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
S.E. Bradley	550	–	–	–	–	–	550	395
J.C.C. Chan	650	–	–	–	–	–	650	467
H.C. Cheng	500	–	–	–	–	–	500	–
P.K. Etchells	700	–	–	–	–	–	700	502
S.C. Liu	550	–	–	–	–	–	550	395
Total 2011	19,671	9,537	2,911	2,780	2,540	10,423	47,862	
Total 2010	17,148	10,176	4,143	3,674	1,084	9,660		45,885

Notes:

- (i) J.C.G. Bremridge resigned as an executive director on 11th September 2011.
- (ii) J.C. Culbertson resigned as an executive director on 31st March 2010 with final bonus payment made in 2011.
- (iii) S.G. Spurr resigned as an executive director on 31st March 2010 with final bonus payment made in 2011.
- (iv) K.G. Kerr resigned as an executive director on 31st May 2009 with final bonus payment made in 2010.
- (v) P.N.L. Chen resigned as a non-executive director on 13th April 2010.
- (vi) The bonuses disclosed above are related to services as executive and non-executive directors for the previous year.

10. Directors' and Executive Officers' Emoluments *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31st December 2011 and 2010 are as follows:

	Year ended 31st December	
	2011	2010
Number of individuals		
Executive directors (note (i))	3	3
Executive officers (note (ii))	2	2
	5	5

Notes:

- (i) Details of the emoluments paid to these directors were included in the disclosure as set out in note 10(a) above.
- (ii) Details of emoluments paid to the above executive officers are as follows:

	Year ended 31st December	
	2011 HK\$'000	2010 HK\$'000
Salary	3,902	5,225
Discretionary bonus*	3,150	3,696
Allowance and benefits	5,192	3,894
Retirement scheme contributions	406	502
	12,650	13,317

* The bonuses disclosed above are related to services for the previous year.

The number of the above executive officers fell within the following bands of emoluments:

	Year ended 31st December	
	2011	2010
HK\$5,000,001 – HK\$5,500,000	1	–
HK\$5,500,001 – HK\$6,000,000	–	–
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$7,000,001 – HK\$7,500,000	1	1
	2	2

11. Net Finance Charges

Refer to page 58 for details of the Group's net finance charges.

12. Taxation

	Group			
	2011		2010	
	HK\$M	HK\$M	HK\$M	HK\$M
Current taxation:				
Hong Kong profits tax	(628)		(651)	
Overseas taxation	(12)		(7)	
Over/(under)-provisions in prior years	20		(6)	
		(620)		(664)
Deferred taxation: (note 34)				
Changes in fair value of investment properties	(386)		(384)	
Origination and reversal of temporary differences	(290)		(276)	
		(676)		(660)
		(1,296)		(1,324)

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

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

	2011 HK\$M	2010 HK\$M
Profit before taxation	26,475	27,418
Calculated at a tax rate of 16.5% (2010: 16.5%)	(4,368)	(4,524)
Share of profits less losses of jointly controlled and associated companies	166	278
Effect of different tax rates in other countries	(77)	(106)
Income not subject to tax	3,199	3,158
Expenses not deductible for tax purposes	(141)	(31)
Unused tax losses not recognised	(84)	(31)
Utilisation of previously unrecognised tax losses	24	34
Recognition of previously unrecognised tax losses	45	1
Deferred tax assets written off	(62)	(96)
Over/(under)-provisions in prior years	20	(6)
Deferred tax on retirement benefits	(15)	–
Others	(3)	(1)
Tax charge	(1,296)	(1,324)

The Group's share of jointly controlled and associated companies' tax charges of HK\$76 million (2010: HK\$436 million) and HK\$31 million (2010: HK\$34 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

13. Profit Attributable to the Company's Shareholder

Of the profit attributable to the Company's shareholder, HK\$16,203 million (2010: HK\$2,491 million) is dealt with in the accounts of the Company.

14. Dividends

	Group	
	2011 HK\$M	2010 HK\$M
First special interim dividend paid on 30th September 2011	4,514	–
Second special interim dividend paid on 8th November 2011	5,500	–
Interim dividend paid prior to the merger*	–	1
First interim dividend (in lieu of final dividend) declared on 15th March 2012 of HK¢18 per share)	1,053	–
Proposed final dividend	–	2,425
	11,067	2,426

	Company	
	2011 HK\$M	2010 HK\$M
First special interim dividend paid on 30th September 2011	4,514	–
Second special interim dividend paid on 8th November 2011	5,500	–
First interim dividend (in lieu of final dividend) declared on 15th March 2012 of HK¢18 per share)	1,053	–
Proposed final dividend	–	2,425
	11,067	2,425

The first interim dividend is not accounted for in 2011 because it had not been declared at the year end date. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2012.

* This relates to the dividend paid by the US subsidiary company prior to the merger with the Company, which took place on 25th January 2010. Refer to page 144 of the Principal Accounting Policies for further details.

15. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholder of HK\$25,126 million (2010: HK\$26,045 million, by the weighted average number of 5,704,027,397 ordinary shares in issue during 2011 (2010: 5,690,000,000 ordinary shares).

16. Property, Plant and Equipment

	Group				Company
	Leasehold land held for own use under finance lease HK\$M	Land and property HK\$M	Plant and equipment HK\$M	Total HK\$M	Plant and equipment HK\$M
Cost:					
At 1st January 2011	2,378	4,011	951	7,340	225
Translation differences	–	52	9	61	–
Change in composition of Group	(20)	(32)	(27)	(79)	–
Additions	–	595	90	685	15
Disposals	–	–	(3)	(3)	(1)
Transfer from deferred expenditure	–	–	17	17	–
Cost written-off	–	(25)	(3)	(28)	(3)
Transfer from properties held for development	–	50	–	50	–
Other net transfers to investment properties	(310)	(1)	–	(311)	–
Transfer between categories	–	8	(8)	–	–
Revaluation surplus	186	–	–	186	–
At 31st December 2011	2,234	4,658	1,026	7,918	236
Accumulated depreciation and impairment:					
At 1st January 2011	49	413	545	1,007	137
Translation differences	–	12	5	17	–
Change in composition of Group	(6)	(9)	(26)	(41)	–
Charge for the year (note 8)	20	76	128	224	26
Provision for impairment losses (note 43(a))	–	99	6	105	–
Disposals	–	–	(2)	(2)	(1)
Net transfers to investment properties	(5)	(3)	–	(8)	–
Depreciation written back	–	(1)	–	(1)	–
Transfer from deferred expenditure	–	–	2	2	–
At 31st December 2011	58	587	658	1,303	162
Net book value:					
At 31st December 2011	2,176	4,071	368	6,615	74

At 31st December 2011 and 2010, none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

Properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from carrying amount to fair value for the years ended 31st December 2011 was HK\$186 million (2010: HK\$1,448 million), has been recognised in other comprehensive income and the properties revaluation reserve.

Property, plant and equipment is reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2011 the Directors considered a number of hotels in the United Kingdom to be impaired as a result of the condition of the hotel property market in these locations. The carrying amount of these hotels have been written down by HK\$105 million to their recoverable amount, which is the fair value less costs to sell, calculated using the income capitalisation approach.

16. Property, Plant and Equipment *(continued)*

	Group			Company	
	Leasehold land held for own use under finance lease HK\$M	Land and property HK\$M	Plant and equipment HK\$M	Total HK\$M	Plant and equipment HK\$M
Cost:					
At 1st January 2010	1,791	3,871	772	6,434	256
Translation differences	–	24	4	28	–
Cost written-off	–	(57)	–	(57)	–
Additions	–	269	146	415	83
Disposals	–	–	(115)	(115)	(114)
Net transfers to investment properties	(861)	48	–	(813)	–
Transfer between categories	–	(144)	144	–	–
Revaluation surplus	1,448	–	–	1,448	–
At 31st December 2010	2,378	4,011	951	7,340	225
Accumulated depreciation and impairment:					
At 1st January 2010	40	378	523	941	219
Translation differences	–	5	2	7	–
Charge for the year (note 8)	17	72	125	214	22
Disposals	–	–	(105)	(105)	(104)
Transfers to investment properties	(8)	(42)	–	(50)	–
At 31st December 2010	49	413	545	1,007	137
Net book value:					
At 31st December 2010	2,329	3,598	406	6,333	88

17. Investment Properties

Refer to page 35 for details of the Group's investment properties.

18. 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:

	Group	
	2011 HK\$M	2010 HK\$M
At 1st January	6	6
Translation differences	(1)	–
Impairment loss (note 43(a))	(2)	–
At 31st December	3	6
Held outside Hong Kong:		
On medium-term leases (10 to 50 years)	3	6
	3	6

19. Intangible Assets

	Group			Company
	Goodwill HK\$M	Computer Software HK\$M	Total HK\$M	Computer Software HK\$M
Cost:				
At 1st January 2011	182	43	225	43
Additions	–	5	5	5
Disposals/written-off	(182)	–	(182)	–
At 31st December 2011	–	48	48	48
Accumulated amortisation and impairment:				
At 1st January 2011	–	38	38	38
Amortisation for the year (note 8)	–	3	3	3
At 31st December 2011	–	41	41	41
Net book value:				
At 31st December 2011	–	7	7	7

19. Intangible Assets *(continued)*

	Group			Company
	Goodwill HK\$M	Computer Software HK\$M	Total HK\$M	Computer Software HK\$M
Cost:				
At 1st January 2010	183	40	223	40
Translation differences	(1)	–	(1)	–
Additions	–	3	3	3
At 31st December 2010	182	43	225	43
Accumulated amortisation and impairment:				
At 1st January 2010	–	34	34	34
Amortisation for the year (note 8)	–	4	4	4
At 31st December 2010	–	38	38	38
Net book value:				
At 31st December 2010	182	5	187	5

Amortisation of HK\$3 million (2010: HK\$4 million) is included in administrative expenses in the consolidated income statement.

Impairment test of goodwill

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 accelerated tax depreciation on the investment properties purchased. Consequently the related goodwill will only be impaired should the fair value of the investment property in future fall below its fair value at acquisition. The recoverable amount of goodwill attributable to this cash-generating unit is therefore assessed on a post-tax basis using fair value less costs to sell.

20. Properties Held for Development

Refer to page 37 for details of the Group's properties held for development.

21. Subsidiary Companies

	Company	
	2011 HK\$M	2010 HK\$M
Unlisted shares at cost less provisions	504	3,234
Loans and other amounts due from subsidiary companies		
– Interest-free	44,501	33,041
– Interest-bearing (2010: HIBOR plus 0.24%)	–	155
	45,005	36,430

The loans and amounts due from subsidiary companies are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Properties Limited which have materially affected the results or assets of the Group are shown on pages 145 to 147.

22. Jointly Controlled Companies

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Unlisted shares at cost			–	–
Share of net assets, unlisted	3,240	2,198		–
Loans due from jointly controlled companies less provisions				
– Interest-free	9,174	8,388	492	515
– Interest-bearing at 1.71% to 6.56% (2010: 1.71%)	586	354	–	–
	13,000	10,940	492	515

The loans due from jointly controlled companies are unsecured and have no fixed terms of repayment.

The Group's share of assets and liabilities and results of jointly controlled companies is summarised below:

	Group	
	2011 HK\$M	2010 HK\$M
Non-current assets	14,558	13,052
Current assets	3,231	2,031
Current liabilities	(4,227)	(4,176)
Non-current liabilities	(10,322)	(8,709)
Net assets	3,240	2,198
Revenue	608	426
Change in fair value of investment properties	719	1,819
Expenses	(400)	(348)
Profit before taxation	927	1,897
Taxation	(76)	(436)
Profit for the year	851	1,461

The principal jointly controlled companies of Swire Properties Limited which have materially affected the results or assets of the Group are shown on pages 145 to 147.

23. Associated Companies

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Unlisted shares at cost		–	3	3
Share of net assets – Unlisted	463	529		–
Loans due from associated companies – Interest-free	176	176	176	176
	639	705	179	179

The loans due from associated companies are unsecured and have no fixed terms of repayment.

The Group's share of the assets and liabilities and results of associated companies is summarised below:

	Group	
	2011 HK\$M	2010 HK\$M
Non-current assets	689	694
Current assets	221	349
Current liabilities	(150)	(122)
Non-current liabilities	(297)	(392)
Net assets	463	529
Revenue	572	539
Profit for the year	156	225

The principal associated companies of Swire Properties Limited which have materially affected the results or assets of the Group are shown on pages 145 to 147.

24. Financial Instruments by Category

Group	At fair value through profit or loss HK\$M	Available-for-sale HK\$M	Loans and receivables HK\$M	Amortised cost HK\$M	Total carrying amount HK\$M	Fair value HK\$M
Assets as per consolidated statement of financial position						
At 31st December 2011						
Available-for-sale assets (note 25)	–	9	–	–	9	9
Amount due from immediate holding company	–	–	142	–	142	142
Trade and other receivables (note 28)	–	–	1,823	–	1,823	1,823
Bank balances and short-term deposits (note 30)	–	–	1,180	–	1,180	1,180
Total	–	9	3,145	–	3,154	3,154
At 31st December 2010						
Available-for-sale assets (note 25)	–	7	–	–	7	7
Amount due from immediate holding company	–	–	106	–	106	106
Trade and other receivables (note 28)	–	–	1,141	–	1,141	1,141
Bank balances and short-term deposits (note 30)	–	–	1,042	–	1,042	1,042
Total	–	7	2,289	–	2,296	2,296
Liabilities as per consolidated statement of financial position						
At 31st December 2011						
Trade and other payables (note 31)	937	–	–	7,131	8,068	8,068
Bank overdrafts and short-term bank loans	–	–	–	1,023	1,023	1,023
Long-term bank loans	–	–	–	6,483	6,483	6,483
Total	937	–	–	14,637	15,574	15,574
At 31st December 2010						
Trade and other payables (note 31)	678	–	–	4,495	5,173	5,173
Bank overdrafts and short-term bank loans	–	–	–	991	991	991
Long-term bank loans	–	–	–	4,685	4,685	4,685
Total	678	–	–	10,171	10,849	10,849

24. Financial Instruments by Category *(continued)*

Company	Loans and receivables HK\$M	Amortised cost HK\$M	Total carrying amount HK\$M	Fair value HK\$M
Assets as per statement of financial position				
At 31st December 2011				
Trade and other receivables (note 28)	87	–	87	87
Short-term deposits and bank balances (note 30)	267	–	267	267
Total	354	–	354	354
At 31st December 2010				
Trade and other receivables (note 28)	55	–	55	55
Short-term deposits and bank balances (note 30)	285	–	285	285
Total	340	–	340	340
Liabilities as per statement of financial position				
At 31st December 2011				
Trade and other payables (note 31)	–	2,992	2,992	2,992
Total	–	2,992	2,992	2,992
At 31st December 2010				
Trade and other payables (note 31)	–	2,691	2,691	2,691
Total	–	2,691	2,691	2,691

The accounting policies applied to financial instruments are shown below:

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.

24. Financial Instruments by Category *(continued)*

Financial instruments that are measured at fair value are included in the following fair value hierarchy:

Group	Level 2 HK\$M
Assets as per consolidated statement of financial position	
At 31st December 2011	
Available-for-sale assets (note 25)	9
Total	9
At 31st December 2010	
Available-for-sale assets (note 25)	7
Total	7
Liabilities as per consolidated statement of financial position	
At 31st December 2011	
Put option over non-controlling interest in Sanlitun Village (note 31)	937
Total	937
At 31st December 2010	
Put option over non-controlling interest in Sanlitun Village (note 31)	678
Total	678

Note:

Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.

25. Available-for-sale Assets

	Group	
	2011 HK\$M	2010 HK\$M
Unlisted investments	9	7
	9	7

26. Properties under Development and for Sale

Refer to page 37 for details of the Group's properties under development and for sale.

27. Stocks and Work in Progress

	Group	
	2011 HK\$M	2010 HK\$M
Trading goods	17	13
Store and spare parts	44	35
Work in progress	8	11
	69	59

28. Trade and Other Receivables

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Trade debtors	284	204	–	13
Prepayments and accrued income	125	27	5	3
Other receivables	1,536	937	87	42
	1,945	1,168	92	58

The analysis of the age of trade debtors at year-end (based on the invoice date) is as follows:

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Under three months	272	195	–	13
Between three and six months	5	3	–	–
Over six months	7	6	–	–
	284	204	–	13

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

The Group does not grant any credit term to its customers, except to corporate customers in the hotel business where commercial trade credit terms are given. At 31st December 2011, trade debtors of HK\$284 million (2010: HK\$204 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 other classes within trade and receivables do not contain impaired assets.

The maximum exposure to credit risk at 31st December 2011 and 31st December 2010 is the carrying value of trade debtors disclosed above. The value of rental deposits from tenants held as security against trade debtors at 31st December 2011 was HK\$1,780 million (2010: HK\$1,810 million).

29. Amount Due from Immediate Holding Company – Swire Pacific Limited

The amount due from immediate holding company is unsecured, interest free and repayable within one year.

30. Cash and Cash Equivalents

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Short-term deposits maturing within three months	260	795	200	240
Bank balances	920	247	67	45
	1,180	1,042	267	285

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 1.31% (2010: 0.005% to 1.17%); these deposits have a maturity from 3 to 8 days (2010: 3 to 90 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2011 and 31st December 2010 is the carrying value of the bank balances and short-term deposits disclosed above.

31. Trade and Other Payables

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Trade creditors	1,788	544	–	15
Amounts due to intermediate holding company	79	99	79	99
Amounts due to a fellow subsidiary company	102	–	–	–
Amounts due to subsidiary companies	–	–	2,586	2,386
Amounts due to a jointly controlled company	2	–	–	–
Interest-bearing advances from a jointly controlled company at 1.55%	225	–	–	–
Interest-bearing advances from an associated company (2010: 0.54%)	–	149	–	149
Advances from non-controlling interests	234	214	–	–
Rental deposits from tenants	1,780	1,810	–	–
Put option over non-controlling interest in Sanlitun Village	937	678	–	–
Accrued capital expenditure	1,215	1,192	–	–
Other payables	1,726	513	327	42
	8,088	5,199	2,992	2,691

Apart from certain amounts due to jointly controlled and associated companies, which are interest-bearing as specified above, the balances are interest free, unsecured and have no fixed term of repayment.

The analysis of the age of trade creditors at year-end is as follows:

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Under three months	1,529	543	–	15
Between three and six months	259	1	–	–
	1,788	544	–	15

32. Borrowings from banks

	Group	
	2011 HK\$M	2010 HK\$M
Bank overdrafts and short-term bank loans – unsecured	1,023	991
Long-term bank loans – unsecured:		
Repayable within one year	664	3,103
Repayable between one and two years	93	–
Repayable between two and five years	5,726	1,582
	6,483	4,685
Amount due within one year included under current liabilities	(664)	(3,103)
	5,819	1,582

(a) The effective interest rates per annum at the year-end date were as follows:

	2011			2010		
	RMB %	US\$ %	Others %	RMB %	US\$ %	Others %
Bank overdrafts/short-term bank loans	3.14-7.93	–	–	4.37-4.59	–	–
Long-term bank loans	5.6-7.87	1.11	2.05	4.86-5.94	1.11	1.89

Bank loans are repayable on various dates up to 2014 (2010: up to 2014).

(b) The carrying amounts of these long-term bank loans approximate to their fair value and are denominated in the following currencies:

	2011 HK\$M	2010 HK\$M
Renminbi	6,017	4,476
Pounds sterling	60	60
United States dollar	406	149
	6,483	4,685

33. Loans Due to a Fellow Subsidiary Company – Swire Finance Limited

The loans due to a fellow subsidiary company are unsecured, repayable on various dates up to 2018 and bear interest at a combination of fixed and floating rate which effectively was 4.46% per annum at 31st December 2011 (2010: 3.75% per annum).

	Group	
	2011 HK\$M	2010 HK\$M
Repayable within one year	6,943	5,228
Repayable between one and two years	2,296	7,128
Repayable between two and five years	4,638	3,800
Repayable after five years	7,497	16,046
	21,374	32,202
Loans due within one year included under current liabilities	(6,943)	(5,228)
	14,431	26,974

34. Deferred Taxation

The movement on the net deferred tax liabilities account is as follows:

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
At 1st January	3,806	3,151	4	–
Translation differences	111	(5)	–	–
Change in composition of Group	(404)	–	–	–
Charged to income statement (note 12)	676	660	15	4
At 31st December	4,189	3,806	19	4

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\$1,735 million (2010: HK\$1,452 million) to carry forward against future taxable income. These amounts are analysed as follows:-

	Group	
	2011 HK\$M	2010 HK\$M
No expiry date	794	665
Expiring in 2012	13	12
Expiring in 2013	64	188
Expiring in 2014	244	291
Expiring in 2015	293	296
Expiring in 2016	327	–
	1,735	1,452

34. Deferred Taxation *(continued)*

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

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
At 1st January	2,312	2,130	1,514	1,130	181	193	4,007	3,453
Translation differences	–	–	116	–	(1)	–	115	–
Change in composition of Group	(401)	–	–	–	(3)	–	(404)	–
Charged/(credited) to income statement	170	182	386	384	67	(12)	623	554
At 31st December	2,081	2,312	2,016	1,514	244	181	4,341	4,007

	Company					
	Accelerated tax depreciation		Others		Total	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
At 1st January	4	–	–	–	4	–
Charged/(credited) to income statement	(1)	4	16	–	15	4
At 31st December	3	4	16	–	19	4

Deferred tax assets

	Group					
	Tax losses		Others		Total	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
At 1st January	43	92	158	210	201	302
Translation differences	–	5	4	–	4	5
Charged to income statement	(30)	(54)	(23)	(52)	(53)	(106)
At 31st December	13	43	139	158	152	201

34. Deferred Taxation *(continued)*

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Deferred tax assets:				
– To be recovered after more than 12 months	(57)	(94)	–	–
– To be recovered within 12 months	–	–	–	–
	(57)	(94)	–	–
Deferred tax liabilities:				
– To be settled after more than 12 months	4,246	3,900	–	4
– To be settled within 12 months	–	–	19	–
	4,246	3,900	19	4
	4,189	3,806	19	4

35. Retirement Benefits

The Group operates various retirement benefit plans providing resignation and retirement benefits to staff on both a contributory and non-contributory basis. The assets of the plans are administered by trustees and are maintained independently of the Group's finances. The majority of the plans are of the defined benefit type and contributions to such plans are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The plans in Hong Kong are valued annually by qualified actuaries, Towers Watson (formerly known as Watson Wyatt Hong Kong Limited), for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2011, the funding level was 110% (2010: 107%) of the accrued actuarial liabilities on an ongoing basis.

All new employees are offered the choice of joining the retirement benefit plans or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant monthly income (capped at HK\$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

Total retirement benefit costs recognised in the consolidated income statement for the year ended 31st December 2011 amounted to HK\$30 million (2010: HK\$31 million), including HK\$5 million (2010: HK\$4 million) in respect of defined contribution plans.

The defined benefit plan is valued using the projected unit credit method in accordance with HKAS 19. For the year ended 31st December 2011 and 2010, the HKAS 19 disclosures are based on valuations prepared by Towers Watson at 31st December 2009, which were updated at 31st December 2011 and 2010 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit plans.

35. Retirement Benefits *(continued)*

(a) The amounts recognised in the statement of financial position are as follows:

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Present value of funded obligations	599	547	496	451
Fair value of plan assets	(519)	(594)	(431)	(492)
	80	(47)	65	(41)
Net unrecognised actuarial losses	(188)	(36)	(164)	(38)
Net retirement benefit assets	(108)	(83)	(99)	(79)
Represented by:				
Retirement benefit assets	(108)	(83)	(99)	(79)
Retirement benefit liabilities	–	–	–	–
	(108)	(83)	(99)	(79)

(b) Changes in the present value of the defined benefit obligations are as follows:

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
At 1st January	547	516	451	428
Service cost	50	47	42	38
Interest cost	23	24	18	20
Actuarial losses	70	15	59	13
Benefits paid	(91)	(55)	(74)	(48)
At 31st December	599	547	496	451

Changes in the fair value of plan assets are as follows:

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
At 1st January	594	532	492	442
Expected return	47	44	39	37
Actuarial (losses)/gains	(82)	22	(67)	19
Contributions by employers	51	51	41	42
Benefits paid	(91)	(55)	(74)	(48)
At 31st December	519	594	431	492

35. Retirement Benefits *(continued)*

(c) Net expenses recognised in the consolidated income statement are as follows:

	Group	
	2011 HK\$M	2010 HK\$M
Current service cost	50	47
Interest cost	23	24
Expected return on plan assets – gain	(47)	(44)
	26	27

The above net expenses were mainly included in cost of sales and administrative expenses in the consolidated income statement.

The actual return on defined benefit plan assets was a loss of HK\$35 million (2010: gain of HK\$66 million).

(d) Plan assets comprise the following:

	Group			
	2011		2010	
	HK\$M	%	HK\$M	%
Equities	322	62	389	65
Government bonds	102	20	92	16
Corporate bonds	79	15	115	19
Cash/(bank overdraft)	16	3	(2)	–
	519	100	594	100

(e) Amounts for the current and previous four periods are as follows:

	Group				
	2011 HK\$M	2010 HK\$M	2009 HK\$M	2008 HK\$M	2007 HK\$M
Defined benefit plans					
– Defined benefit obligations	599	547	516	429	487
– Plan assets	(519)	(594)	(532)	(397)	(579)
– Deficit/(surplus)	80	(47)	(16)	32	(92)
– Experience adjustments on plan liabilities	23	14	31	6	16
– Experience adjustments on plan assets	82	(22)	(90)	233	(64)

35. Retirement Benefits *(continued)*

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

	Group	
	2011	2010
Discount rate	3.96%	4.40%
Expected rate of return on plan assets	8.00%	8.00%
Expected rate of future salary increases	3.28%-3.61%	3.57%

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 experienced in the respective markets.

36. Share Capital

	Company	
	2011 HK\$M	2010 HK\$M
Authorised:		
At 31st December 2011 and 2010		
30,000,000,000 ordinary shares of HK\$1 each	30,000	30,000
Issued and fully paid:		
5,850,000,000 ordinary shares of HK\$1 each at 31st December 2011 (31st December 2010: 5,690,000,000 ordinary shares of HK\$1 each)	5,850	5,690

On 30th November 2011, the Company issued 160,000,000 shares to Swire Pacific Limited for a total cash consideration of HK\$4,500 million (being HK\$28.125 per share). Following this share issue, the Company has a total of 5,850,000,000 fully paid shares in issue.

Save as disclosed above, there was no purchase, sale or redemption by the Company of its shares during the year ended 31st December 2011.

37. Reserves

	Revenue reserve HK\$M	Share premium account HK\$M	Merger account reserve HK\$M	Property revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
Group							
At 1st January 2010	124,273	259	(1,108)	–	(1)	702	124,125
Profit for the year	26,045	–	–	–	–	–	26,045
Other comprehensive income							
Revaluation of properties previously occupied by the Group							
– gain recognised during the year	–	–	–	1,448	–	–	1,448
Share of other comprehensive income of jointly controlled and associated companies	–	–	–	–	1	131	132
Net translation differences on foreign operations	–	–	–	–	–	438	438
Total comprehensive income for the year	26,045	–	–	1,448	1	569	28,063
2010 interim dividend paid prior to the merger (note 14)	(1)	–	–	–	–	–	(1)
At 31st December 2010	150,317	259	(1,108)	1,448	–	1,271	152,187
At 1st January 2011	150,317	259	(1,108)	1,448	–	1,271	152,187
Profit for the year	25,126	–	–	–	–	–	25,126
Other comprehensive income							
Revaluation of properties previously occupied by the Group							
– gain recognised during the year	–	–	–	186	–	–	186
Share of other comprehensive income of jointly controlled and associated companies	–	–	–	–	–	276	276
Net translation differences on foreign operations	–	–	–	–	–	517	517
Total comprehensive income for the year	25,126	–	–	186	–	793	26,105
Issuance of new ordinary shares	–	4,340	–	–	–	–	4,340
2010 final dividend (note 14)	(2,425)	–	–	–	–	–	(2,425)
2011 special interim dividends (note 14)	(10,014)	–	–	–	–	–	(10,014)
At 31st December 2011	163,004	4,599	(1,108)	1,634	–	2,064	170,193

37. Reserves (continued)

	Revenue reserve HK\$M	Share premium account HK\$M	Total HK\$M
Company			
At 1st January 2010	26,503	259	26,762
Profit for the year (note 13)	2,491	–	2,491
At 31st December 2010	28,994	259	29,253
At 1st January 2011	28,994	259	29,253
Profit for the year (note 13)	16,203	–	16,203
Issuance of new ordinary shares	–	4,340	4,340
2010 final dividend (note 14)	(2,425)	–	(2,425)
2011 special interim dividends (note 14)	(10,014)	–	(10,014)
At 31st December 2011	32,758	4,599	37,357

- (a) The Group revenue reserve includes retained revenue reserves from jointly controlled companies amounting to HK\$51 million (2010: accumulated losses of HK\$607 million) and retained revenue reserves from associated companies amounting to HK\$369 million (2010: HK\$477 million).
- (b) The Group and Company revenue reserves have not yet deducted the first interim dividend for the year of HK\$1,053 million declared after year end date (2010: proposed final dividend of HK\$2,425 million) (note 14).

38. Non-controlling Interests

	Group	
	2011 HK\$M	2010 HK\$M
At 1st January	479	424
Share of profits less losses for the year	53	49
Share of translation differences on foreign operations	–	3
Share of total comprehensive income	53	52
Dividends paid and payable	(12)	(8)
Capital contribution from non-controlling interests	12	11
At 31st December	532	479

39. Capital Commitments

	Group	
	2011 HK\$M	2010 HK\$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	88	103
Authorised by Directors but not contracted for	1,003	902
(b) Investment properties		
Contracted for	1,428	2,017
Authorised by Directors but not contracted for	8,060	1,513
The Group's share of capital commitments of jointly controlled companies at the year-end*		
Contracted for	734	1,755
Authorised by Directors but not contracted for	6,367	5,202
	7,101	6,957

* of which the Group is committed to funding HK\$1,828 million (2010: HK\$2,459 million)

The Company had no commitments in respect of the above items at 31st December 2011 (2010: same).

At 31st December 2011, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK\$162 million (2010: HK\$146 million).

40. Contingencies

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
(a) Guarantees provided in respect of bank loans and other liabilities of:				
Subsidiary companies	–	–	28,914	37,820
Bank guarantees given in lieu of utility deposits	89	101	89	101
	89	101	29,003	37,921

The directors have assessed the fair value of the above guarantees and do not consider them to be material. They have therefore not been recognised in the Group's statement of financial position.

(b) Contingent tax liability

Certain wholly-owned subsidiary companies of the Company have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2004/05 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 subsidiary companies during the periods under review.

A number of discussions have taken place between those subsidiary companies and the IRD to understand the precise nature of the IRD queries. However, at this stage there is insufficient information available to determine reliably the ultimate outcome of the IRD's review with an acceptable degree of certainty. Consequently no provision has been recognised in these accounts for any amounts that may fall due in regard to these queries.

The IRD has issued Notices of Assessment totalling HK\$492 million in respect of their queries for the years under review. The subsidiary companies involved have objected to these assessments. The IRD has agreed to hold over conditionally part of the tax in dispute in the sum of HK\$16 million and one of the subsidiaries involved has purchased a Tax Reserve Certificate of the same amount. The IRD has agreed to hold over unconditionally the balance of the tax in dispute in the sum of HK\$476 million. In addition, the estimated interest which would be payable in respect of the Notices of Assessment totalled HK\$244 million as at 31st December 2011. It is not possible, given the lack of information available, to determine the ultimate outcome of the IRD's review of this matter and consequently to make a judgement as to its materiality. Swire Pacific has undertaken to the Company that, if any subsidiary of the Company referred to in this paragraph is required to pay to the IRD any amount of tax in response or by reference to any notice of assessment referred to in this paragraph (or to any corresponding notice of assessment issued in respect of any year of assessment from the years of assessment 2005/06 to 2010/11 inclusive), Swire Pacific will pay to the Company an amount equal to the amount of such payment. This undertaking will expire on the third anniversary of the Listing Date of the Company on 18th January 2012 except where a provision for a relevant payment has, with the agreement of Swire Pacific, previously been made in the accounts of any such subsidiary.

41. 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 under operating leases. The leases for land and buildings typically run for periods of three to six years. The turnover-related rental income received during the year amounted to HK\$504 million (2010: HK\$295 million).

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	
	2011 HK\$M	2010 HK\$M
Land and buildings:		
Not later than one year	6,247	6,084
Later than one year but not later than five years	13,815	12,769
Later than five years	2,105	2,332
	22,167	21,185

Assets held for deployment on operating leases at 31st December were as follows:

	Group	
	2011 HK\$M	2010 HK\$M
Investment properties at fair value	174,951	161,508

(b) Lessee

The Group leases land and buildings under operating leases. These leases typically run for an initial period of one to fifteen years with some leases having an option to renew the lease after that date, at which time all terms are renegotiated.

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

	Group		Company	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Land and buildings:				
Not later than one year	45	10	63	44
Later than one year but not later than five years	95	27	199	130
Later than five years	401	70	97	84
	541	107	359	258

42. Related Party Transactions

There is an agreement for services (“Services Agreement”), in respect of which John Swire & Sons (H.K.) Limited (“JSSHK”), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group’s relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreement, which commenced on 1st January 2011 for a period of three years, will expire on 31st December 2013. The preceding Services Agreement, with the same terms and conditions, was from 1st January 2008 to 31st December 2010. For the year ended 31st December 2011, service fees payable amounted to HK\$130 million (2010: HK\$115 million). Expenses of HK\$36 million (2010: HK\$29 million) were reimbursed at cost; in addition, HK\$44 million (2010: HK\$30 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (“JSSHK Tenancy Framework Agreement”) between the Company and JSSHK dated 18th October 2011, members of the Group will enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the year ended 31st December 2011, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK\$76 million (2010: HK\$59 million).

Under another tenancy framework agreement (“Swire Pacific Tenancy Framework Agreement”) between the Company and Swire Pacific Limited dated 18th October 2011, members of the Group will enter into tenancy agreements with members of the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Swire Pacific Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the year ended 31st December 2011, the aggregate rentals payable to the Group under the tenancies pursuant to the Swire Pacific Tenancy Framework Agreement amounted to HK\$60 million (2010: HK\$58 million).

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the JSSHK Tenancy Framework Agreement and Swire Pacific Tenancy Framework Agreement), which were carried out in the normal course of the Group’s business, in addition to those transactions disclosed elsewhere in the accounts. Transactions under the Services Agreement, the JSSHK Tenancy Framework Agreement and Swire Pacific Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

	Notes	Jointly controlled companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
		2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
Purchases of services	(a)	–	–	9	10	–	–	–	–	–	–
Rental revenue	(b)	3	–	69	64	7	7	61	46	7	15
Revenue from hotels		–	–	1	–	–	–	1	–	3	–
Interest income	(c)	9	3	2	–	–	–	–	–	–	–
Interest charges	(c)	2	–	1,096	1,202	–	–	–	–	–	–

Notes:

- 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.
- The Group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- Loans advanced to jointly controlled and associated companies at 31st December 2011 are disclosed in notes 22 and 23 respectively. Advances from jointly controlled and associated companies are disclosed in note 31. There are a number of loan agreements between the Group and the Swire Pacific group. Refer to page 53 to 61 for details. The loans due to Swire Finance Limited, a fellow subsidiary company, are disclosed in note 33.

Amounts due from the immediate holding company at 31st December 2011 are disclosed in note 29. These balances arise in the normal course of business, are non-interest-bearing and repayable within one year.

Remuneration of key management is disclosed in note 10.

43. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	Group	
	2011 HK\$M	2010 HK\$M
Operating profit	26,945	26,969
Profit on sale of investment properties	–	(544)
Remeasurement gains and profit on disposal relating to the change of shareholding in PCCW Tower	–	(342)
Change in fair value of investment properties	(20,345)	(20,480)
Depreciation	224	214
Amortisation of initial leasing costs on investment properties	65	34
Amortisation of intangible assets	3	4
Impairment losses on hotel operations	107	–
Profit on sale of interest in Festival Walk	(595)	–
Other items	62	(1)
Operating profit before working capital changes	6,466	5,854
(Increase)/decrease in amount due from immediate holding company	(36)	71
Increase in properties under development and for sale	(1,227)	(1,245)
Increase in stocks and work in progress	(6)	(2)
(Increase)/decrease in trade and other receivables	(828)	91
Increase in trade and other payables	3,052	7
Increase in retirement benefit assets	(25)	(23)
Cash generated from operations	7,396	4,753

(b) Purchase of property, plant and equipment

	Group	
	2011 HK\$M	2010 HK\$M
Properties	461	361
Plant and equipment	87	146
Total	548	507

The above figures do not include interest capitalised on property, plant and equipment.

43. Notes to the Consolidated Statement of Cash Flows *(continued)*

(c) Sale of interest in Festival Walk

	Group
	2011 HK\$M
Net assets disposed:	
Investment properties	18,263
Property, plant and equipment	38
Stocks	4
Debtors	33
Cash at bank and in hand	495
Creditors and provisions	(330)
Tax payable	(68)
Deferred tax	(404)
Goodwill on acquisition	174
	18,205
Profit on disposal of Festival Walk	595
	18,800
Satisfied by:	
Cash received (net of transaction costs)	18,800
Analysis of net inflow of cash and cash equivalents in respect of the sale of interest in Festival Walk	
Net cash proceeds	18,800
Cash at bank and in hand	(495)
Net inflow of cash and cash equivalents per consolidated statement of cash flows	18,305

(d) Analysis of changes in financing during the year

	Group			
	Bank loans		Non-controlling interests	
	2011 HK\$M	2010 HK\$M	2011 HK\$M	2010 HK\$M
At 1st January	5,657	4,229	479	424
Net cash inflow from financing	1,578	1,473	12	11
Non-controlling interests' share of total comprehensive income	–	–	53	49
Dividends paid to non-controlling interests	–	–	(12)	(8)
Other non-cash movements	270	(45)	–	3
At 31st December	7,505	5,657	532	479

44. Events after the Reporting Period

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

45. Immediate and Ultimate Holding Company

The immediate holding company is Swire Pacific Limited, a company incorporated and listed in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in England and Wales.

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, the non-controlling interest put option and available-for-sale assets, which are carried at fair value.

2. Basis of Consolidation

The consolidated accounts incorporate the accounts of Swire Properties Limited, its subsidiary companies (together referred to as the “Group”) and the Group’s interests in jointly controlled and associated companies.

3. Subsidiary Companies

Subsidiary companies are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

Investments in subsidiary companies are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary company acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, jointly controlled company or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the non-controlling interest, which is not part of a business combination, the Group records a financial liability for the present value of the redemption amount and eliminates the value of the non-controlling interest. Changes to the value of the financial liability are recognised in the income statement within finance income or finance costs.

3. Subsidiary Companies *(continued)*

In the Company's statement of financial position, its investments in subsidiary companies are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for by the Company on the basis of dividends received and receivable.

Long-term loans to subsidiary companies are considered to be quasi-equity in nature, where there are no defined repayment terms and no historical repayment of the balances.

4. Jointly Controlled and Associated Companies

Jointly controlled companies are those companies held for the long term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where none of the participating parties has unilateral control over the economic activity of the joint venture.

Associated companies are those companies over which the Group has significant influence but not control or joint control, over their management including participation in the financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in jointly controlled and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in jointly controlled and associated companies over the fair value of the Group's share of the identifiable net assets acquired represents goodwill. The Group's investments in jointly controlled and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

The Group's share of its jointly controlled and associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the jointly controlled or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled or associated company.

The Group recognises the disposal of an interest in a jointly controlled company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its jointly controlled and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its jointly controlled and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of jointly controlled and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognized in the consolidated income statement.

In the Company's statement of financial position, its investments in jointly controlled and associated companies are stated at cost less provision for any impairment losses. Income from jointly controlled and associated companies is recognised by the Company on the basis of dividends received and receivable.

Long-term loans to jointly controlled and associated companies are considered to be quasi-equity in nature, where there are no defined repayment terms and no historical repayment of the balances.

5. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

5. Foreign Currency Translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any associated translation difference is also recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the income statement, any associated translation difference is also recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

6. Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises leasehold land and buildings held under finance leases. Land held under operating or finance leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties (including those under construction) are carried at fair value and are valued at least annually. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as under construction. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

7. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Leasehold land can be classified as held under finance lease and recorded as property, plant and equipment if the leasee is exposed to substantially all the risks and rewards of ownership of that price of land. Leasehold land is depreciated over the lease term.

On the transfer of owner occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'property revaluation reserve' to 'revenue reserve'.

With the exception of freehold land, all other property, plant and equipment are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Leasehold land	Over the lease term
Properties	2% to 5% per annum
Plant and equipment	20% to 33 1/3% 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.

At each period-end date, both internal and external sources of information are considered to assess whether there is any indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other net gains/(losses)' in the income statement. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

8. Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled and associated companies at the date of acquisition. Goodwill is treated as an asset of the entity acquired and where attributable to a foreign entity will be translated at the closing rate.

Goodwill on acquisition of a subsidiary company is included in intangible assets. Goodwill on acquisitions of associated and jointly controlled companies is included in investments in associated and jointly controlled companies respectively.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is performed annually. Impairment losses recognised on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

8. Intangible Assets *(continued)*

(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: loans and receivables, 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) 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 14).

(b) 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 are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. 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 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.

10. Financial Assets *(continued)*

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. 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.

12. 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.

13. Properties Under/Held for Development and Properties for Sale

Properties under/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 under development are expected to be sold within the Group's normal operating cycle and are classified as current assets. Properties for sale are available for immediate sale and are classified as current assets.

14. 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.

15. Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term highly liquid investments which were within three months of maturity when acquired, less bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

16. Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Principal Accounting Policies

17. Borrowings

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.

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. 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.
- (c) Sales of services, including services provided by hotel operations, are recognised when the services are rendered.
- (d) 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. Government Grants

Grants from the government are recognised where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to assets are deducted from the carrying amount of the asset.

24. Retirement Benefits

The Group operates both defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant Group companies and, in some cases, employees themselves, taking account of the recommendations of independent qualified actuaries.

A defined benefit plan is a retirement plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution schemes are charged to the income statement in the period to which the contributions relate.

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of employees. The retirement benefit obligation is measured as the present value of the estimated future cash outflows. Plan assets are measured at fair value. Cumulative unrecognised net actuarial gains and losses at the previous financial year-end, to the extent that the amount is in excess of 10% of the greater of the present value of the defined benefit obligations and the fair value of the plan assets, are recognised over the expected average remaining working lives of the employees participating in the plan. A subsidiary company may adopt any systematic method that results in faster recognition of actuarial gains and losses, provided the same basis is applied consistently from period to period. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

25. 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.

26. 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.

Principal Accounting Policies

27. Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

28. Segment Reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting provided to the board of directors for making strategic decisions. For disclosure purposes, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics or single operating segments which are disclosable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

29. Merger Accounting for Common Control Combinations

On 25th January 2010, the Group acquired all the shares of Swire Properties US Inc and Swire Properties One LLC, which were wholly-owned subsidiaries of the immediate holding company of the Company, and all the outstanding related loan notes of Swire Properties US Inc from the immediate holding company for a total consideration of HK\$1,108,132,451, which was satisfied by an issue of 1,108,132,451 new shares by the Company at par on the same date.

The Group has adopted merger accounting to account for the above transactions in accordance with Accounting Guidance 5, Merger Accounting for Common Control combinations, as issued by the HKICPA. The financial information incorporates the financial positions and results of the entities acquired in the above as if the entities had been consolidated from the date when these entities first came under the control of the immediate holding company.

The net assets of the entities acquired from the immediate holding company were consolidated using the existing book values recorded by the immediate holding company. No amount was recognised for goodwill or the excess of the Company's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combinations, to the extent of the continuation of the immediate holding company's interest.

30. 2010 Comparative

The 2010 comparative has been restated from the Company's 2010 statutory accounts to reflect certain adjustments made in preparing the Company's listing document that was issued on 21st December 2011.

Principal Subsidiary, Jointly Controlled and Associated Companies

Showing proportion of capital owned at 31st December 2011

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<i>Subsidiary companies</i>					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
53 Stubbs Road Development Co. Limited	100	100	–	5,000,000 shares of HK\$1 each	Property development
53 Stubbs Road (Management) Limited	100	100	–	1 share of HK\$10	Property management
Cathay Limited	100	100	–	807 shares of HK\$10 each	Property investment
Citiluck Development Limited	100	–	100	1,000 shares of HK\$1 each	Property investment
Cityplaza Holdings Limited	100	100	–	100 shares of HK\$10 each	Property investment
Coventry Estates Limited	100	–	100	4 shares of HK\$10 each	Property investment
Golden Tent Limited	100	–	100	1 share of HK\$1	Hotel investment
Island Delight Limited	87.5	–	100	1 share of HK\$1	Property trading
Keen Well Holdings Limited	80	–	100	1 share of HK\$1	Property trading
One Island East Limited	100	100	–	2 shares of HK\$1 each	Property investment
One Queen's Road East Limited	100	100	–	2 shares of HK\$1 each	Property investment
Oriental Landscapes Limited	100	100	–	50,000 shares of HK\$10 each	Landscaping services
Pacific Place Holdings Limited	100	100	–	2 shares of HK\$1 each	Property investment
Redhill Properties Limited	100	100	–	250,000 shares of HK\$1 each	Property investment
Super Gear Investment Limited	100	100	–	2 shares of HK\$1 each	Property investment
Swire Properties (Finance) Limited	100	100	–	1,000,000 shares of HK\$1 each	Provision of financial services
Swire Properties Management Limited	100	100	–	2 shares of HK\$10 each	Property management
Swire Properties Projects Limited	100	100	–	2 shares of HK\$1 each	Project management
Swire Properties Real Estate Agency Limited	100	100	–	2 shares of HK\$10 each	Real estate agency
TaiKoo Place Holdings Limited	100	100	–	2 shares of HK\$1 each	Property investment
Incorporated in Mainland China with limited liability and operate in Mainland China:					
<i>(Domestic company)</i>					
Beijing Tianlian Real Estate Company Limited (2)(4)	100	–	100	Registered capital of RMB865,000,000	Holding company
<i>(Sino-foreign joint venture)</i>					
TaiKoo Hui (Guangzhou) Development Company Limited (2)	97	–	97	Registered capital of RMB2,650,000,000	Property investment
<i>(Wholly foreign owned enterprises)</i>					
Beijing Sanlitun Hotel Management Company Limited (2)	100	–	100	Registered capital of RMB400,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited (2)	80	–	100	Registered capital of RMB1,392,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited (2)	80	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	100	–	100	Registered capital of RMB195,000,000	Property investment
Swire Properties (China) Investment Company Limited (2)	100	–	100	Registered capital of US\$30,000,000	Holding company

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) Translated name.
- (3) Group interest held through jointly controlled and associated companies.
- (4) Companies not audited by PricewaterhouseCoopers. These companies account for approximately 2.1% of attributable net assets at 31st December 2011.

Principal Subsidiary, Jointly Controlled and Associated Companies

Showing proportion of capital owned at 31st December 2011

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<i>Subsidiary companies (continued)</i>					
Incorporated in the United States with limited liability and operate in the United States:					
Brickell CitiCentre East LLC	100	–	100	Limited Liability Company	Property investment and hotel
Brickell CitiCentre North LLC	100	–	100	Limited Liability Company	Property trading and investment
Brickell CitiCentre Plaza LLC	100	–	100	Limited Liability Company	Property investment
Brickell CitiCentre West LLC	100	–	100	Limited Liability Company	Property trading and investment
FTL/AD Ltd	75	–	75	Florida Partnership	Property trading
Swire Development Sales LLC	100	–	100	Limited Liability Company	Real estate agency
Swire Pacific Holdings Asia LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties Inc	100	–	100	1,000 shares of US\$0.01 each	Holding company
Swire Properties One LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties US Inc	100	–	100	1,000 shares of US\$0.01 each	Holding company
Swire Realty LLC	100	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands with limited liability and operate in Hong Kong:					
Bao Wei Enterprises Limited	100	100	–	1 share of US\$1	Property trading
Boom View Holdings Limited	100	100	–	2 shares of US\$1 each	Property investment
Charming Grace Limited	100	100	–	1 share of US\$1	Property development
Endeavour Technology Limited	87.5	–	87.5	1,000 shares of US\$1 each	Holding company
Excel Free Ltd.	100	100	–	1 share of US\$1	Property trading
Fine Grace International Limited	100	100	–	1 share of US\$1	Property trading
Novel Ray Limited	100	100	–	1 share of US\$1	Property investment
Peragore Limited	80	–	80	1,000 shares of US\$1 each	Holding company
Sino Flagship Investments Limited	100	100	–	1 share of US\$1	Property investment
Swire and Island Communication Developments Limited	60	60	–	100 shares of HK\$10 each and 1 non-voting dividend share of HK\$10	Property investment
Swire Properties China Holdings Limited	100	100	–	1 share of US\$1	Holding company
Wonder Cruise Group Limited	100	100	–	1 share of US\$1	Property trading
Incorporated in the United Kingdom with limited liability and operate in the United Kingdom:					
New Light Hotels Limited	100	–	100	17,000,100 shares of GBP1 each	Hotel developer and operator
<i>Jointly controlled companies</i>					
Incorporated in Hong Kong with limited liabilities and operate in Hong Kong:					
Hareton Limited	50	50	–	100 shares of HK\$10 each	Property trading
Richly Leader Limited	50	–	50	1,000,000,000 shares of HK\$1 each	Property investment
Sky Treasure Limited	50	–	50	2 shares of HK\$1 each	Property investment
Incorporated in the United States with limited liability and operate in the United States:					
Swire Brickell Key Hotel, Ltd.	75	–	75	Florida Partnership	Hotel investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<i>Jointly controlled companies (continued)</i>					
Incorporated in the British Virgin Islands with limited liability:					
Dazhongli Properties Limited (operates in Mainland China)	50	–	50	1,000 shares of US\$1 each	Holding company
Great City China Holdings Limited (operates in Mainland China)	50	–	50	2 shares of US\$1 each	Holding company
Island Land Development Limited (operates in Hong Kong)	50	50	–	100 shares of HK\$10 each	Property investment
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	20	–	20	5 shares of US\$1 each	Holding company
Incorporated in Mainland China with limited liability and operate in Mainland China:					
<i>(Domestic company)</i>					
Beijing Linlian Real Estate Company Limited (2)	50	–	50	Registered capital of RMB400,000,000	Property investment
<i>(Sino-foreign joint venture)</i>					
Chengdu Qianhao Real Estate Company Limited	49.5	–	(3)	Registered capital of US\$329,000,000	Property investment
<i>(Wholly foreign owned enterprises)</i>					
Guan Feng (Shanghai) Real Estate Development Company Limited (2)	50	–	(3)	Registered capital of US\$500,000,000	Property investment
Pei Feng (Shanghai) Real Estate Development Company Limited (2)	50	–	(3)	Registered capital of US\$60,000,000	Property investment
Ying Feng (Shanghai) Real Estate Development Company Limited (2)	50	–	(3)	Registered capital of US\$336,500,000	Property investment
<i>Associated companies</i>					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
Greenroll Limited (4)	20	20	–	45,441,000 shares of HK\$10 each	Hotel investment
Queensway Hotel Limited (4)	20	–	(3)	100,000 shares of HK\$10 each	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	20	20	–	5,000 shares of HK\$1 each and 10,000,000 non-voting deferred shares of HK\$1 each	Hotel investment

Schedule of Principal Group Properties

At 31st December 2011

	Gross floor areas in square feet								
	Hong Kong		Mainland China		U.S.A.		U.K.		Totals
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment									
Retail	2,324,862	99,698	2,871,898	–	–	–	–	5,196,760	5,296,458
Office	7,954,113	492,711	1,723,424	297,732	–	–	–	9,677,537	10,467,980
Techno-centres	1,816,667	–	–	–	–	–	–	1,816,667	1,816,667
Residential	483,711	–	–	–	–	–	–	483,711	483,711
Hotels	358,371	384,775	169,463	–	–	258,750	195,716	723,550	1,367,075
	12,937,724	977,184	4,764,785	297,732	–	258,750	195,716	17,898,225	19,431,891
Property developments for investment									
Retail	12,983	–	–	1,588,338	520,000	–	–	532,983	2,121,321
Office	145,390	–	–	904,967	963,000	–	–	1,108,390	2,013,357
Hotels	–	–	588,231	555,552	200,000	–	–	788,231	1,343,783
Residential	62,099	–	52,797	37,335	108,000	–	–	222,896	260,231
	220,472	–	641,028	3,086,192	1,791,000	–	–	2,652,500	5,738,692
Completed properties for sale									
Retail	–	3,820	–	–	–	–	–	–	3,820
Residential	1,996	–	–	–	67,728	–	–	69,724	69,724
Mixed Use	–	–	–	–	12,586	–	–	12,586	12,586
	1,996	3,820	–	–	80,314	–	–	82,310	86,130
Property developments for sale									
Office	–	–	–	642,038	–	–	–	–	642,038
Industrial	–	191,250	–	–	–	–	–	–	191,250
Residential	859,790	44,278	–	–	1,521,800	–	–	2,381,590	2,425,868
Mixed Use	–	–	–	–	787,414	–	–	787,414	787,414
	859,790	235,528	–	642,038	2,309,214	–	–	3,169,004	4,046,570
	14,019,982	1,216,532	5,405,813	4,025,962	4,180,528	258,750	195,716	23,802,039	29,303,283

Notes:

- All properties held through subsidiary companies are wholly-owned except for Island Place (60% owned), TaiKoo Hui (97% owned), Sanlitun Village (Retail : 80% owned, Hotel : 100% owned), AZURA (87.5% owned), Sai Wan Terrace (80% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these seven properties in 100%.
- "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.
- Gross floor areas in Hong Kong and Mainland China exclude car parking spaces; there are over 9,000 completed car parking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.
- When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
- All properties in the United States are freehold.
- Gross floor areas in U.S.A. exclude car parking spaces; there are about 450 completed car parking spaces held by other companies for investment.
- Gross floor areas in U.K. exclude car parking spaces; there are about 50 completed car parking spaces held by subsidiaries for investment.
- The Group's listing document dated 21st December 2011 included valuations as at 30th September 2011 of the properties held at cost less depreciation and impairment in the accountant's report, including the attributable share of those held by jointly controlled and associated companies. In aggregate the valuations of these properties at 30th September 2011 were HK\$25,080 million, representing a surplus of HK\$10,171 million above their accounting carrying values at cost less depreciation and impairment at 31st December 2011. Had these valuations been used as the accounting carrying values at 1st January 2011, this would have resulted in an additional depreciation charge of HK\$58 million to the income statement in 2011.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building
The Mall at Pacific Place	IL 8571 (part) IL 8582 & Ext. (part)	2135/2047	318,289 (part)	711,182	470	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced 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. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	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.
4. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Office building over part of Cityplaza shopping centre.
5. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	33,730	447,714	10	1992	Office building linked by a footbridge to Cityplaza.
6. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,431	–	1991	Office building linked by a footbridge to Cityplaza.

Schedule of Principal Group Properties

At 31st December 2011

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 (continued)							
7. Commercial areas in Stages I - X of TaiKoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 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 ss4 sA & 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, schools and car parking spaces.
8. Devon House, TaiKoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Office building linked to Quarry Bay MTR station by a footbridge.
9. Dorset House, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Office building linked to Devon House.
10. Lincoln House, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,353	164	1998	Office building linked to PCCW Tower.
11. Oxford House, TaiKoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881 / 2899	33,434	501,253	182	1999	Office building linked to Somerset House.
12. Cambridge House, TaiKoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Office building linked to Devon House.
13. One Island East, TaiKoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/2899	109,929	1,537,011	–	2008	Office building linked to Cornwall House.
14. Island Place, 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, of which the Group owns 60%.
15. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail area.

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 (continued)							
16. 21-29 Wing Fung Street, Wanchai	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3	2856	2,967	14,039	–	1992/ 2006	Floor area shown represents the existing buildings.
17. 8 Queen's Road East, Wanchai (formerly called Sincere Insurance Building)	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	1968	Office building with ground floor retail.
Total held through subsidiaries				10,278,975	6,494		
18. PCCW Tower, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Office building linked to Dorset House. Floor area shown represents the whole development, of which the Group owns 50%.
19. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Office building. Floor area shown represents the whole development, of which the Group owns 50%.
20. Tung Chung Crescent (Site 1), Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	–	1998/ 1999	Floor area shown represents the retail space, of which the Group owns 20%.
21. Citygate (Site 2), Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	Retail: 462,439 Office: 160,522	1,156	1999/ 2000	A 160,522 square foot office tower above a 462,439 square foot shopping centre of which the Group owns 20%. (Part of Site 1 and Site 2 North included on pages 153 and 152 respectively)
Total held through jointly controlled companies				1,580,227	1,457		
– of which attributable to the Group				592,409			
Techno-centres							
22. TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)		285		Data centres/offices/ logistics warehousing
Warwick House				554,934		1979	
Cornwall House				338,369		1984	Floor area excludes the eight floors owned by the Government.
Somerset House				923,364		1988	General Building Plan approval was obtained to redevelop Somerset House into a Grade A office with a total gross floor area of about 895,000 square feet.
Total held through subsidiaries				1,816,667	285		

Schedule of Principal Group Properties

At 31st December 2011

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential							
23. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
24. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi-detached houses.
25. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house
26. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)	23,224	7	1965	7 apartment units
Total held through subsidiaries				483,711	7		
Hotels							
1. EAST, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009	117-room hotel above the JW Marriott Hotel.
Total held through subsidiaries				358,371			
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	602-room hotel, in which the Group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Group owns a 20% interest.
Total held through associated companies				1,687,222			
– of which attributable to the Group				337,444			
6. Novotel Citygate Hong Kong Hotel, Citygate (Site 2 North)	TCTL 2 (part)	2047	358,557 (part)	236,653	7	2005	440-room hotel, in which the Group owns a 20% interest.
Total held through jointly controlled companies				236,653	7		
– of which attributable to the Group				47,331			

Completed properties for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. 5 Star Street, Wanchai	IL 2837 sC ss 1 (part) IL 2837 sC RP (part)	2078	2,316 (part)	1,996	–	2010	Floor area shown represents the unsold residential portion.
Total held through subsidiaries				1,996	–		
2. MTRC Tung Chung (Package 1), Lantau							
– Tung Chung Crescent (Site 1)	TCTL 1 (part)	2047	331,658 (part)	–	75	1998/ 1999	75 unsold car parking spaces, of which the Group owns 20%.
Total held through jointly controlled companies				–	75		
– of which attributable to the Group				–			
Other holdings							
1. Belair Monte, Fanling	FSSTL 126 (part)	2047	223,674 (part)	Retail: 47,751	17	1998	Floor area shown represents the whole of the retail area, of which the Group owns 8%.
				47,751	17		
– Attributable holding				3,820			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Sanlitun Village (Village South)	19 Sanlitun North Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	451	2007	Shopping centre with restaurants and cinema. Floor area shown represents the whole development, of which the Group owns 80%.
2. Sanlitun Village (Village North)	11 Sanlitun North Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	519,399	410	2007	Shopping centre with restaurants. Floor area shown represents the whole development, of which the Group owns 80%.
3. Beaumonde Retail Podium	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,380 (part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
4. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,484,743	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, of which the Group owns 97%.
Total held through subsidiaries				2,871,898	1,679		

Schedule of Principal Group Properties

At 31st December 2011

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,723,424	–	2011	Floor area shown represents the office portion, of which the Group owns 97%.
Total held through subsidiaries				1,723,424	–		
2. INDIGO	South of Jiang Tai Road and east of Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)	595,464	411	2011	Phased opening from the 4th quarter of 2011. Floor area shown represents the office portion, of which the Group owns 50%.
Total held through jointly controlled companies				595,464	411		
– of which attributable to the Group				297,732			
Hotel							
1. The Opposite House	11 Sanlitun North Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	169,463	32	2007	99-room hotel
Total held through subsidiaries				169,463	32		
Completed properties for investment in the United States	Address		Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel							
1. Mandarin Oriental	South Brickell Key, Miami, Florida		120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Group has a 75% interest.
Total held through jointly controlled company				345,000	600		
– of which attributable to the Group				258,750			
Completed properties for sale in the United States	Address		Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. ASIA	900 Brickell Key, Miami, Florida		173,531	Residential: 67,728	55	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. As at 31st December 2011, 93 units were closed.
2. River Court	Fort Lauderdale, Florida		21,750	Retail/Office: 12,586	38	1966	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
Total held through subsidiaries				80,314	93		

Completed properties for investment in the United Kingdom	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel					
1. The Montpellier Chapter Cheltenham (formerly called Hotel Kandinsky, Cheltenham)	34,875	36,662	24	2010 (refurbishment)	61-room freehold hotel in Cheltenham.
2. The Magdalen Chapter, Exeter (formerly called Hotel Barcelona, Exeter)	46,888	23,030	10	2001	59-room freehold hotel in Exeter. Currently under refurbishment.
3. Hotel Seattle, Brighton	22,755	48,416	–	2003	71-room hotel in Brighton. 35-year leasehold commenced in September 2002.
4. Avon Gorge Hotel, Bristol	71,547	87,608	20	1855	75-room freehold hotel in Bristol. Floor area includes an external terrace.
Total held through subsidiaries		195,716	54		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 28 Hennessy Road (formerly called Tai Sang Commercial Building), Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,611	Office	145,390	–	Superstructure in progress	2012	Floor area shown represents a proposed office building.
2. 23 Tong Chong Street (formerly called Wah Yuen Building), Quarry Bay	ML 703 sl	2881	8,664	Residential Retail	62,099 12,983 75,082	– –	Preparation of demolition in progress	2014	Floor area shown represents a serviced apartment building above a retail podium.
Total held through subsidiaries					220,472	–			

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 2A Seymour Road (AZURA) Mid Levels West	IL 577 sC IL 577 sD IL 577 sE IL 577 sF IL 577 sG IL 577 sH IL 577 sI IL 577 sJ IL 577 sL ss1 IL 577 sL ss2 IL 577 sL ss3 IL 577 sL RP IL 577 sM	2857	22,957	Residential	206,306	45	Superstructure in progress	2012	Floor area shown represents the whole development, of which the Group owns 87.5%. Comprises 126 residential units of which 98 residential units were pre-sold as at 31st December 2011.
2. 63 Seymour Road (ARGENTA) Mid Levels West	IL 2300	2856	7,975	Residential	75,805	28	Superstructure in progress	2013	Floor area shown represents a proposed residential tower with 31 storeys above podium.

Schedule of Principal Group Properties

At 31st December 2011

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
3. 25A, 25B, 27, 27A, 27B, 29, 29A, 31, 33, 35 Seymour Road, 14-16 Castle Road, Mid Levels West	IL 424 sB ss1 RP IL 424 sB RP IL 425 s7 ssA IL 425 s7 ssB IL 425 s7 ssC IL 425 s7 ssD IL 424 sC RP IL 424 sD RP IL 424 RP	2854	20,756	Residential	165,792	–	Foundation in progress for part of the site	2014	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium.
4. 92, 92A, 94, 96, 98, 100, 102 Caine Road, 18, 18A, 20, 20A, 22, 22A Castle Road, Mid Levels West	IL 425 s1 RP IL 425 s2 IL 425 s3 IL 425 s4 IL 425 s5 ss1 IL 425 s5 RP IL 425 RP	2854	21,726	Residential	195,531	43	Foundation in progress	2016	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium.
5. Sai Wan Terrace, 1-9 and 2-10 Sai Wan Terrace, Taikoo Shing	SIL 761	2057	28,490	Residential	151,944	69	Substructure in progress	2013	Floor area shown represents the whole development, of which the Group owns 80%. Comprises two proposed residential towers with 19 storeys above podium.
6. Residential Sites in Cheung Sha, Lantau	Lot 724 and Lot 726 in DD332	2061	161,029	Residential	64,412	–	Vacant Site	2015	Tenders for sale were awarded to the company on 8th December 2011. The purchase transaction was completed in January 2012. Floor area shown represents the total gross floor area permitted under the Conditions of Sale.
Total held through subsidiaries					859,790	185			
7. 148 Argyle Street, Kowloon	KIL 3303 sA	2083	17,712	Residential	88,555	56	Substructure in progress	2013	Floor area shown represents the whole development, of which the Group owns 50%.
8. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 338 AIL 339	2119 2120	25,500	Industrial	382,500	39	Foundation completed	On hold	Floor area shown represents the whole development, of which the Group owns 50%.
Total held through jointly controlled companies					471,055	95			
– of which attributable to the Group					235,528				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel Serviced Apartment	588,231		Superstructure works completed.	2012	263-room hotel and 24 serviced apartments. A cultural centre of 629,414 square feet is to be built and handed over to the Guangzhou Government upon completion. Floor areas shown represent the portions of development under development, of which the Group owns 97%. The retail and office portions were opened in the 3rd quarter of 2011.
					52,797				
					641,028	–			
Total held through subsidiaries					641,028	–			
1. Dazhongli Project	South of West Nanjing Road and east of Shimenyi Road, Jingán District, Shanghai	2049 (Retail/Hotel) 2059 (Office)	676,091	Retail Office Hotel	1,062,719	1,217	Piling works in progress	2016	Piling works commenced in the 4th quarter of 2011. Floor areas shown represent the whole development, of which the Group owns 50%.
					1,809,934				
					3,469,398	1,217			
2. INDIGO	South of Jiang Tai Road and east of Jiuxianqiao Road, Chaoyang District, Beijing	2044 (Office and car parks: 2054)	631,072 (part)	Retail Hotel	939,493	834	Internal fitting out works in progress	2012	Phased opening from the 4th quarter of 2011. Floor areas shown represent the portions of development under development, of which the Group owns 50%.
					358,269				
					1,297,762	834			
3. Daci Temple Project	Daci Temple Area 9 Dongda Street Jinjiang District Chengdu	2050	761,869 (part)	Retail Hotel Serviced Apartment	1,174,465	1,000	Site formation in progress	2014	Floor areas shown represent the retail, hotel and serviced apartment portions of the development, of which the Group owns 50%.
					156,090				
					74,670				
					1,405,225	1,000			
Total held through jointly controlled companies					6,172,385	3,051			
– of which attributable to the Group					3,086,192				

Schedule of Principal Group Properties

At 31st December 2011

Property developments for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Daci Temple	Daci Temple Area 9 Dongda Street Jinjiang District Chengdu	2050	761,869 (part)	Office	1,284,075	499	Site formation in progress	2014	Floor area shown represents the office portion of the development, of which the Group owns 50%.
Total held through jointly controlled companies					1,284,075	499			
– of which attributable to the Group					642,038				

Property developments for investment in the United States	Site area in square feet	Use		Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. Brickell CitiCentre Miami, Florida	393,678 (part)	Phase I	Retail	520,000	1,235	2015	Brickell CitiCentre is an urban mixed use development located in the Brickell financial district, comprised of retail, offices, hotel, serviced apartments and residential condominiums. Construction is scheduled to commence in mid-2012.
			Office	221,000	285		
		Phase II	Apartment	108,000	–	2018	
			Hotel	200,000	380		
				742,000	1,241		
				1,791,000	3,141		
Total held through subsidiaries				1,791,000	3,141		

Property developments for sale in the United States	Site area in square feet	Use		Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential		421,800	395	–	Development site in central Miami acquired in January 1997 along with the Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	182,191	Residential/ Office/ Hotel		787,414	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
3. Brickell CitiCentre Miami, Florida	393,678 (part)	Phase I	Condominium	1,100,000	1,200	2015	Two residential development sites in Brickell CitiCentre, an urban mixed use development located in the Brickell financial district. Construction for the overall development is scheduled to commence in mid-2012.
Total held through subsidiaries				2,309,214	2,645		

Glossary

Terms

Gross borrowings Total of loans, bonds, overdrafts and perpetual capital securities.

Net debt Gross borrowings net of bank deposits and bank balances.

Equity attributable to the Company's shareholder Equity before non-controlling interests.

Underlying equity attributable to the Company's shareholder Reported equity before non-controlling interests, adjusted for the impact of deferred tax on changes in the fair value of investment properties, unrecognised valuation gains on hotels held as part of mixed-use developments, revaluation of investment properties occupied by the Group and cumulative depreciation of investment properties occupied by the Group.

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.

Ratios

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholder}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on average equity attributable to the Company's shareholder} = \frac{\text{Profit/(loss) attributable to the Company's shareholder}}{\text{Average equity during the year attributable to the Company's shareholder}}$$

$$\text{Return on average underlying equity attributable to the Company's shareholder} = \frac{\text{Underlying profit/(loss) attributable to the Company's shareholder}}{\text{Average underlying equity during the year attributable to the Company's shareholder}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend cover} = \frac{\text{Profit/(loss) attributable to the Company's shareholder}}{\text{Dividends paid and proposed}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Financial Calendar and Information for Investors

Financial Calendar 2012

Shares trade ex-dividend	2nd April
Share register closed for 2011 first interim dividend entitlement	5th April
Annual Report available to shareholders	10th April
Payment of 2011 first interim dividend	3rd May
Share register closed for attending and voting at Annual General Meeting	7th-10th May
Annual General Meeting	10th May
Interim results announcement	August 2012
2012 first interim dividend payable	October 2012

Registered Office

Swire Properties Limited
33rd Floor, One Pacific Place
88 Queensway
Hong Kong

Registrars

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong
Website: www.computershare.com

Stock Code

Hong Kong Stock Exchange 1972

Auditors

PricewaterhouseCoopers

Investor Relations

E-mail: ir@swireproperties.com

Public Affairs

E-mail: pad@swireproperties.com
Tel: (852) 2844-3888
Fax: (852) 2918-9960
Website: www.swireproperties.com

Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swireproperties.com.

DESIGN:
FORMAT LIMITED
www.format.com.hk
Printed in Hong Kong



