

Notes to the Accounts

1. Changes in Accounting Standards

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

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

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

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

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

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

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

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

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

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

1. Changes in Accounting Standards (continued)

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

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

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

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

¹ To be applied by the Group from 1st January 2010 except for certain amendments to HKAS 39 which have been applied in the year.

² To be applied by the Group from 1st January 2010.

³ To be applied by the Group from 1st January 2011.

⁴ To be applied by the Group from 1st January 2013.

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

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

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

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

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

1. Changes in Accounting Standards (continued)

(c) (continued)

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

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

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

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

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

2. Financial Risk Management

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

Interest Rate Exposure

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

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

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

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

2. Financial Risk Management (continued)

Currency Exposure

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

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

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

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

Liquidity Risk

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

Group

At 31st December 2009

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

2. Financial Risk Management (continued)

Group

At 31st December 2008

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

Company

At 31st December 2009

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

At 31st December 2008

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

3. Critical Accounting Estimates and Judgements

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

(a) Estimates of Fair Value of Investment Properties

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

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

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

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

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

(b) Impairment of Assets

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

(c) Income Taxes

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

4. Turnover

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

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

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

5. Other Net Gains

Other net gains include the following:

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

6. Expenses by Type

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

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

7. Segment Information

(a) Information about reportable segments

Analysis of Consolidated Income Statement

Year ended 31st December 2009

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

Note:

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Income Statement

Year ended 31st December 2008

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

Note:

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Total Assets of the Group

At 31st December 2009

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

Note:

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Total Assets of the Group

At 31st December 2008

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

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

Note:

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Total Liabilities and Minority Interests of the Group

At 31st December 2009

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Total Liabilities and Minority Interests of the Group

At 31st December 2008

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

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

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

(b) Information about geographical areas

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

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

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

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

8. Directors' and Executive Officers' Emoluments

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

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

Notes:

- Independent Non-Executive Directors and P A Johansen receive fees as members of the Board and its committees. Executive Directors and Officers receive salaries.
- Bonuses are not yet approved for 2009. The amounts disclosed above are related to services as Executive Directors or Officers for 2008 but paid and charged to the Group in 2009. The nil amounts for C D Pratt, M Cubbon, J R Slosar and A N Tyler reflect the fact that they forewent their bonuses in respect of 2008. The nil amount for P A Kilgour reflects the fact that he was not an Executive Director or Officer during 2008.
- Emoluments for the Executive Directors and Officers represent the amounts charged to the Group.

9. Net Finance Charges

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

10. Taxation

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

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

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

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

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

11. Profit Attributable to the Company's Shareholders

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

12. Dividends

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

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

13. Earnings Per Share (Basic and Diluted)

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

14. Property, Plant and Equipment

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

14. Property, Plant and Equipment (continued)

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

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

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

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

15. Investment Properties

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

16. Leasehold Land and Land Use Rights

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

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

17. Intangible Assets

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

17. Intangible Assets (continued)

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

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

Impairment Test of Goodwill

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

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

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

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

18. Properties Held for Development

Refer to page 23 for details of the Group's properties held for development.

19. Subsidiary Companies

	Company	
	2009 HK\$M	2008 HK\$M
Unlisted shares at cost less provisions	8,659	4,707
Loans and other amounts due from subsidiary companies		
– Interest-free	2,180	6,653
– Interest-bearing at 0.04% to 4.0% (2008: 0.8% to 5.0%)	1,617	272
	12,456	11,632

Loans and other amounts due are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 164 to 174.

20. Jointly Controlled Companies

	Group		Company	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
Unlisted shares at cost			38	38
Share of net assets, unlisted	609	124		
Loans due from jointly controlled companies less provisions				
– Interest-free	8,343	7,681	3	3
– Interest-bearing at 5.0% (2008: 5.0% to 6.57%)	96	700	86	86
	9,048	8,505	127	127

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

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

	Group	
	2009 HK\$M	2008 HK\$M
Non-current assets	9,532	7,871
Current assets	2,967	3,760
Current liabilities	(5,270)	(5,409)
Non-current liabilities	(6,582)	(6,061)
Minority interests	(38)	(37)
Net assets	609	124
Revenue	8,900	8,742
Expenses	(8,055)	(7,917)
Profit before taxation	845	825
Taxation	(221)	(187)
Profit for the year	624	638

The principal jointly controlled companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 164 to 174.

21. Associated Companies

	Group			Company	
	2009 HK\$M	2008 HK\$M (Restated)	2007 HK\$M (Restated)	2009 HK\$M	2008 HK\$M
Shares at cost					
– Listed in Hong Kong				4,965	2,045
Share of net assets					
– Listed in Hong Kong	20,102	16,048	20,741		
– Unlisted	1,679	1,269	790		
	21,781	17,317	21,531		
Goodwill	1,030	315	164		
	22,811	17,632	21,695		
Loans due from associated companies					
– Interest-free	287	254	379	30	–
– Interest-bearing at 1.65% (2008: 3.60%; 2007: 4.96% to 5.54%)	356	556	559	–	–
	23,454	18,442	22,633	4,995	2,045

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

The market value of the shares in the listed associated companies at 31st December 2009 was HK\$31,613 million (2008: HK\$17,262 million; 2007: HK\$43,600 million).

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

	Group		
	2009 HK\$M	2008 HK\$M (Restated)	2007 HK\$M (Restated)
Non-current assets	45,604	41,445	42,168
Current assets	10,817	9,462	10,097
Current liabilities	(11,113)	(12,572)	(10,988)
Non-current liabilities	(22,961)	(20,655)	(19,516)
Minority interests	(566)	(363)	(230)
Net assets	21,781	17,317	21,531

For the year ended 31st December 2009, the Group's share of revenue in associated companies was HK\$33,367 million (2008: HK\$40,346 million) and the Group's share of profit in associated companies was HK\$2,154 million (2008: loss of HK\$2,606 million). The comparative figures for 2008 have been restated.

The principal associated companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 164 to 174. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 175 to 178.

Acquisition of Shares in Cathay Pacific Airways Limited ("Cathay Pacific")

As a result of a realignment of the shareholdings in Cathay Pacific, Swire Pacific acquired an additional 2% shareholding in Cathay Pacific from CITIC Pacific for a total cash consideration of HK\$1,016 million (of which stamp duty and professional fees amounted to HK\$3 million). The transaction was completed on 28th September 2009, but has been accounted for from 17th August 2009, the date on which the transaction became unconditional. The goodwill on acquisition was HK\$315 million.

Acquisition of Shares in Hong Kong Aircraft Engineering Company Limited ("HAECO")

Swire Pacific acquired an additional 12.45% shareholding in HAECO from Cathay Pacific for a total cash consideration of HK\$1,904 million (of which stamp duty and professional fees amounted to HK\$3 million). The transaction was completed on 22nd October 2009, but has been accounted for from 16th October 2009, the date on which the transaction became unconditional. The goodwill on acquisition was HK\$400 million.

22. Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:

Group	Note	At fair value through profit or loss HK\$M	Derivatives used for hedging HK\$M	Available- for-sale HK\$M	Loans and receivables HK\$M	Amortised cost HK\$M	Total carrying amount HK\$M	Fair value HK\$M
Assets as per consolidated statement of financial position								
At 31st December 2009								
Available-for-sale assets	23	–	–	392	–	–	392	392
Long-term receivables		–	–	–	9	–	9	9
Long-term security deposits		–	–	–	211	–	211	211
Derivative financial assets	24	–	464	–	–	–	464	464
Trade and other receivables	27	–	–	–	3,820	–	3,820	3,820
Bank balances and short-term deposits	28	–	–	–	2,564	–	2,564	2,564
Total		–	464	392	6,604	–	7,460	7,460
At 31st December 2008								
Available-for-sale assets	23	–	–	2,188	–	–	2,188	2,188
Long-term receivables		–	–	–	8	–	8	8
Long-term security deposits		–	–	–	380	–	380	380
Derivative financial assets	24	–	106	–	–	–	106	106
Trade and other receivables	27	–	–	–	3,767	–	3,767	3,767
Bank balances and short-term deposits	28	–	–	–	4,408	–	4,408	4,408
Total		–	106	2,188	8,563	–	10,857	10,857
Liabilities as per consolidated statement of financial position								
At 31st December 2009								
Trade and other payables	29	–	–	–	–	8,865	8,865	8,865
Provisions	30	–	–	–	–	7	7	7
Derivative financial liabilities	24	–	186	–	–	–	186	186
Bank overdrafts and short-term loans		–	–	–	–	1,083	1,083	1,083
Long-term loans and bonds due within one year		–	–	–	–	1,469	1,469	1,466
Perpetual capital securities		–	–	–	–	2,326	2,326	2,327
Long-term loans and bonds due after one year		–	–	–	–	29,624	29,624	30,250
Total		–	186	–	–	43,374	43,560	44,184
At 31st December 2008								
Trade and other payables	29	–	–	–	–	7,717	7,717	7,717
Provisions	30	–	–	–	–	8	8	8
Derivative financial liabilities	24	6	304	–	–	–	310	310
Bank overdrafts and short-term loans		–	–	–	–	2,083	2,083	2,080
Long-term loans and bonds due within one year		–	–	–	–	1,668	1,668	1,657
Perpetual capital securities		–	–	–	–	2,325	2,325	1,907
Long-term loans and bonds due after one year		–	–	–	–	29,196	29,196	28,426
Total		6	304	–	–	42,997	43,307	42,105

22. Financial Instruments by Category (continued)

The accounting policies for financial instruments have been applied to the line items below:

Company	Note	At fair value through profit or loss HK\$M	Derivatives used for hedging HK\$M	Available- for-sale HK\$M	Loans and receivables HK\$M	Amortised cost HK\$M	Total carrying amount HK\$M	Fair value HK\$M
Assets as per statement of financial position								
At 31st December 2009								
Available-for-sale assets	23	–	–	100	–	–	100	100
Long-term receivables		–	–	–	1	–	1	1
Trade and other receivables	27	–	–	–	1,753	–	1,753	1,753
Short-term deposits and bank balances	28	–	–	–	256	–	256	256
Total		–	–	100	2,010	–	2,110	2,110
At 31st December 2008								
Available-for-sale assets	23	–	–	61	–	–	61	61
Long-term receivables		–	–	–	1	–	1	1
Trade and other receivables	27	–	–	–	224	–	224	224
Short-term deposits and bank balances	28	–	–	–	2,069	–	2,069	2,069
Total		–	–	61	2,294	–	2,355	2,355
Liabilities as per statement of financial position								
At 31st December 2009								
Trade and other payables	29	–	–	–	–	5,515	5,515	5,515
At 31st December 2008								
Trade and other payables	29	–	–	–	–	2,888	2,888	2,888

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

The fair values of short-term and non-current borrowings are determined by using valuation techniques such as estimated discounted cash flows which use assumptions sourced from the relevant financial institutions.

22. Financial Instruments by Category (continued)

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

Group	Level 1 HK\$M	Level 2 HK\$M	Total carrying amount HK\$M
Assets as per consolidated statement of financial position			
At 31st December 2009			
Available-for-sale assets			
– Shares listed in Hong Kong	160	–	160
– Shares listed overseas	223	–	223
– Unlisted investments	–	9	9
Derivatives used for hedging	–	464	464
Total	383	473	856
At 31st December 2008			
Available-for-sale assets			
– Shares listed in Hong Kong	127	–	127
– Shares listed overseas	163	–	163
– Unlisted investments	–	10	10
– Amount related to disposal of Swire SITA group	–	1,888	1,888
Derivatives used for hedging	–	106	106
Total	290	2,004	2,294

Liabilities as per consolidated statement of financial position

At 31st December 2009			
Derivatives used for hedging	–	186	186
Total	–	186	186
At 31st December 2008			
Financial liabilities at fair value through profit or loss			
– Derivatives not qualifying as hedges	–	6	6
Derivatives used for hedging	–	304	304
Total	–	310	310

Company	Level 1 HK\$M	Level 2 HK\$M	Total carrying amount HK\$M
Assets as per statement of financial position			
At 31st December 2009			
Available-for-sale assets			
– Shares listed in Hong Kong	100	–	100
At 31st December 2008			
Available-for-sale assets			
– Shares listed in Hong Kong	61	–	61

Note:

The levels in the hierarchy represent the following:

Level 1 – Financial instruments measured at fair value using quoted prices in active markets.

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

23. Available-for-sale Assets

	Group		Company	
	2009	2008	2009	2008
	HK\$M	HK\$M	HK\$M	HK\$M
Non-current assets				
Shares listed in Hong Kong	160	127	100	61
Securities listed overseas	223	163	–	–
Unlisted investments	9	10	–	–
	392	300	100	61
Current assets				
Amount related to disposal of Swire SITA group	–	1,888		

24. Derivative Financial Instruments

	Group			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
	HK\$M	HK\$M	HK\$M	HK\$M
Cross-currency swaps – cash flow hedges (a)	424	–	74	103
Interest rate swaps – cash flow hedges (b)	–	159	–	147
Interest rate swaps – fair value hedges (c)	26	–	26	–
Forward rate agreements – cash flow hedges (d)	–	–	–	2
Forward rate agreements – non qualifying as hedges (e)	–	–	–	5
Forward foreign exchange contracts				
– cash flow hedges (f)	14	27	6	52
Interest rate swaps – not qualifying as hedges	–	–	–	1
Total	464	186	106	310
<i>Less non-current portion:</i>				
Cross-currency swaps – cash flow hedges (a)	424	–	74	103
Interest rate swaps – cash flow hedges (b)	–	159	–	142
Interest rate swaps – fair value hedges (c)	26	–	26	–
Forward foreign exchange contracts				
– cash flow hedges (f)	–	7	3	29
	450	166	103	274
Current portion	14	20	3	36

- (a) The cross-currency swaps hedge the foreign currency risk relating to US\$ note issues. Gains and losses recognised in equity on cross-currency swaps at 31st December 2009 are expected to affect the income statement in the years to redemption of the notes (up to and including 2019).
- (b) The interest rate swaps hedge the interest rate risk associated with floating rate notes. Gains and losses recognised in equity on interest swaps at 31st December 2009 are expected to affect the income statement in the years to redemption of the notes (up to and including 2012).
- (c) The interest rate swap hedges the fair value risk of a fixed rate HK\$ note that was swapped into floating rate. The note matures in July 2011.
- (d) The forward rate agreements hedged the short-term interest rate risk associated with floating rate revolving credit facilities. They expired between the months of February and April 2009.

24. Derivative Financial Instruments (continued)

- (e) Two of the forward rate agreements, originally qualifying as effective hedges, were subsequently re-classified as non qualifying hedges due to the early repayment of the matching revolving credit facilities.
- (f) The forward foreign exchange contracts hedge the foreign currency exposure relating to contractual obligations. Gains and losses recognised in equity on foreign exchange contracts at 31st December 2009 are expected to affect the income statement up to and including 2011.

At 31st December 2009, the fixed interest rates varied from 2.67% to 5.35% (2008: same) and the main floating rates were HIBOR (2008: same).

Interest Rate Swaps

The total notional principal amount of the outstanding interest rate swap contracts at 31st December 2009 was HK\$5,500 million (2008: HK\$6,100 million).

Cash Flow Hedges

For the years ended 31st December 2009 and 31st December 2008 all cash flow hedges were effective.

25. Properties for Sale

Refer to page 23 for details of the Group's properties for sale.

26. Stocks and Work in Progress

	Group	
	2009 HK\$M	2008 HK\$M
Goods for sale	964	1,264
Manufacturing materials	208	221
Production supplies	223	215
Work in progress	33	33
	1,428	1,733

27. Trade and Other Receivables

	Group		Company	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
Trade debtors	1,738	1,916	–	–
Amounts due from fellow subsidiary companies	13	5	–	–
Amounts due from subsidiary companies	–	–	144	138
Amounts due from jointly controlled companies	116	35	–	–
Amounts due from associated companies	9	9	–	–
Other receivables	1,944	1,802	1,609	86
	3,820	3,767	1,753	224

The amounts due from fellow subsidiary, subsidiary, jointly controlled and associated companies are unsecured and interest free. Except for amounts due from subsidiary companies which have no fixed terms of repayment, the balances are on normal trade credit terms.

27. Trade and Other Receivables (continued)

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

	Group	
	2009	2008
	HK\$M	HK\$M
Under three months	1,520	1,767
Between three and six months	137	35
Over six months	81	114
	1,738	1,916

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

At 31st December 2009, trade debtors of HK\$639 million (2008: HK\$677 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	Group	
	2009	2008
	HK\$M	HK\$M
Up to three months	471	538
Between three and six months	86	29
Over six months	82	110
	639	677

At 31st December 2009, trade debtors of HK\$71 million (2008: HK\$78 million) were impaired and provided for. The amount of the provision was HK\$55 million at 31st December 2009 (2008: HK\$66 million). It was assessed that a portion of the trade debtors is expected to be recovered. The analysis of the ageing of these impaired trade debtors is as follows:

	Group	
	2009	2008
	HK\$M	HK\$M
Up to three months	44	17
Between three and six months	2	20
Over six months	25	41
	71	78

The maximum exposure to credit risk at 31st December 2009 and 31st December 2008 is the carrying value of trade debtors, amounts due from related parties and other receivables disclosed above. The value of rental deposits from tenants held as security against trade debtors at 31st December 2009 was HK\$1,654 million (2008: HK\$1,547 million).

28. Bank Balances and Short-term Deposits

	Group		Company	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
Cash and cash equivalents	2,322	4,146	256	2,069
Short-term deposits maturing after more than three months	73	93	–	–
Security deposits in respect of loans repayable within one year	169	169	–	–
	242	262	–	–
	2,564	4,408	256	2,069

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 4.58% (2008: 0.05% to 4.58%); these deposits have a maturity from 30 to 90 days (2008: 30 to 120 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2009 and 31st December 2008 is the carrying value of the bank balances and short-term deposits disclosed above.

29. Trade and Other Payables

	Group		Company	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
Trade creditors	1,491	1,586	–	–
Amounts due to immediate holding company	119	210	17	33
Amounts due to subsidiary companies	–	–	5,428	2,766
Amounts due to jointly controlled companies	69	12	–	–
Amounts due to associated companies	43	46	–	–
Interest-bearing advances from jointly controlled companies at 0.09% (2008: 0.24%)	16	73	–	–
Interest-bearing advances from associated companies at 0.32% (2008: 0.54%)	149	151	–	–
Advances from minority interests	327	308	–	–
Rental deposits from tenants	1,654	1,547	–	–
Put option over minority interest in existing subsidiary company	690	–	–	–
Other payables	4,307	3,784	70	89
	8,865	7,717	5,515	2,888

The amounts due to and advances from immediate holding, subsidiary, jointly controlled and associated companies, and minority interests are unsecured and have no fixed terms of repayment. Apart from certain amounts due to jointly controlled and associated companies, which are interest-bearing as specified above, the balances are interest free.

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

	Group	
	2009 HK\$M	2008 HK\$M
Under three months	1,356	1,450
Between three and six months	119	102
Over six months	16	34
	1,491	1,586

30. Provisions

	Group	
	2009 HK\$M	2008 HK\$M
At 1st January	8	8
Utilised during the year	(1)	–
At 31st December	7	8

31. Perpetual Capital Securities

Refer to page 66 for details of the Group's perpetual capital securities.

32. Borrowings

Refer to pages 64 to 72 for details of the Group's borrowings.

33. Deferred Taxation

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

		Group		Company	
	Note	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
At 1st January		17,087	17,600	34	62
Translation differences		(4)	(8)	–	–
Charged/(credited) to income statement	10	2,882	(483)	(9)	(28)
Charged/(credited) to other comprehensive income		68	(22)	–	–
At 31st December		20,033	17,087	25	34

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK\$447 million (2008: HK\$352 million) to carry forward against future taxable income. These tax losses have no expiry date (2008: same).

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

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
At 1st January	2,054	1,851	15,161	15,861	362	189	17,577	17,901
Translation differences	–	(1)	(1)	–	(1)	–	(2)	(1)
Charged/(credited) to income statement	236	204	2,672	(700)	70	173	2,978	(323)
At 31st December	2,290	2,054	17,832	15,161	431	362	20,553	17,577

33. Deferred Taxation (continued)

Deferred tax liabilities (continued)

	Company					
	Accelerated tax depreciation		Valuation of investment properties		Total	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
At 1st January	15	14	19	48	34	62
(Credited)/charged to income statement	(13)	1	4	(29)	(9)	(28)
At 31st December	2	15	23	19	25	34

Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
At 1st January	80	74	147	44	263	183	490	301
Translation differences	1	3	–	–	1	4	2	7
Transfer between categories	14	–	–	–	(14)	–	–	–
Credited/(charged) to income statement	84	3	(53)	103	65	54	96	160
(Charged)/credited to other comprehensive income	–	–	–	–	(68)	22	(68)	22
At 31st December	179	80	94	147	247	263	520	490

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

	Group		Company	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
Deferred tax assets:				
– To be recovered after more than 12 months	(192)	(226)	–	–
– To be recovered within 12 months	(78)	(69)	–	–
	(270)	(295)	–	–
Deferred tax liabilities:				
– To be settled after more than 12 months	20,282	17,381	25	34
– To be settled within 12 months	21	1	–	–
	20,303	17,382	25	34
	20,033	17,087	25	34

34. Retirement Benefits

The Group operates various retirement benefit plans providing resignation and retirement benefits to staff on both a contributory and non-contributory basis. The assets of the plans are administered by trustees and are maintained independently of the Group's finances. The majority of the plans are of the defined benefit type and contributions to such plans are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations.

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

Total retirement benefit costs recognised in the income statement for the year ended 31st December 2009 amounted to HK\$195 million (2008: HK\$93 million), including HK\$47 million (2008: HK\$24 million) in respect of defined contribution plans.

Defined benefit plans are valued using the projected unit credit method in accordance with HKAS 19. The principal plans in Hong Kong are valued annually by qualified actuaries, Watson Wyatt Hong Kong Limited ("Watson Wyatt"), for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2009, the funding level was 95% (2008: 143%) of the accrued actuarial liabilities on an ongoing basis. For the year ended 31st December 2009, the HKAS 19 disclosures shown in the accounts are based on valuations prepared by Watson Wyatt at 31st December 2009. For the year ended 31st December 2008, the HKAS 19 disclosures are based on valuations prepared by Watson Wyatt at 31st December 2006, which were updated at 31st December 2008 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit plans. Plans in the United States and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment health care and life insurance benefit plan for certain retired employees in the United States, with accounting and frequency of valuations similar to those used for defined benefit plans.

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

	2009			Company Defined benefit plans HK\$M
	Defined benefit plans HK\$M	Group Other post- employment benefits HK\$M	Total HK\$M	
Present value of funded obligations	1,791	–	1,791	73
Fair value of plan assets	(1,554)	–	(1,554)	(170)
	237	–	237	(97)
Present value of unfunded obligations	–	49	49	–
Net unrecognised actuarial (losses)/gains	(271)	1	(270)	(10)
Net retirement benefit (assets)/liabilities	(34)	50	16	(107)
Represented by:				
Retirement benefit assets	(210)	–	(210)	(107)
Retirement benefit liabilities	176	50	226	–
	(34)	50	16	(107)

34. Retirement Benefits (continued)

	2008			Company
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	
Present value of funded obligations	1,531	–	1,531	56
Fair value of plan assets	(1,143)	–	(1,143)	(121)
	388	–	388	(65)
Present value of unfunded obligations	–	43	43	–
Net unrecognised actuarial (losses)/gains	(425)	5	(420)	(44)
Net retirement benefit (assets)/liabilities	(37)	48	11	(109)
Represented by:				
Retirement benefit assets	(197)	–	(197)	(109)
Retirement benefit liabilities	160	48	208	–
	(37)	48	11	(109)

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

	Group				Company	
	Defined benefit plans		Other post-employment benefits		Defined benefit plans	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
At 1st January	1,531	1,671	43	44	56	55
Translation differences	6	27	–	–	–	–
Service cost	115	126	1	1	5	6
Interest cost	78	67	3	2	3	2
Actuarial losses/(gains)	135	(253)	3	(4)	–	(9)
Transfer in/(out) of members	2	(10)	–	–	13	7
Increase in obligation due to amendment	5	3	–	–	–	–
Benefits paid	(81)	(100)	(1)	–	(4)	(5)
At 31st December	1,791	1,531	49	43	73	56

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

	Group		Company	
	Defined benefit plans		Defined benefit plans	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
At 1st January	1,143	1,770	121	187
Translation differences	2	23	–	–
Expected return	82	124	8	13
Actuarial gains/(losses)	261	(719)	32	(81)
Assets distributed on settlements	–	(6)	–	–
Contributions by employer	143	59	–	–
Transfer in/(out) of members	2	(10)	13	7
Benefits paid	(79)	(98)	(4)	(5)
At 31st December	1,554	1,143	170	121

34. Retirement Benefits (continued)

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

	Group					
	2009			2008		
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M
Current service cost	115	1	116	126	1	127
Interest cost	78	3	81	67	2	69
Expected return on plan assets – gain	(82)	–	(82)	(124)	–	(124)
Past service costs recognised	4	–	4	3	–	3
Net actuarial losses/(gains) recognised	25	(2)	23	3	(1)	2
Gains on curtailments and settlements	6	–	6	(8)	–	(8)
	146	2	148	67	2	69

The above net expenses were mainly included in administrative expenses in the consolidated income statement.

The actual return on defined benefit plan assets was a gain of HK\$343 million (2008: loss of HK\$595 million).

(d) Plan assets comprise the following:

	Group			
	Defined benefit plans			
	2009		2008	
	HK\$M	%	HK\$M	%
Equities	1,114	72	749	66
Bonds	367	23	337	29
Deposits and cash	73	5	57	5
	1,554	100	1,143	100

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

	Group				
	2009 HK\$M	2008 HK\$M	2007 HK\$M	2006 HK\$M	2005 HK\$M
Defined benefit plans					
– Defined benefit obligations	1,791	1,531	1,671	1,512	1,418
– Plan assets	(1,554)	(1,143)	(1,770)	(1,555)	(1,454)
– Deficit/(surplus)	237	388	(99)	(43)	(36)
– Experience adjustments on plan liabilities	72	(52)	44	14	40
– Experience adjustments on plan assets	(261)	719	(113)	(93)	(37)
Other post-employment benefits					
– Defined benefit obligations	49	43	44	44	41
– Experience adjustments on plan liabilities	–	(4)	(3)	1	1

34. Retirement Benefits (continued)

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

	Group					
	Defined benefit plans				Other post-employment benefits	
	2009		2008		2009	2008
	HK %	Others %	HK %	Others %	USA %	USA %
Discount rate	4.75	2.25-6.0	5.3	3.0-6.25	5.77	6.25
Expected rate of return on plan assets	8.0	2.0-8.25	7.0	2.25-8.25	N/A	N/A
Expected rate of future salary increases	2.0-4.0	2.5-5.5	2.0-4.0	2.5-5.5	N/A	N/A
Expected rate of increase in cost of covered health care benefits	N/A	N/A	N/A	N/A	9.0	10.0

The expected return on plan assets reflects the portfolio mix of assets, which itself is determined by the Group's current investment policy. Expected returns on equities and bonds reflect long-term real rates of return in the respective markets.

35. Share Capital

	Company				
	'A' shares of HK\$0.60 each	'B' shares of HK\$0.12 each	'A' shares HK\$M	'B' shares HK\$M	Total HK\$M
Authorised:					
At 31st December 2009 and 2008	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 1st January 2008	915,564,500	3,003,486,271	549	361	910
Repurchased during 2008	(9,986,000)	(8,266,271)	(6)	(1)	(7)
At 31st December 2009 and 2008	905,578,500	2,995,220,000	543	360	903

During the year, the Company did not purchase, sell or redeem any of its shares.

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

36. Reserves

Group	Note	Revenue reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2008								
as originally stated		132,873	342	42	708	(268)	910	134,607
adjustment on adoption of HK(IFRIC)-Int 13		(591)	–	–	–	–	–	(591)
as restated		132,282	342	42	708	(268)	910	134,016
Profit for the year		5,853	–	–	–	–	–	5,853
Other comprehensive income								
Cash flow hedges								
– recognised during the year		–	–	–	–	(113)	–	(113)
– deferred tax		–	–	–	–	22	–	22
– transferred to net finance charges		–	–	–	–	(32)	–	(32)
– transferred to operating profit								
exchange differences		–	–	–	–	29	–	29
– transferred to initial cost of non-financial assets		–	–	–	–	(74)	–	(74)
Net fair value losses on available-for- sale assets recognised during the year		–	–	–	(130)	–	–	(130)
Share of other comprehensive income of jointly controlled and associated companies		(157)	–	–	(172)	(453)	457	(325)
Net translation differences on foreign operations		–	–	–	–	–	130	130
Total comprehensive income for the year		5,696	–	–	(302)	(621)	587	5,360
2007 final dividend		(3,532)	–	–	–	–	–	(3,532)
2008 interim dividend	12	(1,364)	–	–	–	–	–	(1,364)
Repurchase of the Company's shares								
– premium paid on repurchases		(642)	–	–	–	–	–	(642)
– transferred between reserves		(7)	–	7	–	–	–	–
At 31st December 2008		132,433	342	49	406	(889)	1,497	133,838

36. Reserves (continued)

Group	Note	Revenue reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2009								
as originally stated		133,079	342	49	406	(889)	1,497	134,484
adjustment on adoption of HK(IFRIC)-Int 13		(646)	–	–	–	–	–	(646)
as restated		132,433	342	49	406	(889)	1,497	133,838
Profit for the year		19,917	–	–	–	–	–	19,917
Other comprehensive income								
Cash flow hedges								
– recognised during the year		–	–	–	–	365	–	365
– deferred tax		–	–	–	–	(68)	–	(68)
– transferred to net finance charges		–	–	–	–	20	–	20
– transferred to operating profit								
– exchange differences		–	–	–	–	(8)	–	(8)
– transferred to initial cost of non-financial assets		–	–	–	–	75	–	75
Net fair value gains on available-for-sale assets								
– recognised during the year		–	–	–	141	–	–	141
– transferred to operating profit		–	–	–	(37)	–	–	(37)
Share of other comprehensive income of jointly controlled and associated companies		42	–	–	201	152	14	409
Net translation differences on foreign operations		–	–	–	–	–	78	78
Total comprehensive income for the year		19,959	–	–	305	536	92	20,892
2008 final dividend	12	(2,227)	–	–	–	–	–	(2,227)
2009 interim dividend	12	(903)	–	–	–	–	–	(903)
At 31st December 2009		149,262	342	49	711	(353)	1,589	151,600

36. Reserves (continued)

Company	Note	Revenue reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Total HK\$M
At 1st January 2008		14,426	342	42	45	14,855
Profit for the year	11	4,411	–	–	–	4,411
Other comprehensive income						
Net fair value losses on available-for-sale assets recognised during the year		–	–	–	(86)	(86)
Total comprehensive income for the year		4,411	–	–	(86)	4,325
2007 final dividend		(3,532)	–	–	–	(3,532)
2008 interim dividend	12	(1,364)	–	–	–	(1,364)
Repurchase of Company's shares						
– premium paid on repurchases		(642)	–	–	–	(642)
– transferred between reserves		(7)	–	7	–	–
At 31st December 2008		13,292	342	49	(41)	13,642
At 1st January 2009		13,292	342	49	(41)	13,642
Profit for the year	11	3,989	–	–	–	3,989
Other comprehensive income						
Net fair value gains on available-for-sale assets						
– recognised during the year		–	–	–	55	55
– transferred to operating profit		–	–	–	(16)	(16)
Total comprehensive income for the year		3,989	–	–	39	4,028
2008 final dividend	12	(2,227)	–	–	–	(2,227)
2009 interim dividend	12	(903)	–	–	–	(903)
At 31st December 2009		14,151	342	49	(2)	14,540

- (a) The Group revenue reserve includes accumulated losses from jointly controlled companies amounting to HK\$1,856 million (2008: HK\$2,018 million) and retained revenue reserves from associated companies amounting to HK\$17,487 million (2008: HK\$15,211 million).
- (b) Distributable reserves of the Company at 31st December 2009 amounted to HK\$14,010 million (2008: HK\$13,173 million).
- (c) The Group and Company revenue reserves include HK\$3,310 million (2008: HK\$2,227 million) representing the proposed final dividend for the year (note 12).

37. Minority Interests

	Group	
	2009 HK\$M	2008 HK\$M
At 1st January	1,447	1,161
Share of profits less losses for the year	247	373
Share of fair value gains on available-for-sale assets	1	–
Share of other comprehensive income of jointly controlled companies	15	(24)
Share of translation differences on foreign operations	–	44
Share of total comprehensive income	263	393
Dividends paid and payable	(123)	(84)
Acquisition of minority interests in subsidiary companies	(2)	(33)
Capital contribution from minority interests	12	10
Recognition of put option over minority interest in existing subsidiary company	(751)	–
At 31st December	846	1,447

38. Capital Commitments

	Group	
	2009 HK\$M	2008 HK\$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	3,069	7,691
Authorised by Directors but not contracted for	725	1,892
(b) Investment properties		
Contracted for	2,983	1,217
Authorised by Directors but not contracted for	2,028	904
The Group's share of capital commitments of jointly controlled companies*		
Contracted for	594	304
Authorised by Directors but not contracted for	5,073	5,268
	5,667	5,572

* of which the Group is committed to funding HK\$268 million (2008: HK\$1,230 million).

The Company had no commitments in respect of the above items at 31st December 2009 (2008: same).

At 31st December 2009, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK\$158 million (2008: HK\$184 million).

39. Contingencies

	Group		Company	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
(a) Guarantees provided in respect of bank loans and other liabilities of:				
Subsidiary companies	–	–	29,950	30,541
Jointly controlled companies	987	1,390	986	1,390
	987	1,390	30,936	31,931

(b) Contingent tax liability

Certain wholly-owned Group companies have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2003/04 inclusive as a consequence of queries raised by the Hong Kong Inland Revenue Department (“IRD”). These queries relate to the deductibility, in the assessment of profits tax, of interest on borrowings of those companies during the periods under review.

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

The IRD has issued Notices of Assessment totalling HK\$440 million in respect of their queries for the years under review. The companies involved have objected to these assessments and the IRD has agreed to unconditional holdover of the assessments.

In addition, the estimated interest which would (assuming the relevant Group companies are found liable to pay the tax demanded) be payable in respect of the Notices of Assessment totalled HK\$171 million at 31st December 2009.

(c) Cathay Pacific Airways

Cathay Pacific Airways (“Cathay Pacific”) is the subject of investigations and proceedings with regard to its air cargo operations by the competition authorities of various jurisdictions, including the European Union, Canada, Australia, Switzerland, Korea and New Zealand. Cathay Pacific has been cooperating with the authorities in their investigations and, where applicable, vigorously defending itself. The investigations and proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

On 24th December 2007, Cathay Pacific received a Statement of Objections from the European Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

On 15th December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, is evaluating the allegations and has responded.

On 17th July 2009, Cathay Pacific received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

39. Contingencies (continued)

(c) Cathay Pacific Airways (continued)

On 24th November 2009, Cathay Pacific received an Examiner's Report from the Korean Fair Trade Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

Cathay Pacific has been named as a defendant in a number of civil class action complaints in the United States, Canada and Australia alleging violations of applicable competition laws arising from its conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel in the actions filed in the United States, Canada and Australia and is defending those actions.

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but has made a provision of HK\$80 million in respect of such liabilities in its 2009 accounts. The information usually required by HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice seriously the outcomes.

40. Operating Lease Arrangements

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out land and buildings and vessels under operating leases. The leases for land and buildings typically run for a period of three to six years. The turnover-related rental income received during the year amounted to HK\$206 million (2008: HK\$223 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew the lease after that date, at which time all terms are renegotiated.

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

	Group		Company	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
Land and buildings:				
Not later than one year	5,571	5,306	2	6
Later than one year but not later than five years	9,939	10,935	1	2
Later than five years	2,176	1,604	–	–
	17,686	17,845	3	8
Vessels:				
Not later than one year	1,727	2,334		
Later than one year but not later than five years	1,702	2,482		
Later than five years	1,581	1,835		
	5,010	6,651		
	22,696	24,496		

40. Operating Lease Arrangements (continued)

(a) Lessor (continued)

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

	Group				Company	
	2009		2008		2009	2008
	Investment properties HK\$M	Vessels HK\$M	Investment properties HK\$M	Vessels HK\$M	Investment properties HK\$M	Investment properties HK\$M
Cost or fair value	141,129	8,369	128,640	8,002	98	236
Less: accumulated depreciation	–	(2,192)	–	(1,898)	–	–
Net book value	141,129	6,177	128,640	6,104	98	236
Depreciation for the year	–	362	–	312	–	–

(b) Lessee

The Group leases land and buildings, vessels and other equipment under operating leases. These leases typically run for an initial period of one to nine years with an option to renew the lease after that date, at which time all terms are renegotiated. The turnover-related rentals paid during the year amounted to HK\$14 million (2008: HK\$16 million).

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

	Group		Company	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
Land and buildings:				
Not later than one year	225	213	7	8
Later than one year but not later than five years	217	272	19	24
Later than five years	13	32	–	–
	455	517	26	32
Vessels:				
Not later than one year	70	75		
Later than one year but not later than five years	281	281		
Later than five years	469	539		
	820	895		
Other equipment:				
Not later than one year	18	16		
Later than one year but not later than five years	73	72		
	91	88		
	1,366	1,500		

41. Related Party Transactions

There are agreements for services ("Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from jointly controlled and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and minority interests after certain adjustments. The current Agreements commenced on 1st January 2008 and will last for three years until 31st December 2010. For the year ended 31st December 2009, service fees payable amounted to HK\$184 million (2008: HK\$215 million). Expenses of HK\$145 million (2008: HK\$125 million) were reimbursed at cost; in addition, HK\$212 million (2008: HK\$178 million) in respect of shared administrative services was reimbursed.

The above transactions (except shared administrative services) are continuing connected transactions which give rise to disclosure obligations under Chapter 14A of the Listing Rules.

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

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

41. Related Party Transactions (continued)

The following is a summary of other significant transactions between the Group and related parties, which were carried out in the normal course of the Group's business, in addition to those transactions disclosed elsewhere in the accounts. These transactions were not connected transactions or continuing connected transactions under the Listing Rules.

	Notes	Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
		2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
Revenue from	(a)								
– Sales of beverage drinks		–	–	16	17	–	–	–	–
– Rendering of services		6	24	6	7	–	–	–	–
Purchases of beverage drinks	(a)	–	–	368	346	–	–	–	–
Purchases of beverage cans	(a)	164	208	–	–	–	–	–	–
Purchases of other goods	(a)	3	4	37	92	–	–	–	–
Purchases of services	(a)	–	–	3	2	9	7	–	–
Rental revenue	(b)	6	–	7	8	12	13	43	43
Interest income	(c)	31	5	22	23	–	–	–	–
Interest charges	(c)	–	3	–	–	–	–	–	–

Notes:

- (a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.
- (b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- (c) Loans advanced to jointly controlled and associated companies at 31st December 2009 are disclosed in notes 20 and 21 respectively. Advances from jointly controlled and associated companies are disclosed in note 29.

At 31st December 2009, Swire Coca-Cola Beverages Xiamen Ltd ("SCCXM") extended a loan facility of RMB60 million to Hangzhou BC Foods Co., Ltd., both being subsidiaries of the Company. As security for these loans, another subsidiary of the Company, Swire Beverages Limited, entered into a Pledge Agreement with SCCXM on 4th January 2006 to pledge the dividends receivable from SCCXM. These loans and the transaction under the pledge agreement were not connected transactions which give rise to any disclosure or other obligations under Chapter 14A of the Listing Rules.

Amounts due to the immediate holding company at 31st December 2009 are disclosed in note 29. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management is disclosed in note 8.

42. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of Operating Profit to Cash Generated from Operations

	Group	
	2009	2008
	HK\$M	HK\$M
Operating profit	21,733	9,153
Profit on disposal of property, plant and equipment	(106)	(85)
Profit on disposal of investment properties	(21)	–
Loss on disposal of leasehold land and land use rights	5	–
Profit on disposal of available-for-sale assets	(46)	–
Change in fair value of investment properties	(14,406)	(177)
Depreciation	860	764
Amortisation of initial leasing costs	28	26
Amortisation of leasehold land and land use rights	10	7
Amortisation of intangible assets	15	14
Impairment losses recognised on hotel properties	267	–
Write-down of properties held for development	29	77
Profit on sale of partial interests in subsidiary companies	–	(49)
Profit on sale of a subsidiary company	–	(4)
Profit on sale of a jointly controlled company	–	(1,721)
Other items	2	(11)
Operating profit before working capital changes	8,370	7,994
Increase in long-term receivables	(1)	(1)
(Increase)/decrease in properties for sale	(62)	42
Decrease/(increase) in stocks and work in progress	392	(234)
Decrease/(increase) in trade and other receivables	140	(651)
(Decrease)/increase in trade and other payables	(99)	430
Cash generated from operations	8,740	7,580

(b) Purchase of Property, Plant and Equipment

	Group	
	2009	2008
	HK\$M	HK\$M
Properties	942	1,748
Plant and machinery	486	606
Vessels	800	1,332
Total	2,228	3,686

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

42. Notes to the Consolidated Cash Flow Statement (continued)

(c) Analysis of Changes in Financing During the Year

	Group			
	Loans, bonds and perpetual capital securities		Minority interests	
	2009 HK\$M	2008 HK\$M	2009 HK\$M	2008 HK\$M
At 1st January	35,272	27,038	1,447	1,161
Net cash (outflow)/inflow from financing	(814)	8,247	12	10
Minority interests' share of total comprehensive income	–	–	263	393
Dividends paid to minority interests	–	–	(123)	(84)
Recognition of put option over minority interest in existing subsidiary company	–	–	(751)	–
Other non-cash movements	44	(13)	(2)	(33)
At 31st December	34,502	35,272	846	1,447

43. Events after the Reporting Period

(a) Swire Properties Limited

As disclosed by the Company in its announcements dated 20th January 2010 and 11th February 2010, applications have been made to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the spin-off and separate listing of the shares in Swire Properties Limited, the company which holds the Group's principal property interests. The Stock Exchange has confirmed that the Company may proceed with the proposed spin-off, but there is no assurance that the approval of the separate listing of Swire Properties will be granted by the Listing Committee of the Stock Exchange.

On 25th January 2010, the Company disposed of its shares in Swire Properties US Inc. and Swire Properties One Inc. and all the outstanding shareholder loan notes of Swire Properties US Inc. to Swire Properties Limited for a total consideration of HK\$1,108 million (representing the value of assets disposed), which was satisfied by an issue by Swire Properties Limited of 1,108,132,451 new shares at par on the same date.

(b) Hong Kong Air Cargo Terminals Limited

On 12th February 2010, Swire Aviation Limited, a 66.7%-owned subsidiary of the Company notified the existing shareholders in Hong Kong Air Cargo Terminals Limited ("Hactl") of its intention to sell its 30% interest in Hactl. The Group will cease to equity account for its interest in Hactl from that date.

44. Immediate and Ultimate Holding Company

The immediate holding company is John Swire & Sons (H.K.) Limited, a company incorporated in Hong Kong.

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