
adidas

BUILDING FUTURE COMMUNITIES

Swire Properties invests in mixed-use developments in prime locations, transforming urban areas into vibrant residential and commercial communities.

PROPERTY DIVISION

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, as well as hotel interests, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 15.1 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Beijing, Shanghai, Guangzhou and Chengdu, which will total 8.6 million square feet on completion. Of this, 1.6 million square feet has already been completed.

Swire Properties wholly owns and manages two hotels in Hong Kong, one hotel in Mainland China and four small hotels in the United Kingdom, and has 20% interests in four other hotels in Hong Kong. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental Hotel in Miami, Florida.

Swire Properties' trading portfolio comprises land and residential apartments under development in Hong Kong and Florida and the remaining units for sale at 5 Star Street and Island Lodge in Hong Kong and at the ASIA residential development in Miami.

Particulars of the Group's key properties are set out on pages 183 to 193.

	2010 HK$M	2009 HK$M (Restated)
Turnover		
Gross rental income derived from		
Offices	**4,222**	4,115
Retail	**3,357**	3,060
Residential	**296**	268
Other revenue*	**78**	83
Property investment	**7,953**	7,526
Property trading	**779**	643
Hotels	**518**	172
Total turnover	**9,250**	8,341
Operating profit/(loss) derived from		
Property investment	**6,553**	5,607
Valuation gains on investment properties	**20,381**	14,383
Property trading	**147**	70
Hotels	**(144)**	(474)
Total operating profit	**26,937**	19,586
Share of post-tax profits from jointly controlled and associated companies	**1,686**	186
Attributable profit	**26,008**	17,361

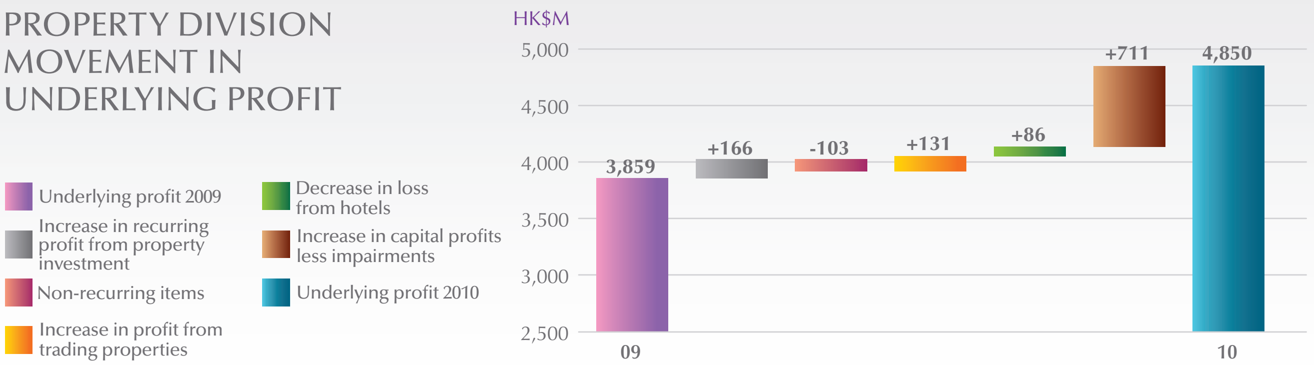
* Other revenue is mainly estate management fees.

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for the effect of HKAS 40 on investment properties, and the amended HKAS 12 on deferred tax.

	Note	2010 HK$M	2009 HK$M (Restated)
Reported attributable profit		**26,008**	17,361
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(22,274)**	(14,483)
Deferred tax on revaluation movements	(b)	**852**	818
Realised profit on sale of investment properties	(c)	**211**	32
Depreciation of investment properties occupied by the Group	(d)	**23**	13
Non-controlling interests' share of revaluation movements less deferred tax		**42**	88
Impairment of hotels held as part of mixed-used developments less deferred tax	(e)	**–**	137
Underlying attributable profit		**4,862**	3,966
Adjustment to reverse fair value gain on put option in respect of non-controlling interest in Sanlitun Village	(f)	**(12)**	(107)
Underlying attributable profit after adjusting for Sanlitun Village put option		**4,850**	3,859

Notes:
(a) This represents the Group's net revaluation movements plus the Group's share of net revaluation movements of jointly controlled and associated companies.
(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies. As a result of the early adoption of the amended HKAS 12, deferred tax is no longer provided on net revaluation movements in respect of investment properties in Hong Kong. However, deferred tax continues to be provided on net revaluation movements in respect of investment properties in Mainland China at the corporate income tax rate of 25%.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the income statement.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
(e) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those wholly-owned or jointly controlled hotel properties held for the long-term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the income statement.
(f) The value of the put option in favour of the owner of a non-controlling interest in Sanlitun Village is calculated principally by reference to the estimated fair value of the portions of the Sanlitun Village investment property in which the minority partner is interested.

PROPERTY DIVISION MOVEMENT IN UNDERLYING PROFIT



2010 Results Summary

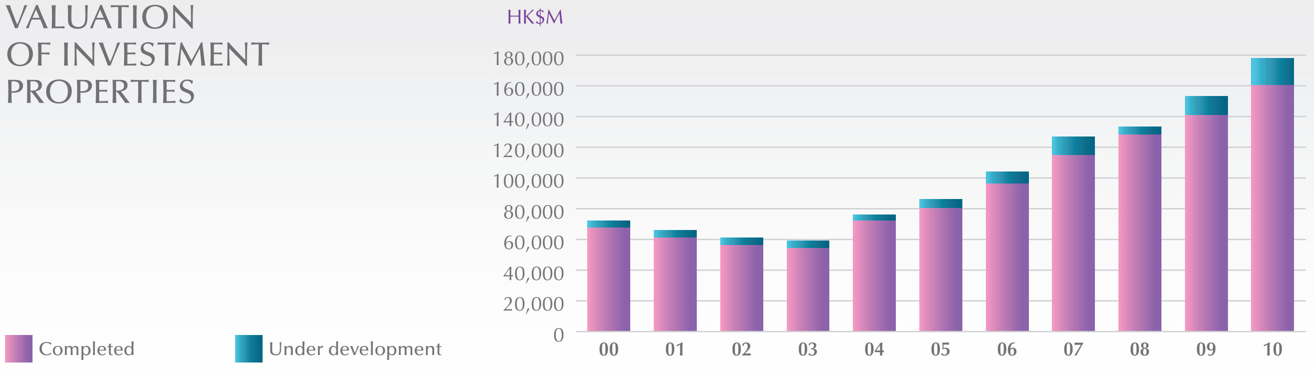
Attributable profit from the Property Division for the year was HK$26,008 million compared to a restated HK$17,361 million in 2009. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$22,274 million and HK$14,483 million in 2010 and 2009 respectively and net gains of HK$707 million arising in connection with the disposal of interests in two investment properties in Hong Kong during 2010.

The increase in recurring profit from property investment reflects an increase in net rental income from the office, retail and residential portfolios, partially offset by an increase in finance charges and operating expenses as a result of the expanded scale of operations in Mainland China. In 2009 non-recurring items included the reversal of certain provisions. The change in non-recurring items in 2010 largely reflected the absence of such a reversal in 2010.

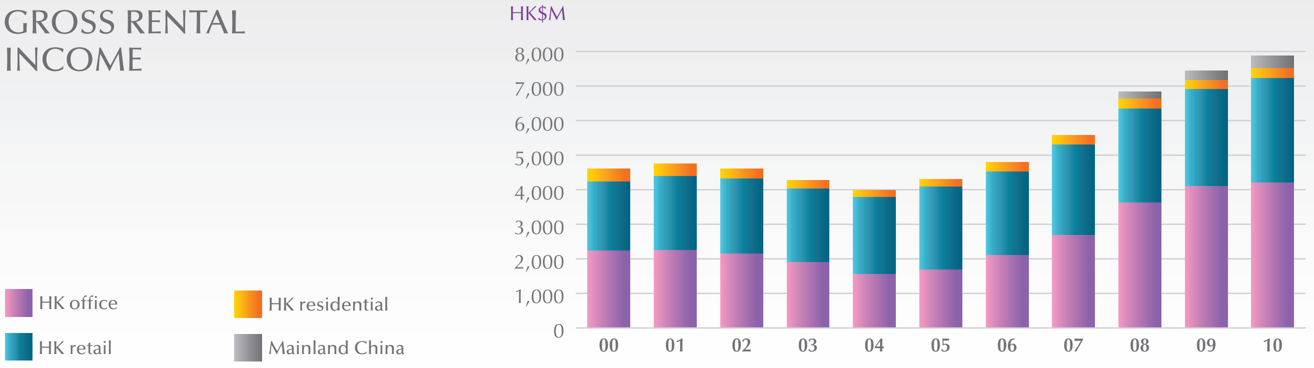
Gross rental income amounted to HK$7,875 million in 2010, compared with HK$7,443 million in 2009, reflecting a measure of reversionary rental growth and an encouraging increase in retail turnover rent.

A trading profit of HK$147 million was recognised in 2010. This comprised profits on closings of residential units at 5 Star Street and Island Lodge in Hong Kong and at the ASIA development in Miami, and a profit accrued during the course of redevelopment of a property at 53 Stubbs Road in Hong Kong.

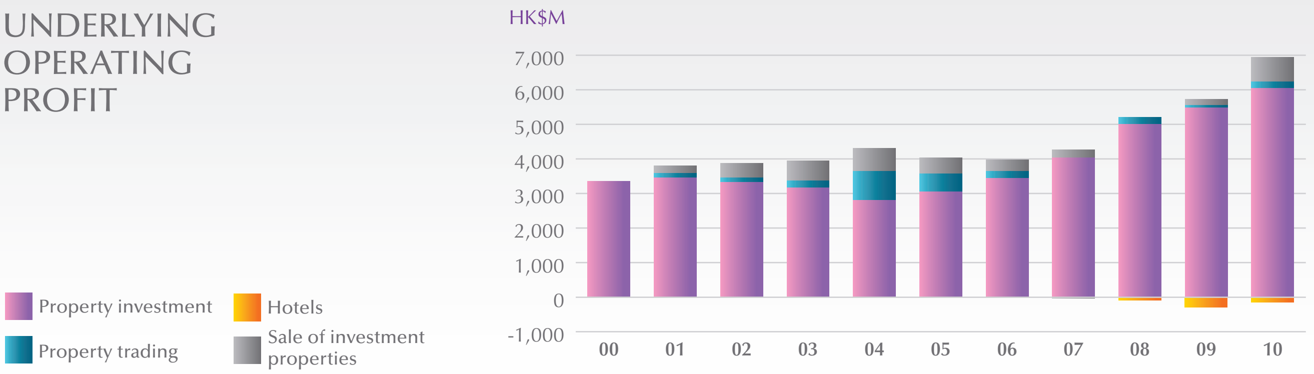
VALUATION OF INVESTMENT PROPERTIES



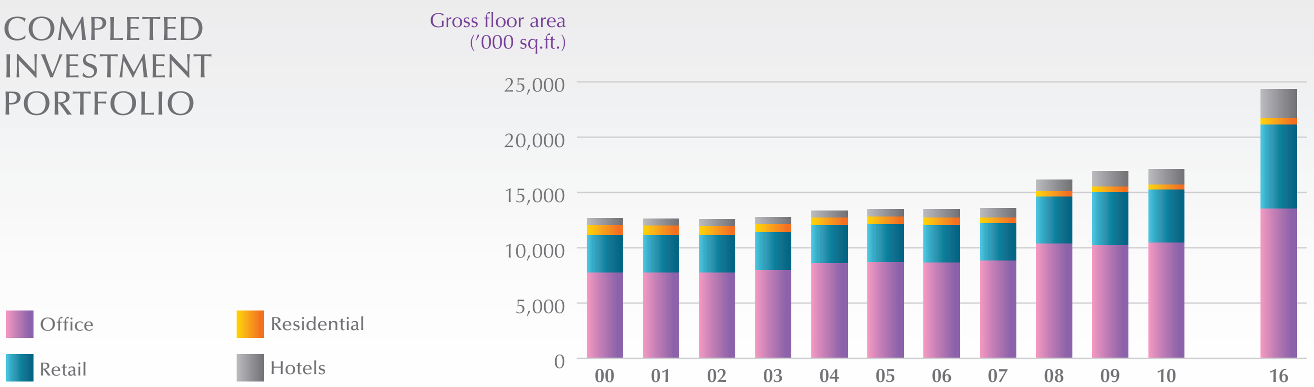
GROSS RENTAL INCOME



UNDERLYING OPERATING PROFIT



COMPLETED INVESTMENT PORTFOLIO



Pacific Place is one of Hong Kong's iconic addresses, attracting high quality international and luxury retail brands.

Key Changes to the Property Portfolio During 2010

During the course of the year Swire Properties secured full ownership of the 81,346 square foot Sincere Insurance office building in Wanchai. An extensive refurbishment programme is expected to commence in 2011 and to be completed in 2012.

In April, Swire Properties entered into an agreement with Swire Pacific Limited to redevelop a property owned by Swire Pacific Limited at 53 Stubbs Road in Hong Kong. The 12-storey residential building of 68,242 square feet is expected to be completed in 2011. Under the agreement, Swire Pacific Limited has agreed to pay the cost of the redevelopment and to pay to Swire Properties a fee for undertaking the redevelopment. The profit made under this agreement is eliminated in the consolidated accounts of Swire Pacific.

In June, Swire Properties acquired a 50% interest in 146-148 Argyle Street, a 88,555 square foot residential development project in Kowloon, Hong Kong. Swire Properties is leading the design and construction of the development, with completion expected in 2013.

In September, Swire Properties acquired from the majority shareholder the 80% interest which it did not already own in the 620,148 square foot PCCW Tower office property in TaiKoo Place, Hong Kong. In November, a 50% interest in PCCW Tower was sold to Grosvenor Asia Pacific Limited.

In December 2010, Swire Properties acquired an effective 50% interest in a 762,251 square foot site in the Daci Temple area of the Jinjiang District of Chengdu, Mainland China. The acquisition was made in joint venture with Sino-Ocean Land Holdings Limited. The site will be redeveloped into 2.2 million square feet of commercial mixed-use space. A phased completion of the development is expected from 2014.

Investment Properties

Hong Kong

Offices

Swire Properties' completed office portfolio comprises 10.5 million square feet of space in Hong Kong, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza, 6.2 million square feet at TaiKoo Place in Island East and 0.2 million square feet at Festival Walk in central Kowloon.

PROPERTY INVESTMENT PORTFOLIO – GROSS FLOOR AREA

('000 SQUARE FEET)

Location	At 31st December 2010 Offices	Retail	Hotels	Residential	Total	At 31st December 2009 Total
Completed						
Pacific Place	**2,186**	**711**	**496**	**443**	**3,836**	3,833
TaiKoo Place	**6,180***	–	–	–	**6,180**	5,994
Cityplaza	**1,633**	**1,105**	**200**	–	**2,938**	2,937
Festival Walk	**229**	**980**	–	–	**1,209**	1,209
Others	**265**	**608**	**47**	**18**	**938**	940
– Hong Kong	**10,493**	**3,404**	**743**	**461**	**15,101**	14,913
– Mainland China	–	**1,387**	**169**	–	**1,556**	1,556
– United States	–	–	**259**	–	**259**	259
– United Kingdom	–	–	**196**	–	**196**	184
Total completed	**10,493**	**4,791**	**1,367**	**461**	**17,112**	16,912
Under and pending development						
– Hong Kong	**145**	–	–	**68**	**213**	215
– Mainland China	**2,926**	**2,834**	**1,174**	**54**	**6,988**	6,397
Total	**13,564**	**7,625**	**2,541**	**583**	**24,313**	23,524

Gross floor area represents 100% of space owned by Group companies and the Group's attributable share of space held by jointly controlled and associated companies. A schedule of the principal properties of the Group and its jointly controlled and associated companies is given on pages 183 to 193.

* Includes 1.8 million square feet of techno-centres.

2010 Results

Gross rental income for the year increased by 3% over 2009, to HK$4,222 million.

Rental reversions at Pacific Place were positive, reflecting the strong economy and firm demand from tenants in the financial services sector. At Island East, reversions were also positive as tenants sought extra space. At 31st December 2010 the office vacancy rate was 1%.

Swire Properties has a range of office tenants operating in different sectors. The top ten office tenants occupy approximately 22% of total space at 31st December 2010. Approximately one-third of the office space is occupied by companies operating in the financial services sector.

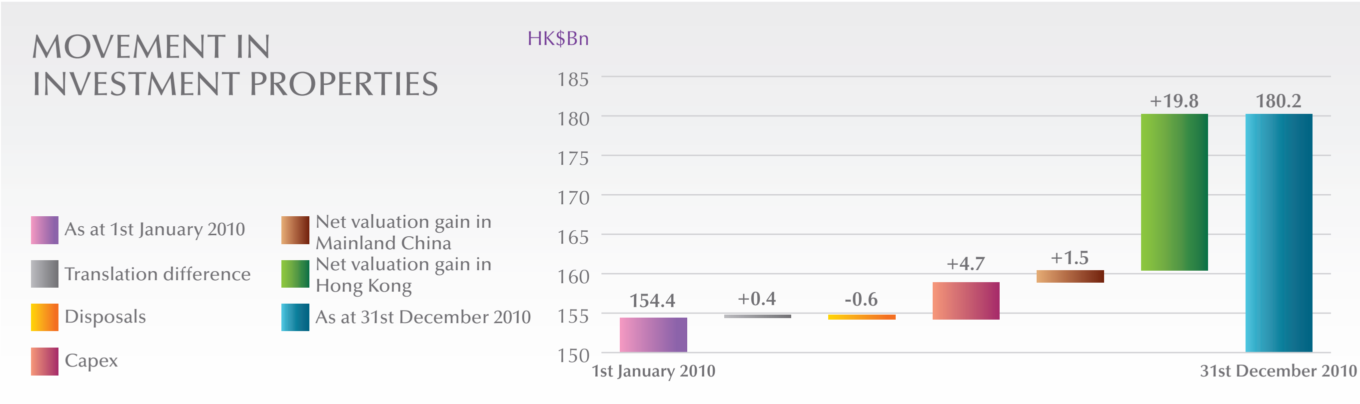
2011 Outlook

The Group's office portfolio is virtually fully let. The Group has no new space coming to market during 2011.

Tenancies accounting for approximately 15% (by floor area) of the Group's leased office space are due to expire in 2011, with a further 15% due to expire in 2012.

At Pacific Place, continued strong demand from the financial services sector and the lack of new supply is expected to result in higher rents. Island East remains a location of choice for tenants wishing to relocate to lower cost office space in a decentralised location, and hence demand for space is likely to continue to be strong.

One Island East with its dramatic architecture.



Retail

Swire Properties manages four retail malls in Hong Kong: The Mall at Pacific Place, comprising 0.7 million square feet; Cityplaza in Island East, comprising 1.1 million square feet; Festival Walk in central Kowloon, comprising 1.0 million square feet; and Citygate Outlets at Tung Chung, comprising 0.5 million square feet. The malls are wholly-owned by Swire Properties, except for Citygate Outlets, in which it has a 20% interest.

2010 Results

Gross rental income from the retail portfolio was HK$3,013 million in 2010, an increase of 8% over 2009.

Rental reversions were positive at all retail properties, and were particularly strong at Pacific Place. This reflected strong retail sales during the year.

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

Retail sales in the Group's retail malls were 16% higher in 2010 than in 2009.

2011 Outlook

Consumer demand and accordingly competition for retail space are expected to remain strong. Active management of the tenant mix should continue to facilitate increased retail sales in the Group's malls.

In Hong Kong, tenancies accounting for approximately 11% (by floor area) of the Group's leased retail space are due to expire in 2011, with a further 17% due to expire in 2012.

Residential

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

Gross rental income for 2010 was HK$296 million, an increase of 10% over 2009.

Occupancy at the residential portfolio was approximately 90% at 31st December 2010.

Demand for serviced apartments is expected to remain strong in 2011.

Investment Properties under Construction

The Pacific Place design improvement project is proceeding largely on schedule.

Foundation works are proceeding at 28 Hennessy Road, formerly known as Tai Sang Commercial Building, with completion expected in 2012. The building will provide 145,390 square feet of office and retail space.

Construction work at 53 Stubbs Road is progressing largely on schedule.

Mainland China

Retail

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

Sanlitun Village comprises two neighbouring sites in the Chaoyang district of Beijing, The Village South (776,909 square feet of gross retail space and 451 car parking spaces) and The Village North (519,399 square feet of gross retail space and 410 car parking spaces). Retail tenants in Sanlitun Village represent a diverse range of international brands. The Village South includes the largest Adidas store in the world and Mainland China's largest Apple store. It concentrates on global mid-market brands with a broad appeal. Tenants at The Village North are principally retailers of leading luxury brands.

Gateway China Fund I, a fund managed by Gaw Capital Partners, owns 20% of the Sanlitun Village development. The fund has an option to sell its 20% interest to Swire Properties before the end of 2013.

2010 Results

Gross rental income was HK$344 million compared to HK$258 million in 2009.

The trading performance at Sanlitun Village in 2010 was encouraging. At 31st December 2010, occupancy was 95% at The Village South and 80% at The Village North.

The put option in respect of the non-controlling interest in Sanlitun Village is recognised in the accounts. The movement in its fair value during the year resulted in a reduction in net finance charges of HK$12 million.

2011 Outlook

Sanlitun Village is a destination of choice for young, affluent Beijing residents. Its appeal is expected to be reinforced in 2011 by further improvement works designed to enhance footfall and circulation.

Retail conditions are expected to benefit in 2011 from the continued strength of the Mainland China economy. Results from Sanlitun Village are expected to continue to improve accordingly.

Sanlitun Village is a modern, cosmopolitan destination in a popular area of Beijing.

AUDITED FINANCIAL INFORMATION

Investment Properties

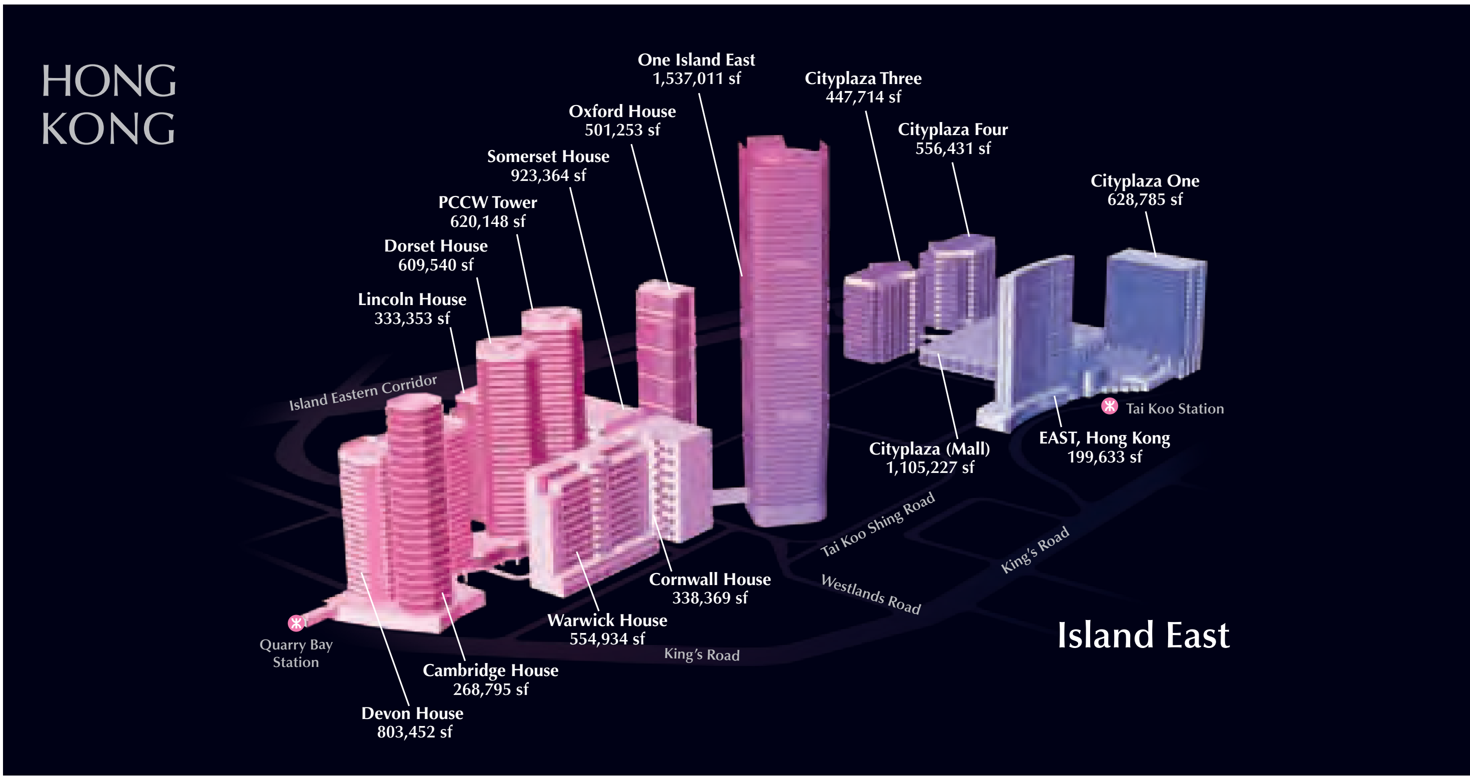
	Group			Company
	Completed	Under Construction	Total	Total
	HK$M	HK$M	HK$M	HK$M
At 1st January 2010	**141,129**	**13,279**	**154,408**	**1,195**
Translation differences	**287**	**245**	**532**	**–**
Change in composition of Group	**–**	**189**	**189**	**–**
Additions	**578**	**3,937**	**4,515**	**213**
Disposals	**(592)**	**(57)**	**(649)**	**–**
Transfer upon completion	**23**	**(23)**	**–**	**–**
Other net transfers from property, plant and equipment	**812**	**(6)**	**806**	**–**
Other net transfers to property under development for sale	**–**	**(897)**	**(897)**	**–**
Fair value gains	**18,526**	**2,818**	**21,344**	**887**
	160,763	**19,485**	**180,248**	**2,295**
Add: Initial leasing costs	**170**	**–**	**170**	**–**
At 31st December 2010	**160,933**	**19,485**	**180,418**	**2,295**
At 1st January 2009	128,640	5,899	134,539	1,195
Translation differences	1	8	9	–
Transferred from property, plant and equipment and leasehold land on adoption of revised HKAS 40	–	4,336	4,336	–
Additions	525	2,136	2,661	88
Disposals	–	(59)	(59)	(169)
Transfer upon completion	3,115	(3,115)	–	–
Transfers between category	(1,417)	1,417	–	–
Other net transfers to property, plant and equipment	(31)	3	(28)	–
Other net transfers to leasehold land	(121)	–	(121)	–
Other net transfers to property under development for sale	–	(1,335)	(1,335)	–
Fair value gains	10,417	3,989	14,406	81
	141,129	13,279	154,408	1,195
Add: Initial leasing costs	85	–	85	–
At 31st December 2009	141,214	13,279	154,493	1,195

Geographical Analysis of Investment Properties

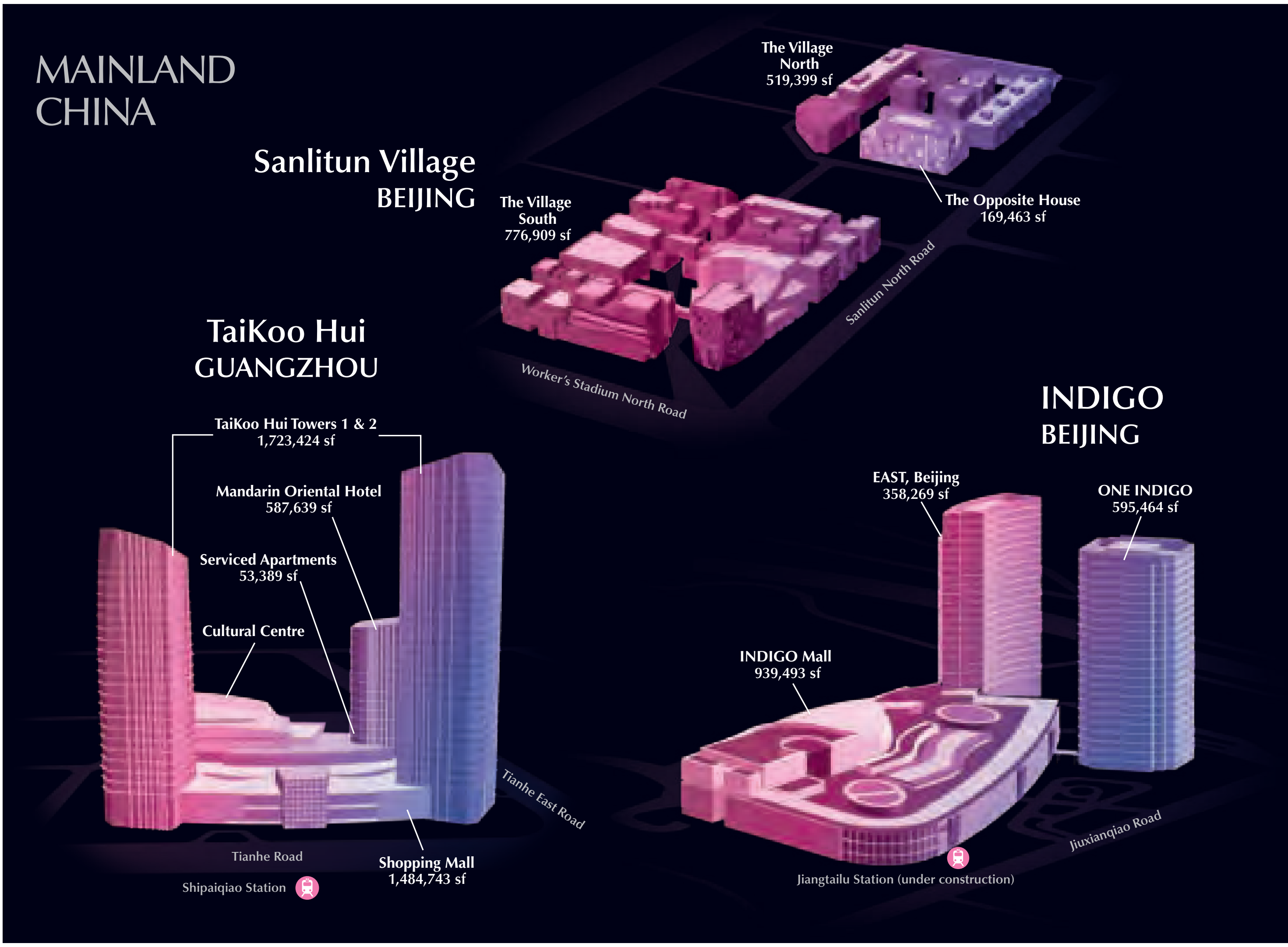
	Group		Company	
	2010	2009	**2010**	2009
	HK$M	HK$M	**HK$M**	HK$M
Held in Hong Kong:				
On medium-term leases (10 to 50 years)	**39,154**	34,534	**–**	–
On long-term leases (over 50 years)	**123,827**	106,061	**2,295**	1,195
	162,981	140,595	**2,295**	1,195
Held in Mainland China				
On medium-term leases (10 to 50 years)	**17,267**	13,813		
	180,248	154,408		

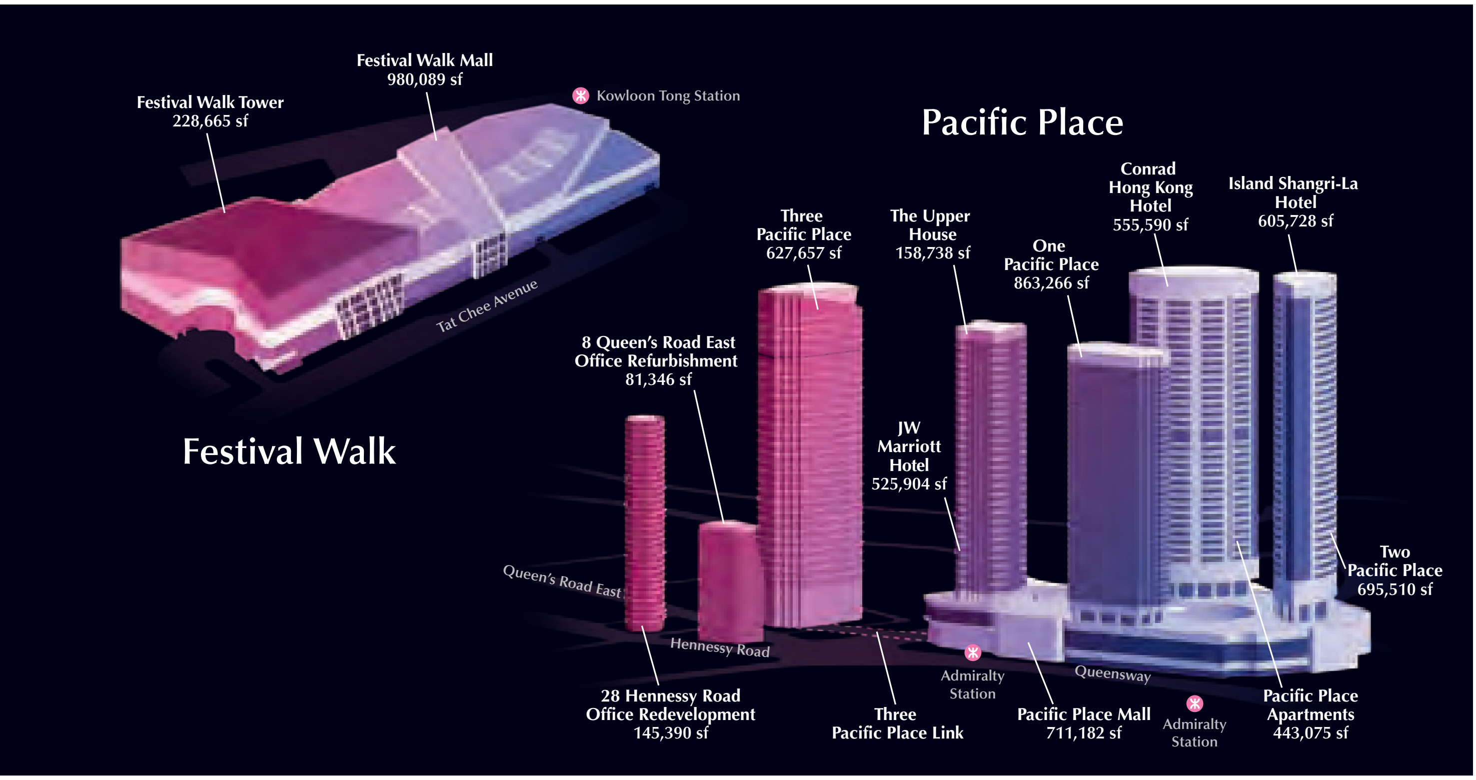
Note:
The Group figures in the table above comprise investment properties owned within the Property Division as well as a small number of properties owned by Swire Pacific Limited which are managed within the Property Division. The Company figures represent those investment properties owned directly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

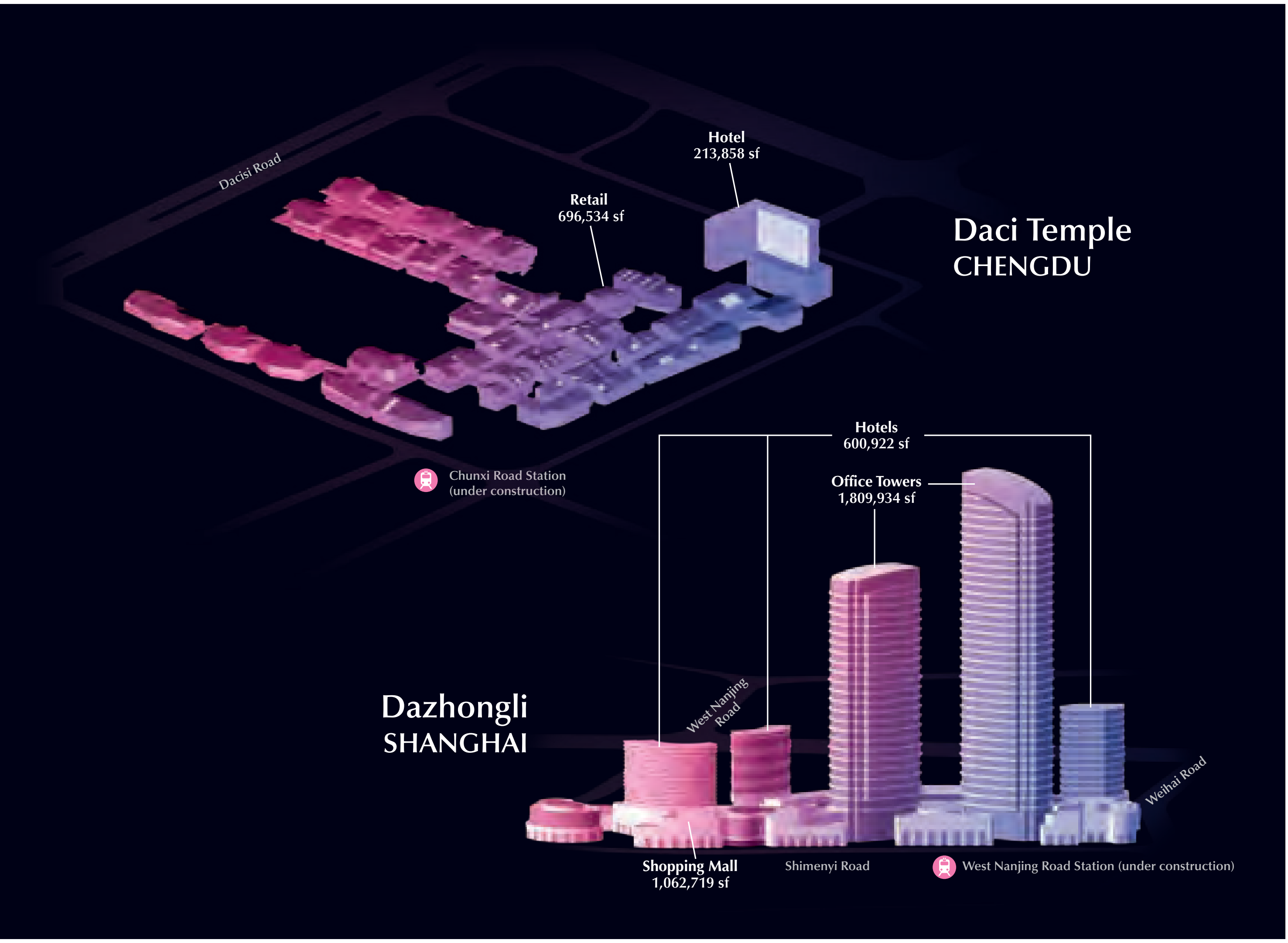
HONG KONG



MAINLAND CHINA





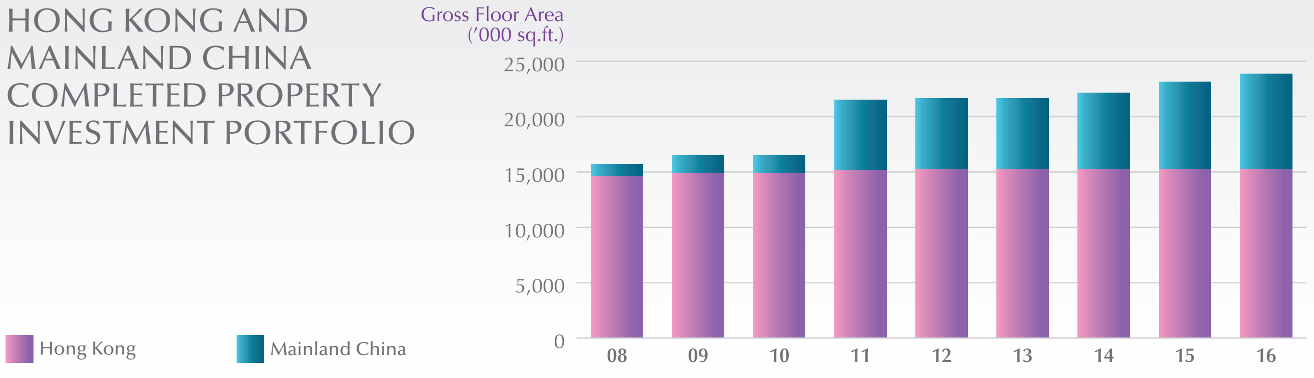


Note: These diagrams are not to scale and are for illustration purposes only. Except for Sanlitun Village, the properties in Mainland China are under and pending construction.

EAST, a lifestyle hotel for business travellers in Hong Kong, opened in January 2010.

The warm and inviting Sky Lounge at The Upper House in Hong Kong.

HONG KONG AND MAINLAND CHINA COMPLETED PROPERTY INVESTMENT PORTFOLIO



Investment Properties under Construction

The phased opening of TaiKoo Hui, a mixed-use commercial complex in the Tianhe district of Guangzhou, is planned to start in April 2011. The development comprises one retail podium, two office towers, one hotel tower, which also contains serviced apartments, and a cultural centre.

The total commercial space at TaiKoo Hui is 3.8 million square feet. Approximately 88% of the lettable retail space has been leased or committed, with tenants including retailers of major international and national brands. More than half of the lettable office space has been leased or committed. The 262 room hotel and 24 serviced apartments will be operated by Mandarin Oriental, and are scheduled to open in 2012.

The 1.9 million square foot mixed-use INDIGO development, located at Jiangtai in the Chaoyang district of Beijing, is expected to open from the latter part of 2011. 40% of the lettable retail space has been pre-let.

Design development, which includes site clearance and resettlement, is almost complete at the Dazhongli Project in the Jing'an district of Shanghai. The expected opening of this 3.5 million square foot mixed-use development has been deferred to 2015 due primarily to the construction of a metro station adjacent to the site. If this timing is to be achieved, some construction works need to be done in conjunction with those for the metro station. Further delays may occur if approval to start construction is not obtained before the start of the excavation works for the metro station.

Work is expected to commence at the Daci Temple site in Chengdu later this year with completion expected in phases from 2014.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2010 (98% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$180,248 million compared to HK$154,408 million at 31st December 2009 and HK$160,135 million at 30th June 2010.

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

Hotels

Hong Kong

Swire Properties wholly-owns and manages two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place which opened in 2009, and EAST, a 345-room hotel at Cityplaza which opened in January 2010. Both these hotels performed above expectations during the year, with their brands becoming well established in the market. Café Gray, the restaurant at The Upper House, was awarded a Michelin Star in December 2010.

Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. All of these non-managed hotels performed strongly in 2010.

Mainland China

The Opposite House, a 99-room luxury hotel at Sanlitun Village, Beijing, is wholly-owned by the Swire Properties group and is managed by Swire Hotels. The hotel saw a strong rebound in business in 2010, benefiting from increasing international recognition and a recovery in the Beijing hotel market.

PROFILE OF CAPITAL COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

	Expenditure	Forecast year of expenditure				Commitments
	2010 HK$M	2011 HK$M	2012 HK$M	2013 HK$M	2014 & beyond HK$M	**At 31st Dec 2010 HK$M**
Hong Kong projects	**3,031**	1,322	570	82	21	**1,995**
Mainland China projects	**2,983**	5,523	1,166	1,802	1,370	**9,861**
UK hotels	**137**	105	33	–	–	**138**
USA hotels	**14**	6	–	–	–	**6**
Total	**6,165**	6,956	1,769	1,884	1,391	**12,000***

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies. The Group is committed to funding HK$2,459 million of the capital commitments of jointly controlled companies.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami. Trading conditions remained difficult in 2010 against an unhelpful US economic background.

United Kingdom

The Group owns four small hotels in Bristol, Exeter, Cheltenham and Brighton. Occupancy and room rates at the Bristol and Brighton hotels are satisfactory. The hotel in Cheltenham, now named The Montpellier Chapter, re-opened in December 2010 after extensive refurbishment. The Exeter hotel is undergoing refurbishment and will open in the first quarter of 2012.

2011 Outlook

The hotels in Hong Kong and Mainland China are expected to perform well in 2011 against a strong economic background. The UK and the US hotels will continue to be affected by relatively weak market conditions, although revenues are expected to improve in 2011.

Capital Expenditure and Commitments for Investment Properties and Hotels

Capital expenditure in 2010 on Hong Kong investment properties and hotels, including completed projects, amounted to HK$3,031 million (2009: HK$1,964 million). Outstanding capital commitments at 31st December 2010 were HK$1,995 million (31st December 2009: HK$2,266 million).

Capital expenditure in 2010 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of jointly controlled companies, amounted to HK$2,983 million (2009: HK$3,724 million). Outstanding capital commitments at 31st December 2010 were HK$9,861 million (2009: HK$8,831 million), including the Group's share of the capital commitments of jointly controlled companies of HK$6,952 million (2009: HK$5,316 million). The Group is committed to funding HK$2,459 million (31st December 2009: HK$227 million) of the capital commitments of jointly controlled companies in Mainland China.

Property Trading

Swire Properties' trading portfolio principally comprises properties and land under development in Hong Kong and Florida. In addition, there are completed apartments for sale at 5 Star Street and Island Lodge in Hong Kong and at the ASIA development in Miami, Florida.

AUDITED FINANCIAL INFORMATION

Property Trading Portfolio at Cost

	Group	
	2010 HK$M	2009 HK$M
Properties held for development		
Freehold land	**443**	441
Properties for sale		
Completed properties – development costs	**388**	407
Completed properties – freehold land	**9**	10
Completed properties – leasehold land	**4**	–
Properties under development – development costs	**673**	293
Leasehold land under development for sale	**4,443**	2,562
	5,517	3,272

AZURA, launched in 2010, offers understated residential elegance in Mid-Levels West in Hong Kong.

Hong Kong

50 of the 126 units at the AZURA development on Seymour Road have been pre-sold, with sales prices reflecting the strong market for residential properties in 2010. Construction work is progressing on schedule, with completion expected in 2012. Swire Properties has a controlling interest in this development.

Construction work at the 75,805 square foot residential development at 63 Seymour Road is progressing, with completion expected in 2013.

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

Construction work at the 165,792 square foot residential development at 33 Seymour Road is progressing, with completion expected in 2014. Demolition work is progressing at the adjacent site at 92-102 Caine Road. This site is to be redeveloped so as to provide 195,531 square feet of residential space, with completion expected in 2015.

178 of the 184 units at Island Lodge in North Point have been sold. Swire Properties is entitled to reimbursement of redevelopment costs and a share of the net proceeds of sales under an agreed arrangement with China Motor Bus Company Limited, which owns the property.

The 17,663 square foot residential development at 5 Star Street was completed in 2010 with 22 of the 25 units sold.

Demolition work is in progress at the 146-148 Argyle Street site. Completion of this project is expected in 2013.

USA

Sales of 82 of the 123 units have been closed at the ASIA residential development in Miami since the development was completed in March 2008 with a further 25 units having been leased. The real estate market in South Florida continues to suffer from difficult economic conditions and tight credit availability. Swire Properties has provided vendor financing in a number of transactions.

Martin Cubbon


CONNECTING
WORLDS TOGETHER

Cathay Pacific is committed to building its network and connectivity and so to strengthen Hong Kong's position as a major aviation hub.

AVIATION DIVISION

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

	2010 HK$M	2009 HK$M
HAECO group *		
Turnover	**2,574**	
Operating profit	**229**	
Attributable profit	**290**	
Gain on remeasurement of previously held interest in HAECO	**2,547**	
Attributable profit on sale of interest in Hong Kong Air Cargo Terminals Limited ("Hactl")	**825**	
Share of post-tax profits from associated companies		
Cathay Pacific group **	**5,079**	1,349
HAECO group *	**152**	314
Hactl ***	**26**	234
	5,257	1,897
Attributable profit	**8,901**	1,821

* The interest in the HAECO group was accounted for as an associated company until the acquisition of a controlling interest on 7th June 2010.
** The share of profit attributable to Cathay Pacific's holding in the HAECO group until 7th June 2010 is included in the attributable figures for the HAECO group.
*** The interest in Hactl was accounted for as an investment from 12th February 2010 until its disposal on 31st May 2010. Refer to note 5 to the accounts for details.

Turnover of associated companies at entity level is:

	2010 HK$M	2009 HK$M
Cathay Pacific group (43% owned by the Company)	**89,524**	66,978

KEY OPERATING HIGHLIGHTS

Cathay Pacific and Dragonair

		2010	2009	Change
Available tonne kilometres ("ATK")*	Million	**24,461**	22,249	**+9.9%**
Available seat kilometres ("ASK")*	Million	**115,748**	111,167	**+4.1%**
Revenue passenger kilometres ("RPK")*	Million	**96,588**	89,440	**+8.0%**
Revenue passengers carried	'000	**26,796**	24,558	**+9.1%**
Passenger load factor*	%	**83.4**	80.5	**+2.9%pt**
Passenger yield*	HK¢	**61.2**	51.1	**+19.8%**
Cargo and mail carried	Tonnes '000	**1,804**	1,528	**+18.1%**
Cargo and mail load factor*	%	**75.7**	70.8	**+4.9%pt**
Cargo and mail yield*	HK$	**2.33**	1.86	**+25.3%**
Cost per ATK*	HK$	**3.16**	2.76	**+14.5%**
Cost per ATK without fuel	HK$	**2.02**	2.00	**+1.0%**
Aircraft utilisation	Hours per day	**12.0**	11.2	**+7.1%**
On-time performance*	%	**80.9**	86.8	**-5.9%pt**

HAECO group

		2010	2009	Change
Base maintenance manhours sold – HAECO	Million	**2.74**	2.39	**+14.6%**
Base maintenance manhours sold – TAECO	Million	**2.52**	2.98	**-15.4%**
Line maintenance movements handled – HAECO	Average per day	**278**	249	**+11.6%**
HAECO group total headcount	At 31st December	**13,078**	12,615	**+3.7%**

* Refer to Glossary on page 196 for definitions.

2010 Overview

The Aviation Division reported an attributable profit of HK$8,901 million in 2010, compared to an attributable profit of HK$1,821 million in 2009.

In May, the Swire Pacific Group sold its interest in Hactl, generating a profit on disposal attributable to the Group of HK$825 million. At the same time, Cathay Pacific sold its 10% interest in Hactl generating a profit on disposal of HK$328 million, of which HK$138 million is attributable to Swire Pacific. The sale of these interests followed an undertaking given by Cathay Pacific to the Airport Authority of Hong Kong in 2008 that it would dispose of its entire interest in Hactl following the award of a franchise to operate a new air cargo terminal at Hong Kong International Airport ("HKIA").

In June, Swire Pacific acquired the remaining 15% interest which Cathay Pacific had in HAECO, for a consideration of HK$2,620 million. As a result, Swire Pacific's interest in HAECO increased from 45.96% to 60.96%, giving Swire Pacific majority control of HAECO. In accordance with the Hong Kong Code on Takeovers and Mergers, Swire Pacific subsequently made a mandatory unconditional general offer for the shares in HAECO which it did not own, at the same price per share (HK$105) as that at which Cathay Pacific's remaining interest in HAECO was acquired. Shareholders holding 14.89% of the issued share capital of HAECO accepted the general offer, with the result that, at the close of the general offer, Swire Pacific held 75.85% of the issued share capital of HAECO. Following the close of the general offer, Swire Pacific disposed of shares amounting to 0.86% of the issued share capital of HAECO, so reducing Swire Pacific's percentage holding of such share capital to 74.99%. This disposal was made in the light of the requirement under the Hong Kong Stock Exchange Listing Rules that not less than 25% of the issued share capital of HAECO must be in public hands.

A gain of HK$2,547 million was recorded on the remeasurement of Swire Pacific's previously held interest in HAECO to fair value.

In November a gain of HK$868 million was recorded on the deemed disposal of part of Cathay Pacific's interest in Air China. The deemed disposal occurred because Air China issued some new shares, an issue in which Cathay Pacific was not permitted to participate.


NETWORK
COVERAGE
HONG
KONG

Cathay Pacific
Cathay Pacific Freighter
Dragonair
Air Hong Kong

Cathay Pacific Group

2010 Results Summary

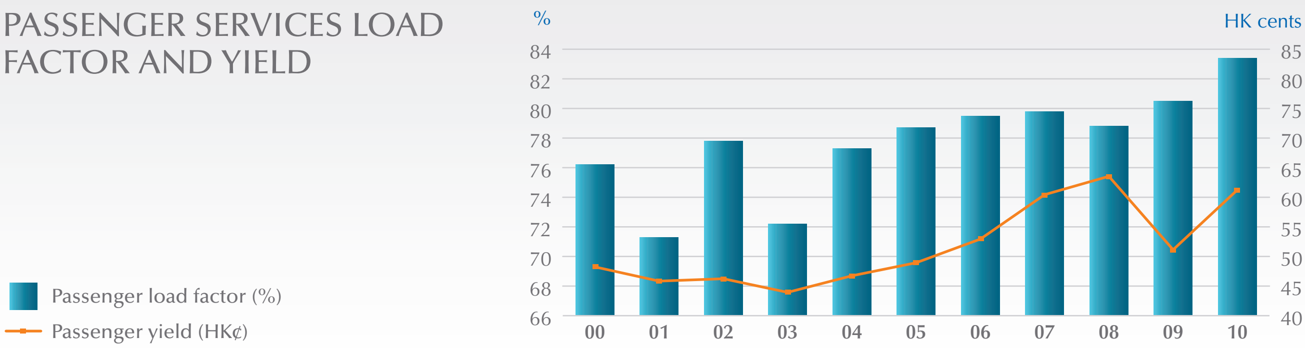
The Cathay Pacific group's attributable profit was HK$14,048 million in 2010, compared to a profit of HK$4,694 million in 2009. Turnover for the year rose by 34% to HK$89,524 million.

The Cathay Pacific Group's business began to recover from the global economic downturn in the latter part of 2009. Momentum was sustained throughout 2010. The passenger and cargo businesses both performed very well, with consistently strong loads and significant increases in revenues. Cathay Pacific also benefited significantly from the very strong profits earned by its associated company, Air China, which contributed HK$2,482 million to the 2010 result.

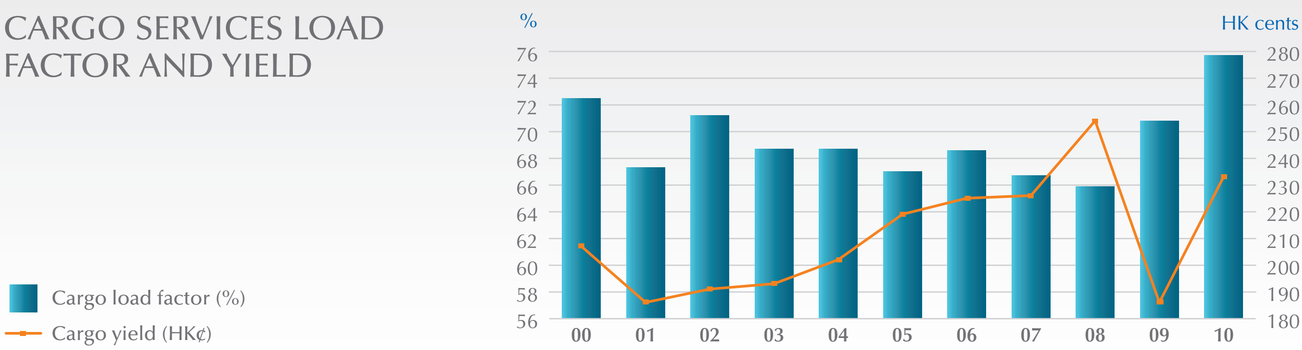
The 2010 results were adversely affected by exceptional charges relating to anti-trust investigations and proceedings. These charges include a specific provision of HK$618 million in respect of a decision by the European Commission, which is being appealed, to impose a fine on Cathay Pacific. The total cost of fuel, which remains the airlines' largest single cost, representing 36% of total operating costs, increased by 40% excluding the effect of fuel hedging. The increase reflected both higher prices and increased operations. Managing the risk associated with fuel price changes is a key challenge. The group's fuel hedging activities resulted in a reported loss of HK$41 million in 2010, while unrealised mark-to-market gains of approximately HK$1 billion have been recognised in reserves. These gains will, depending on intervening movements in the price of oil, be released to the profit and loss account in 2011 and 2012 as the underlying contracts mature.

Upon completion in 2013, the new HK$5.5 billion Cathay Pacific Cargo Terminal will be one of the most advanced cargo terminals in the world.

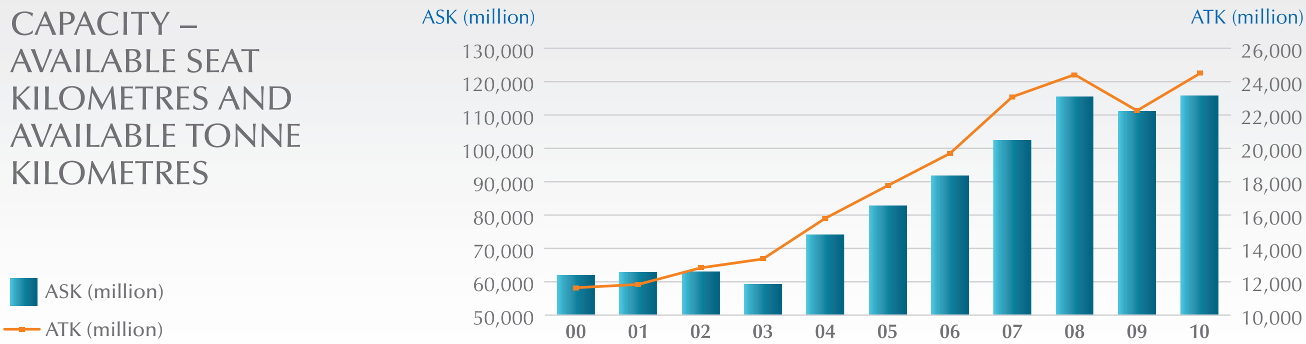
PASSENGER SERVICES LOAD FACTOR AND YIELD



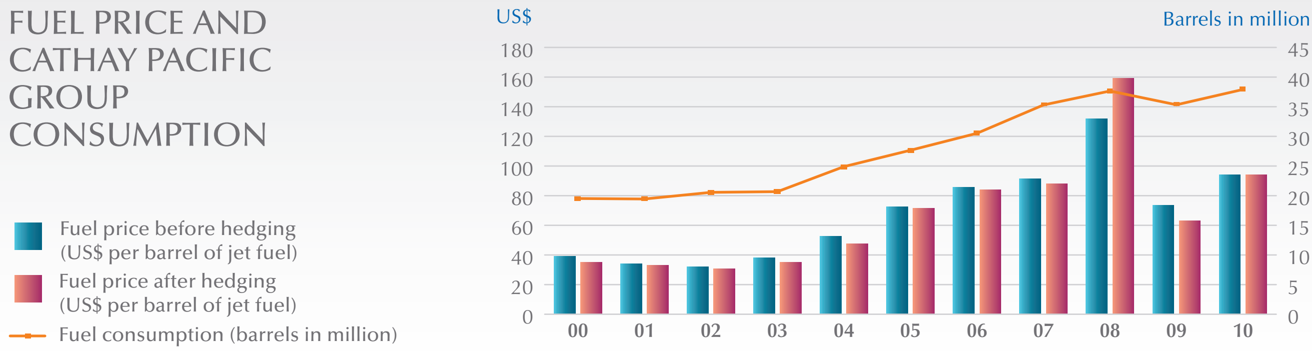
CARGO SERVICES LOAD FACTOR AND YIELD



CAPACITY – AVAILABLE SEAT KILOMETRES AND AVAILABLE TONNE KILOMETRES



FUEL PRICE AND CATHAY PACIFIC GROUP CONSUMPTION



First Class passengers of Cathay Pacific enjoy a superb and dedicated service at check-in.

Passenger Services

Passenger turnover increased by 29% to HK$59,354 million, primarily as a result of increased traffic originating in Hong Kong. Yield increased by 20% as a result of an increase in demand for premium class seats and higher fares for all classes of seats. Revenue passenger kilometres increased by 8%, compared with a 4% increase in available seat kilometres. The passenger load factor increased by 3% points to 83.4%. The number of passengers carried increased by 9% to 26.8 million.

Cathay Pacific launched services to two new destinations in 2010, Milan and Moscow. It also added 22 destinations to its network through codeshare arrangements. Dragonair added a new service to Hongqiao in Shanghai, restored services to Fukuoka and Sendai in Japan and added Okinawa to its network.

Cargo

Cathay Pacific and Dragonair

Cargo turnover increased by 50% to HK$25,901 million. Cargo demand in all key markets was strong, and especially so in the peak season of October and November. Demand on the North American and European routes was consistently strong, assisted by new product launches in the consumer sector. The regional network in Asia remained buoyant, with the Pearl River Delta region continuing to be the principal source of growth. The strength of demand was reflected in an 18% increase in cargo tonnes carried and a 25% increase in yield to HK$2.33. Annual cargo capacity increased by 15% compared with a 23% increase in cargo and mail revenue tonne kilometres. This resulted in a 5% points increase in the cargo and mail load factor to 76%.

The cargo network benefited from the expansion of the passenger network. Load factors and utilisation in passenger aircraft bellies were high.

A round-the-world freighter service was launched in July, flying eastwards to Chicago, and then on to Amsterdam and Dubai before flying back to Hong Kong.

FLEET PROFILE*

	Number as at 31st December 2010				Firm orders				Expiry of operating leases							
		Leased														
Aircraft type	Owned	Finance	Operating	Total	'11	'12	'13 and beyond	Total	'11	'12	'13	'14	'15	'16 and beyond	Options	Purchase rights
Aircraft operated by Cathay Pacific:																
A330-300	11	15	6	**32**	3	4		**7**					2	4		
A340-300	6	5	4	**15**					4							
A350-900							32[(a)]	**32**							10[(b)]	
747-400	17		5	**22**						2			2	1		
747-400F	3	3		**6**												
747-400BCF	6	1	5	**12**							3	1		1		
747-400ERF		6		**6**												
747-8F					6	4		**10**								
777-200	4	1		**5**												
777-300	3	9		**12**												
777-300ER	2	7	9	**18**	6	5	7	**18**						9		20[(c)]
Total	52	47	29	**128**	15	13	39	**67**	4	2	3	1	4	15	10	20
Aircraft operated by Dragonair:																
A320-200	5		6	**11**										6		
A321-200	2		4	**6**										4		
A330-300	4	1	9	**14**					1	3	3			2		
Total	11	1	19	**31**					1	3	3			12		
Aircraft operated by Air Hong Kong:																
A300-600F	2	6		**8**												
Grand total	**65**	**54**	**48**	**167**	**15**	**13**	**39**	**67**	**5**	**5**	**6**	**1**	**4**	**27**	**10**	**20**

* Includes parked aircraft. The acquisition of 15 Airbus A330-300s and 10 Boeing 777-300ERs is not included in the fleet profile as the acquisition was made after the year end date.
(a) Including two aircraft on 12-year operating leases.
(b) Options to be exercised no later than 2016 for A350 family aircraft.
(c) Purchase rights for aircraft delivered by 2017.

AHK Air Hong Kong ("AHK")

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

AHK achieved a moderate increase in profit in 2010 to HK$433 million. Capacity increased by 7%, the load factor improved by 3% points and yield increased by 2%.

Air China Cargo

A new cargo joint venture with Air China is expected to begin operations shortly, enabling Cathay Pacific to exploit air cargo opportunities in the important Yangtze River Delta region. As part of the joint venture arrangements, Cathay Pacific is selling four Boeing 747-400BCF converted freighters and two spare engines to the joint venture.

Dragonair, which celebrated its 25th anniversary in 2010, has become one of the most recognised brands in the Asia Pacific region.

Fleet size

Cathay Pacific and Dragonair

The total fleet size increased by four to 159 at 31st December 2010.

Cathay Pacific took delivery of five new aircraft in 2010, comprising four Boeing 777-300ERs and one Airbus A330-300.

Dragonair took delivery of two Airbus A320s in 2010. It also dry-leased two Airbus A330-300s transferred from Cathay Pacific to replace two of its own A330s when they were returned to their lessors.

In August 2010 Cathay Pacific announced the airline's biggest-ever single order of 36 aircraft including 30 new A350-900s. In March 2011 Cathay Pacific announced the acquisition of a further 25 aircraft.

By July, Cathay Pacific had brought back into service all five of its Boeing 747-400BCF freighters which had been parked in the desert during the downturn.

A Boeing 747-400BCF freighter was sold to Air China Cargo in November and another three such freighters will be sold in 2011 and 2012.

One of Cathay Pacific's Boeing 747-400BCF freighters was wet-leased to Air Hong Kong.

One of Cathay Pacific's two Boeing 747-400 passenger aircraft parked in the desert was brought back into service in December to increase capacity during a period of peak seasonal demand. The other parked Boeing 747-400 has been retired from the fleet. The airline still has four Airbus A340-300s in the desert. These will be returned to their lessors in due course.

Cathay Pacific is scheduled to take delivery of 15 new aircraft in 2011, three A330-300s, six Boeing 777-300ERs and six Boeing 747-8F freighters. Deliveries of the freighters are due to commence in August.

In August Cathay Pacific announced its biggest-ever aircraft order, of 30 A350-900s, to be delivered between 2016 and 2019, and of six more Boeing 777-300ERs. In December, a further two Airbus A350-900s were ordered. In March 2011 Cathay Pacific announced the acquisition of 15 new Airbus A330-300 aircraft and ten new Boeing 777-300ER aircraft. Cathay Pacific is also in discussions which, if successfully concluded, will result in the acquisition of 14 further aircraft.

At 31st December 2010, the Cathay Pacific group had a total of 67 aircraft on firm order, of which 15 will arrive in 2011.

2011 Outlook

Cathay Pacific and Dragonair

The rapid turnaround in the airlines' business from the lows of 2008 and much of 2009 to the record highs of 2010 is very welcome. It is also indicative of the volatile nature of the aviation business. The results of the airlines would be adversely affected, and very quickly so, by a return to recessionary economic conditions. Demand is at present expected to remain strong in 2011, but this expectation could be undermined if the current, or any higher, level of oil prices were to reduce global economic activity. Capacity will increase with the introduction of new destinations and increased frequencies. If Cathay Pacific's expectation as to demand is met, revenues will increase in line with capacity. Fuel costs are higher than was expected at the beginning of 2011. Other operating costs are expected to increase, some at a faster rate than revenue. With regard specifically to fuel, increased oil prices can be expected to have a significant adverse effect on profitability if they are not recovered through higher tariffs or fuel surcharges or if the effect of their being so recovered is to reduce demand significantly. 2011 will see significant expenditure on aircraft interiors and airport lounges, undertaken with a view to enhancing the quality of service, and on information technology.

Air China

Air China, in which Cathay Pacific holds an 18.7% interest, is Mainland China's national flag carrier and a leading provider of passenger, cargo and other airline related services, serving 91 domestic and 47 international, including regional, destinations.

The Cathay Pacific group's share of Air China's profit is based on accounts drawn up three months in arrear and consequently the 2010 annual results include Air China's results for the 12 months ended 30th September 2010.

The Cathay Pacific group recorded a profit of HK$2,482 million from Air China. In an announcement made on 13th January 2011 about its expected results for 2010, Air China made the following statement. "In 2010, benefiting from the rapid growth of the macro-economy of China and the steady recovery of the global economy, the Company was able to seize the market opportunity of a strong demand for both passenger and cargo transportation services. The Company achieved a substantial increase in its operating profit for the year of 2010 through active production organisation, effective marketing and further exploration of its cost potential. In addition, we increased our shareholding in Shenzhen Airlines Company Limited becoming its controlling shareholder, the synergy created by which also contributed to the improvement of the annual results of the Company."

Other Operations

Cathay Pacific Catering Services group ("CPCS")
CPCS, a wholly-owned subsidiary of Cathay Pacific, operates six flight kitchens in Asia and North America. CPCS produced 23 million meals in 2010 and this accounted for 65% of the airline catering market in Hong Kong. Business volume increased by 10% from 2009, reflecting the recovery in aviation traffic. The increase in the volume of sales, coupled with effective control of operating costs, resulted in an improved profit margin.

Business volume and profits at the flight kitchens in Asia (outside Hong Kong) improved over 2009. However, the Canadian operations showed a deficit in 2010. Operating costs, particularly of labour, were high and margins contracted.

Hong Kong Airport Services ("HAS")
HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at HKIA.

HAS has a 50% market share in ramp handling business at Hong Kong International Airport. In a highly competitive market, the number of customers for passenger handling dropped to 13 from 17 in 2010. Some new customers were gained despite the overall loss of customers.

Operating costs were affected by a tight labour market and HAS was unable to pass on increased costs to customers. The 2010 results of HAS were disappointing.

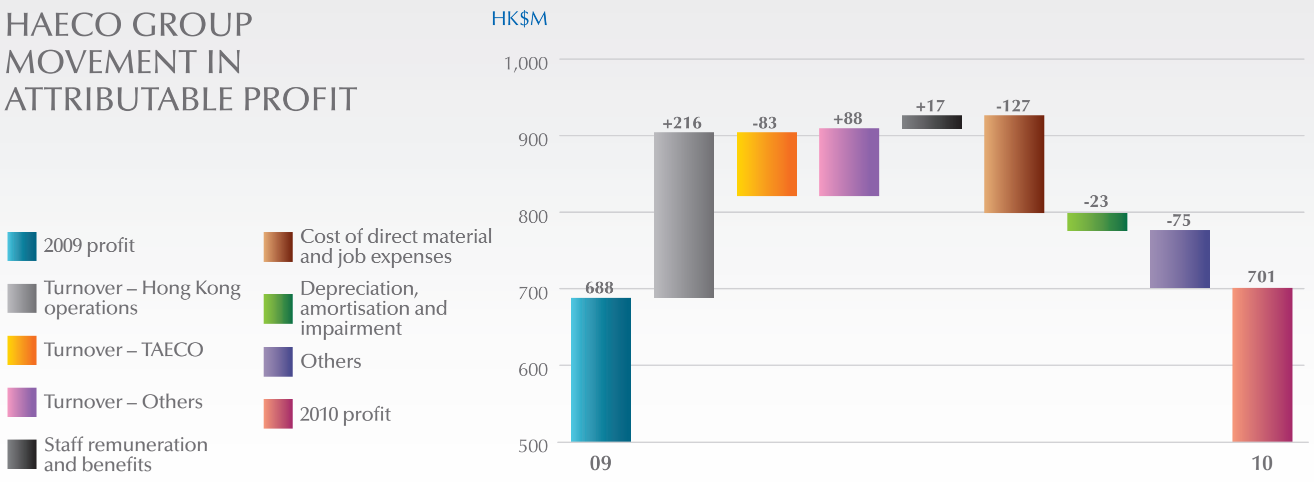
Tony Tyler
John R Slosar

HAECO celebrated its 60th anniversary in 2010 and became a subsidiary of Swire Pacific.

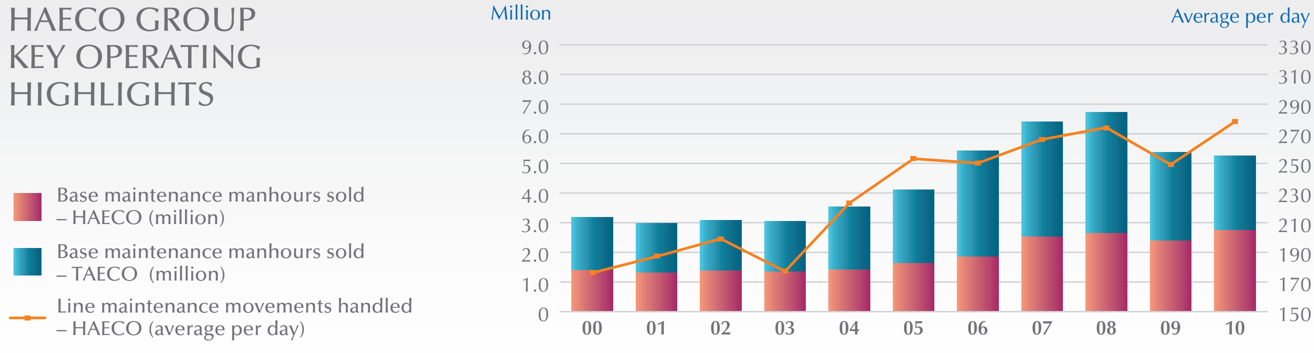
HAECO GROUP FINANCIAL HIGHLIGHTS

	2010 HK$M	2009 HK$M	Change %
Turnover			
HAECO	**2,966**	2,750	+8%
TAECO	**1,177**	1,260	-7%
Others	**123**	35	+251%
Net operating profit	**389**	380	+2%
Profit attributable to the Company's shareholders			
HAECO	**327**	227	+44%
TAECO	**53**	106	-50%
Share of profit/(loss) of:			
HAESL and SAESL	**380**	363	+5%
Other jointly controlled companies	**(59)**	(8)	-638%
Total	**701**	688	+2%
Swire Pacific Share	**442**	314	+41%

HAECO GROUP MOVEMENT IN ATTRIBUTABLE PROFIT



HAECO GROUP KEY OPERATING HIGHLIGHTS



Hong Kong Aircraft Engineering Company ("HAECO")

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

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

In 2010, HAECO celebrated the 60th anniversary of its commencement of operations in Hong Kong. During the year, HAECO organised a number of events and activities to communicate its past successes to staff and customers. These successes were largely due to the commitment, reliability and hard work of HAECO's professional work force. HAECO will continue to spend significant amounts on training and systems with a view to improving operational efficiency.

2010 Results Summary

The HAECO group's profit attributable to shareholders was HK$701 million in 2010, little changed from the corresponding figure (HK$688 million) for 2009. As expected, 2010 was a mixed and challenging year. The results of TAECO were adversely affected by reductions in demand for airframe heavy maintenance and for Boeing 747 passenger to freighter conversions. The new joint ventures in Mainland China suffered from start-up losses as expected. On the other hand, demand for line and heavy maintenance services in Hong Kong was strong, reflecting the general recovery in the aviation business. The results of HAESL and SAESL benefited from a stronger than expected recovery in demand for engine overhaul services, especially in the second half of the year.

HAECO
Manhours sold by HAECO for heavy maintenance increased from 2.39 million in 2009 to 2.74 million in 2010. Demand was strong and the opening of a third hangar at HKIA in September 2009 enabled HAECO to meet the increased demand.

Demand for HAECO's line maintenance services in Hong Kong increased with the increase in aircraft movements at HKIA. The average daily number of aircraft movements handled by HAECO increased by 12% to 278 per day in 2010 from 2009.

HAECO's operating expenses increased by 3% to HK$2,640 million, in line with the growth in business.

TAECO provides extensive technical training to staff.

TAECO
TAECO's facilities were severely under-utilised in 2010. Manhours sold for heavy maintenance decreased from 2.98 million in 2009 to 2.52 million in 2010. The passenger to freighter conversion business remained weak, with only three Boeing 747-400 aircraft being converted during the year.

TAECO's operating expenses decreased by 0.4% to HK$1,106 million.

HAESL and SAESL
HAESL recorded a 1% increase in profit to HK$712 million, assisted by a faster than expected recovery in regional airline activity. The return to service of parked Cathay Pacific B747-400 aircraft resulted in increased work in the second half of 2010. SAESL reported a 27% growth in profit in 2010.

Significant Developments

TAECO is constructing its sixth double bay wide body hangar. It is due to open in mid-2011.

HAESL is constructing a 13,500 square metre extension to its existing component repair facilities. The extension is expected to commence operations in mid 2011.

Taikoo Sichuan Aircraft Engineering Services Company opened its first hangar in August 2010. It is planned to start construction of a second hangar shortly, with opening scheduled for the middle of 2012.

2011 Outlook

Assuming continued strength in the aviation industry generally, demand for HAECO's heavy and line maintenance services in Hong Kong is expected to remain strong in 2011. HAESL is also expected to perform well. TAECO's base maintenance operations are expected to recover modestly. The joint ventures in Mainland China are expected to be adversely affected by continued start up losses and by inflation and increased competition.

Augustus Tang


Bonaqua
Minute Maid
美粒果
果粒橙

With bottling plants in Mainland China, Hong Kong, Taiwan and the USA, Swire Beverages is a strategic partner to Coca-Cola.

DELIVERING ENJOYMENT TO MORE PEOPLE

BEVERAGES DIVISION

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

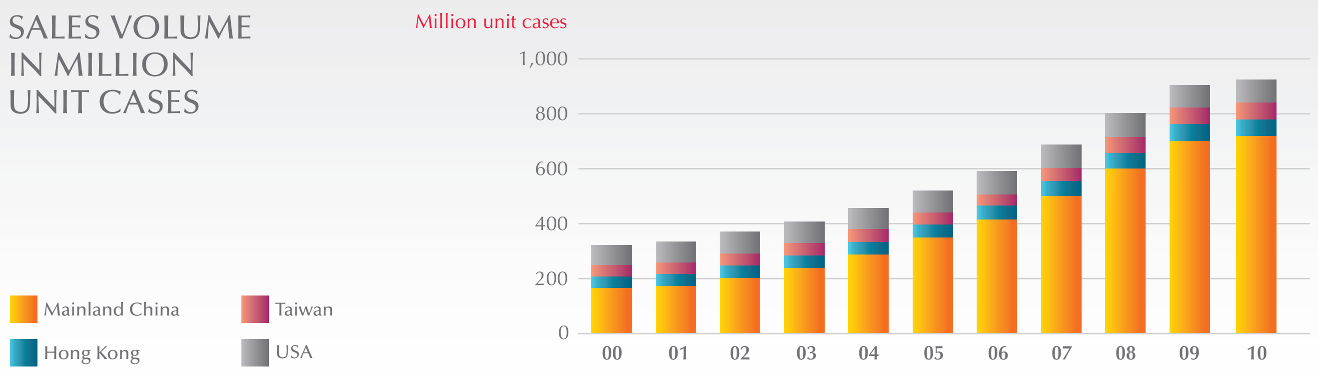
	2010 HK$M	2009 HK$M
Turnover	**8,553**	8,399
Operating profit	**618**	619
Share of post-tax profits from jointly controlled and associated companies	**334**	381
Attributable profit	**699**	753

Segment information

	Turnover		Attributable Profit	
	2010 HK$M	2009 HK$M	**2010 HK$M**	2009 HK$M
Mainland China*	**1,523**	1,446	**203**	274
Hong Kong	**1,882**	1,904	**173**	179
Taiwan	**1,561**	1,489	**48**	46
USA	**3,587**	3,560	**250**	247
Central costs	**–**	–	**25**	7
	8,553	8,399	**699**	753

* Mainland China turnover is attributable mainly to the Fujian Coca-Cola franchise. The division also has jointly controlled interests in six franchises in Mainland China, the total turnover of which was HK$11,942 million (2009: HK$11,256 million). The division has an associated interest in a manufacturing company that supplies still beverages to all Coca-Cola franchises in Mainland China, the turnover of which, excluding sales to the seven franchises, was HK$4,287 million (2009: HK$3,084 million). The sales volume for Mainland China shown in the chart below represents sales in the seven franchises only.

SALES VOLUME IN MILLION UNIT CASES



With a powerful distribution platform in Mainland China, Coca-Cola products are enjoyed by a franchise population of over 413 million.

2010 Results Summary

The Beverages Division made an attributable profit of HK$699 million, a 7% decrease from 2009. The decrease principally reflected a weaker performance in Mainland China. The results include a profit on the sale of long-term investments of HK$40 million.

Overall sales volume grew by 2% to 923 million unit cases, compared with growth of 13% in 2009.

A significant increase in sugar costs, especially in Mainland China, adversely affected raw material costs. Competitive pressures resulted in increased promotional activity and made it difficult to recover increased costs by increasing prices.

Mainland China

2010 Results

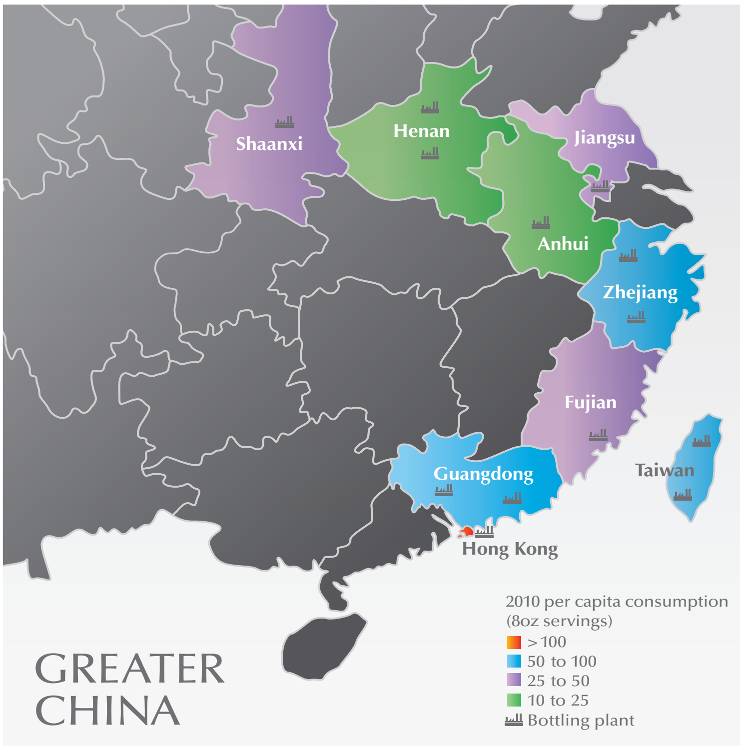
Attributable profit from the Mainland China operations was HK$203 million, a 26% decrease from 2009. Overall sales volume grew by 3%, with sales of still beverages growing strongly and those of sparkling beverages declining. Sales growth continued to be stronger in the inland provinces, primarily Anhui and Henan (where economic growth was very strong), than in the coastal provinces. Sales in Guangdong province in particular were disappointing.

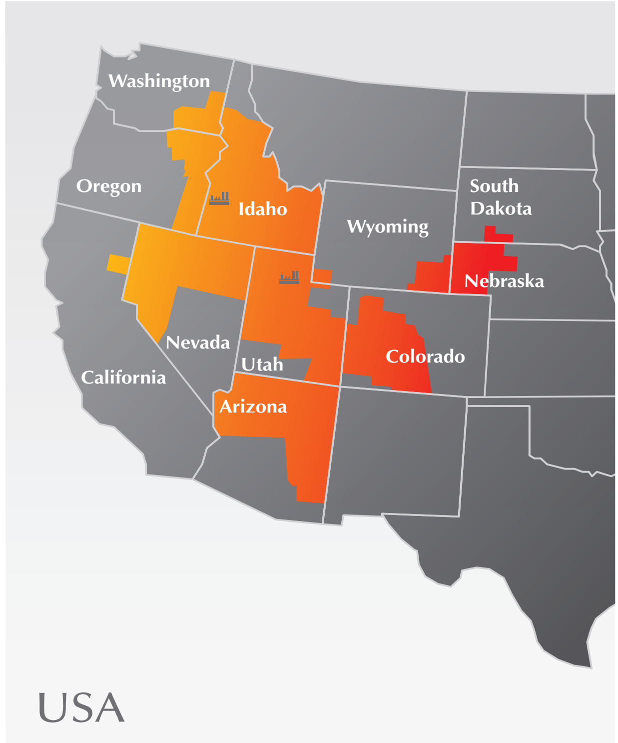
Sales of sparkling beverages declined by 5% by volume. Sales of large bottles in particular were adversely affected by increased competition. Sales of still beverages increased by 16% by volume. As in 2009, sales of Minute Maid juices were particularly strong. The Minute Maid Pulpy Super Milky brand consolidated its position following its successful launch in 2009, with flavour and packaging extensions. The volume of sales of Nestea and Yuan Ye teas declined as a result of aggressive promotional pricing of competing brands.

Sales of packaged bottled water increased by 14% by volume.

Margins declined in Mainland China, reflecting the need to respond to promotional pricing by competitors, a less favourable sales mix and higher raw material costs, particularly of sugar. The average purchase price of sugar was RMB5,350 per tonne in 2010 compared to RMB3,700 per tonne in 2009.

FRANCHISE TERRITORIES

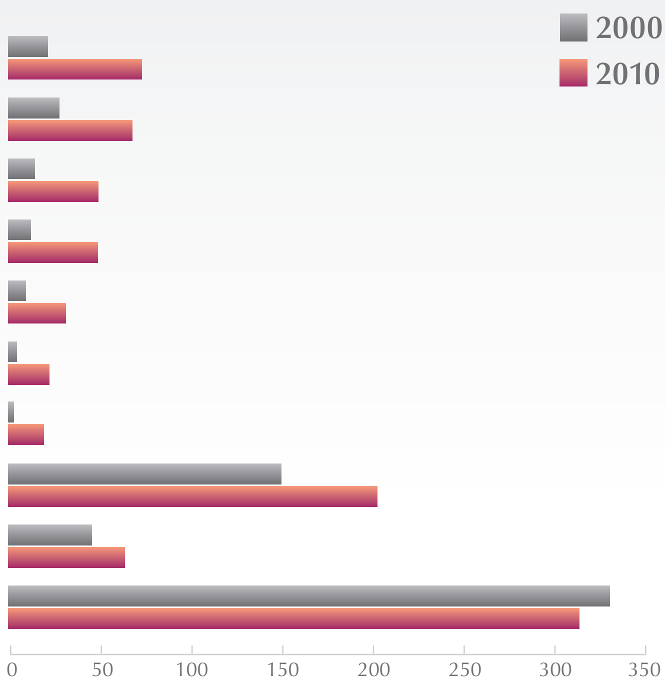




PER CAPITA CONSUMPTION IN FRANCHISE TERRITORIES

	Population (millions)	GDP per capita (US$)	Sales volume (million unit cases) 2010	Sales volume (million unit cases) 2000
Mainland China				
Zhejiang	48.0	7,726	**145**	36
Guangdong	66.8	8,076	**189**	55
Fujian	36.5	5,412	**74**	18
Jiangsu	55.9	5,983	**114**	24
Shaanxi	37.8	3,738	**50**	12
Henan	100.0	3,597	**93**	14
Anhui	68.4	2,907	**54**	6
Hong Kong	7.1	31,928	**60**	43
Taiwan	23.2	19,805	**62**	40
USA	6.2	41,785	**82**	74

Per capita consumption of Coca-Cola beverages (8oz servings)



Heavy rain and floods in several provinces adversely affected sales in the first half of the year. Competition was intense and additional promotional activities were required to maintain market share.

Hong Kong

2010 Results

Attributable profit from the Hong Kong operations was HK$173 million, a 3% decrease from 2009. Overall sales volume was steady, compared with a total market decline of 3%. Sales through supermarkets were depressed in the first half of the year, as consumers bought fewer bulky items, such as packs of canned beverages, after the introduction of a plastic bag levy.

Sales of both sparkling and still beverages were little changed. Coca-Cola and Minute Maid continued to be the market leaders in sparkling and juice drinks respectively.

Sales of Bonaqua water increased by 8% by volume. The new light-weight "twist" bottles were well received. Bonaqua remained the market leader in packaged water.

Margins declined, reflecting the need to respond to promotional pricing by competitors and a less favourable sales mix. The effect on margins of increased sugar costs was partially offset by reductions in other raw material costs and tight controls on variable costs.

Record tourist arrivals and a recovery in local consumer confidence were reflected in improved sales in restaurants and entertainment outlets. Sales for home consumption were less strong.

Taiwan

2010 Results

Attributable profit from the Taiwan operations was HK$48 million, a 4% increase from 2009. During the year the remaining 20% share of the Taiwan operation was acquired, resulting in an additional contribution to attributable profit of HK$6 million. Overall sales volume grew by 2%, reflecting the introduction of new products and packaging.

The Taiwan economy recovered strongly in 2010. However, consumers remained cautious.

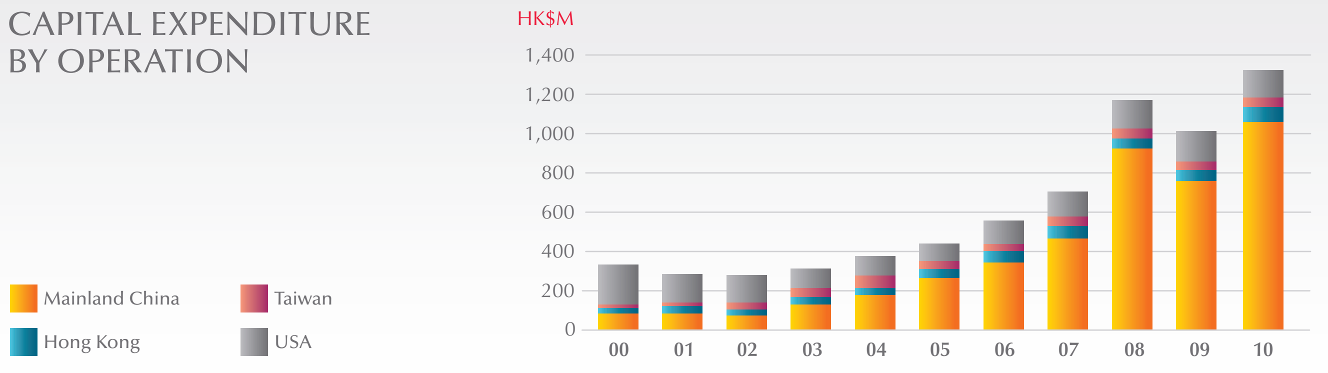
Swire Beverages bottles and distributes a variety of Coca-Cola products.

Sales of sparkling beverages grew by 1% by volume, principally reflecting growth in sales of Coca-Cola and Sprite. Sales of still beverages grew 1% by volume, principally reflecting the introduction of Sokenbicha, a Japanese-style blended tea. Sales of juices fell, though Minute Maid continued to be the market leader.

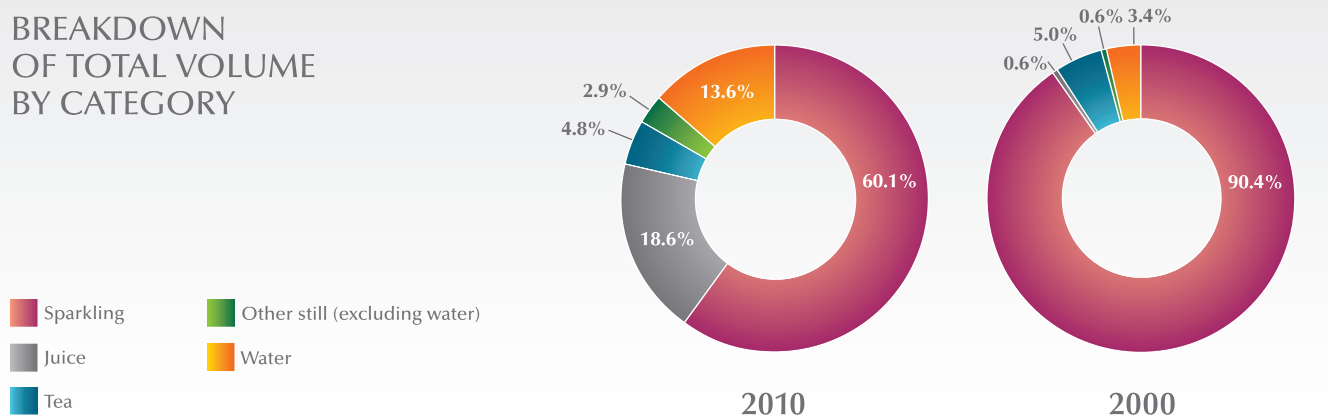
Sales of Bonaqua water increased by 67% by volume. This reflected aggressive promotion and pricing of the new light-weight "twist" bottles in supermarkets.

Margins declined, reflecting the need to respond to promotional pricing by competitors and a less favourable sales mix. Commodity prices increased in the second half of the year. Operating costs were higher due to the restructuring costs incurred.

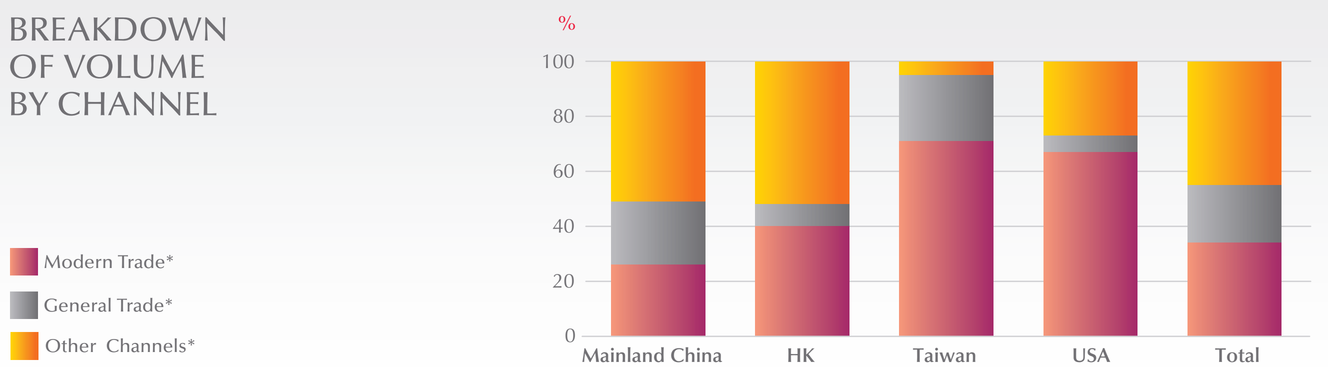
CAPITAL EXPENDITURE BY OPERATION



BREAKDOWN OF TOTAL VOLUME BY CATEGORY



BREAKDOWN OF VOLUME BY CHANNEL



* Please refer to Glossary on page 196 for definition.

USA

2010 Results

Attributable profit from the US operations was HK$250 million, a 1% increase from 2009. Overall sales volumes were little changed, with a 11% increase in sales of still beverages offsetting a 1% decline in sales of sparkling beverages and a 4% decline in sales of water.

The growth of sales of still beverages reflected improved tea, coffee and energy drink volumes. The decline in sales of water reflected pricing pressure from competitors.

Pricing in hypermarkets and supermarkets was under severe pressure in the middle of the year. This resulted in a sharp fall in margins despite more favourable raw material costs and tight controls on operating costs.

High unemployment and the weak housing market continued to affect consumer confidence. Cool summer weather adversely affected peak season volumes.

2011 Outlook

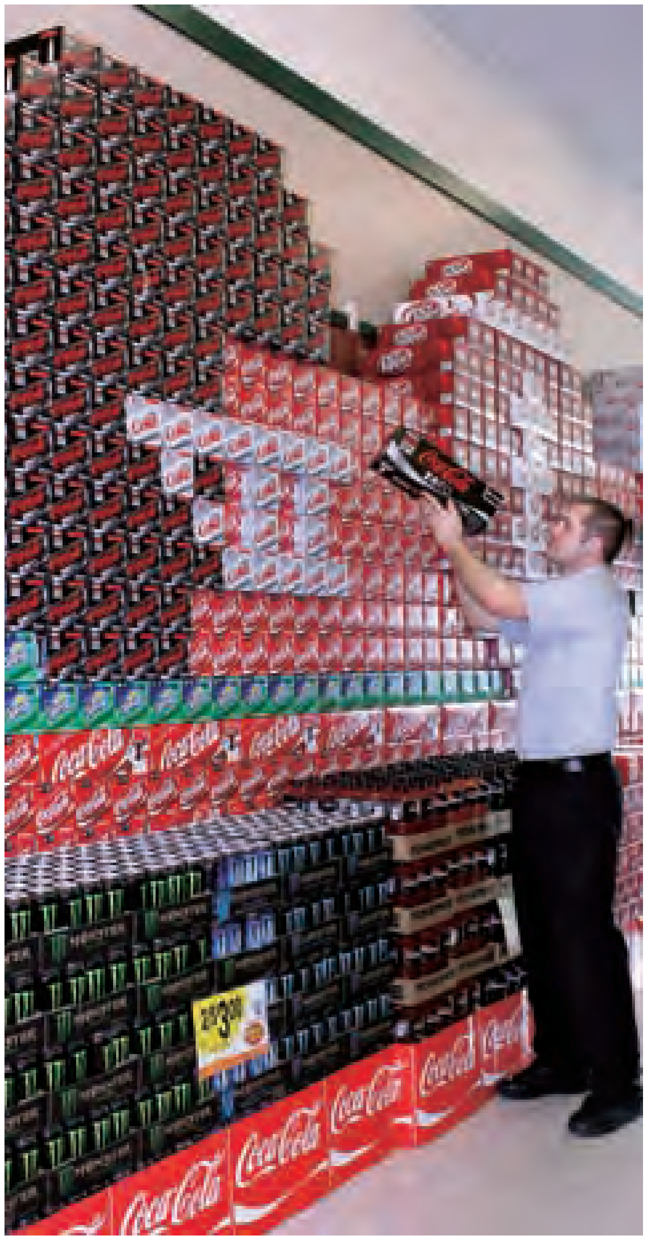
The Mainland China economy is expected to remain strong in 2011. However, inflation in food prices is starting to affect discretionary consumer spending. This may in turn affect demand for soft drinks. Market conditions in the USA are expected to remain relatively weak, with consumers remaining very price conscious. The Hong Kong and Taiwan markets have potential for growth in sales in the first half of 2011 assuming improved weather.

The cost of major raw materials is expected to increase, especially that of sweeteners in Mainland China and plastic bottles. Efficient production and purchasing will offset part of the increase in costs. It is intended to take measures designed to enhance revenues in all markets, with a focus on the best mixes of products and packages and on selective price increases.

Swire Beverages will continue to concentrate on the development of rural markets in Mainland China with investment in distribution and cold drink equipment.

In January 2011 a joint venture agreement was entered into with The Campbell Soup Company. The business of the joint venture is the manufacture, sale and distribution of soup and broth products in Mainland China.

Geoff L Cundle



Swire Coca-Cola USA operates distribution centres in 11 western states.

ADVANCING SERVICES AT SEA

Swire Pacific Offshore's vessels provide offshore support services to the oil and gas industry.

Photographer – Capt. John Silberberg

MARINE SERVICES DIVISION

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

	2010 HK$M	2009 HK$M
Swire Pacific Offshore group		
Turnover	**3,046**	3,892
Operating profit	**732**	1,594
Attributable profit*	**709**	1,559
* Including post-tax profits from the jointly controlled companies shown below.		
Share of post-tax profits from jointly controlled companies		
Swire Pacific Offshore group	**–**	3
HUD group	**82**	78
	82	81
Attributable profit	**791**	1,637

	2010	2009
Fleet size (number of vessels)		
Swire Pacific Offshore group	**75**	70
HUD group – Hongkong Salvage & Towage	**17**	17
Total	**92**	87

2010 Results Summary

The attributable profit of the Marine Services Division was HK$791 million, a decrease of 52% from 2009.

Swire Pacific Offshore group

2010 Results

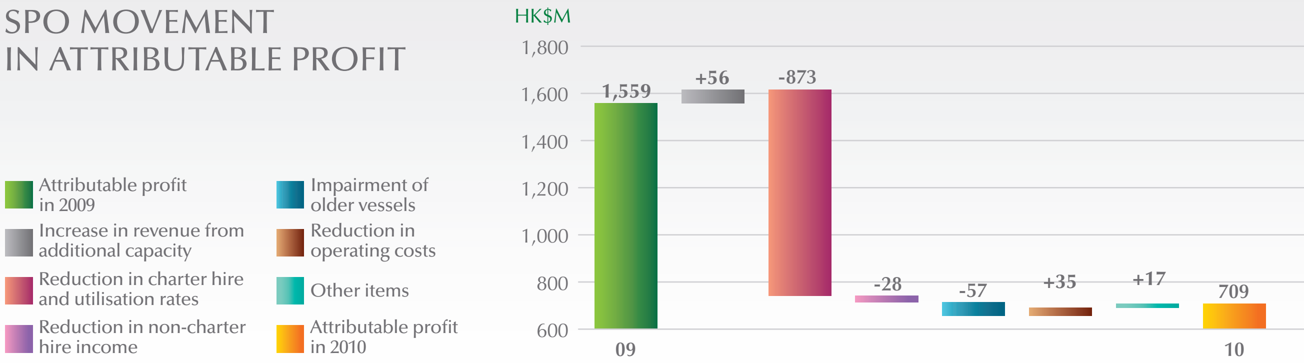
SPO reported an attributable profit of HK$709 million, a decrease of 55% compared to 2009.

During the year, six new vessels were delivered, consisting of three V-class 8,810 brake horse power ("BHP") anchor handling tug supply ("AHTS") vessels and three P-class 4,800 BHP AHTS vessels. One seismic survey vessel was sold to a dismantling yard. As a result, the fleet size at 31st December 2010 increased to 75 vessels.

The offshore market in all regions where SPO operates was very challenging in 2010. Despite recovery in demand in 2010 as oil prices and offshore activity increased, charter hire rates and utilisation remained under pressure throughout the year. This primarily reflected the large number of new vessels, ordered when demand was at its previous peak, which entered the market.

The average fleet utilisation during the year was 80%, nine percentage points lower than in 2009. Average daily charter hire rates were 19% less than in 2009, with total charter hire revenue in 2010 falling by 23%.

SPO MOVEMENT IN ATTRIBUTABLE PROFIT



SPO FLEET SIZE GROWTH

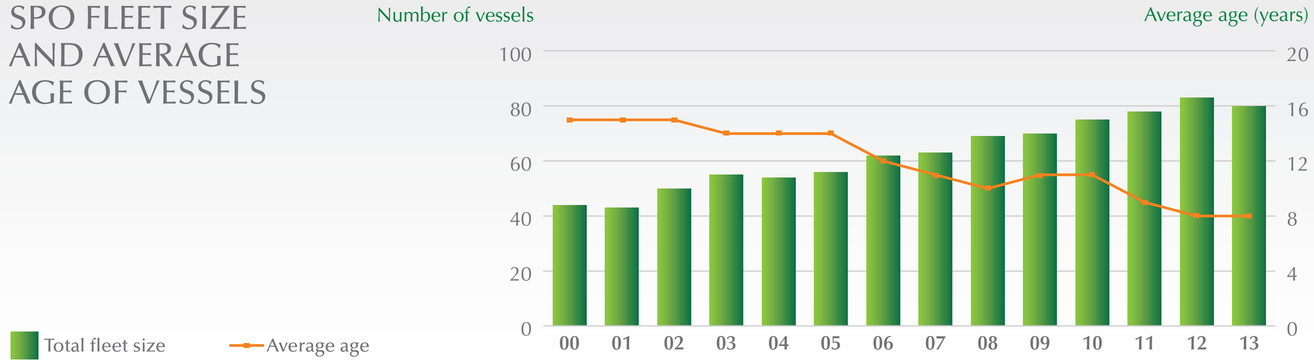
Vessel class	Brake horse power	2009	Vessels in operation Additions	Disposals	Year-end	Vessels on order expected to be received in: 2011	2012	2013
			2010	2010	2010			
Anchor Handling Tug Supply Vessels								
J-class	2,600-4,200	11	–	–	11	–	–	–
T-class	3,600	4	–	–	4	–	–	–
P-class	4,800	8	3	–	11	5	–	–
S-class	5,440	4	–	–	4	–	–	–
6000 series	6,000-6,500	2	–	–	2	–	–	–
UT704	7,040-9,000	2	–	–	2	–	–	–
R-class	7,200	8	–	–	8	–	–	–
V-class	8,810	7	3	–	10	–	–	–
W-class	10,800	8	–	–	8	–	–	–
B-class	12,240	6	–	–	6	–	–	–
C-class*	16,310	–	–	–	–	1	3	–
D-class	18,250	–	–	–	–	–	3	1
Platform Supply Vessels								
A-class	6,310	5	–	–	5	–	–	–
Ice Breaking Supply Vessels								
E-class	23,170	2	–	–	2	–	–	–
Seismic and Hydrographic Survey Vessels								
Survey	2,600-6,400	3	–	1	2	1	–	–
Accommodation Barges								
I-class		–	–	–	–	1	1	–
Wind Farm Installation Vessels**		–	–	–	–	–	2	–
		70	6	1	75	8	9	1

* Orders placed in February 2011, including one vessel delivered in February 2011.
** Includes one vessel ordered in March 2011.

SPO PROFILE OF CAPITAL COMMITMENTS

	Expenditure 2010 HK$M	Forecast year of expenditure 2011 HK$M	2012 HK$M	2013 HK$M	Commitments at 31st Dec 2010 HK$M
Vessels	**1,287**	1,714	1,736	123	3,573
Other fixed assets	**41**	27	–	–	27
Total	**1,328**	1,741	1,736	123	3,600

SPO FLEET SIZE AND AVERAGE AGE OF VESSELS



SPO LOST TIME INJURY RATES

* Refer to Glossary on page 196 for definition. The injury rate data for 2000 to 2009 has been revised to conform to that used in the Swire Pacific 2009 Sustainable Development Report.

Non-charter hire income fell by HK$28 million due to a reduction in mobilisation and demobilisation fees earned on moving vessels to their location of hire.

Total operating costs fell by HK$35 million. However, an impairment charge of HK$57 million was recognised on the write-down in the value of a number of older vessels at 31st December 2010.

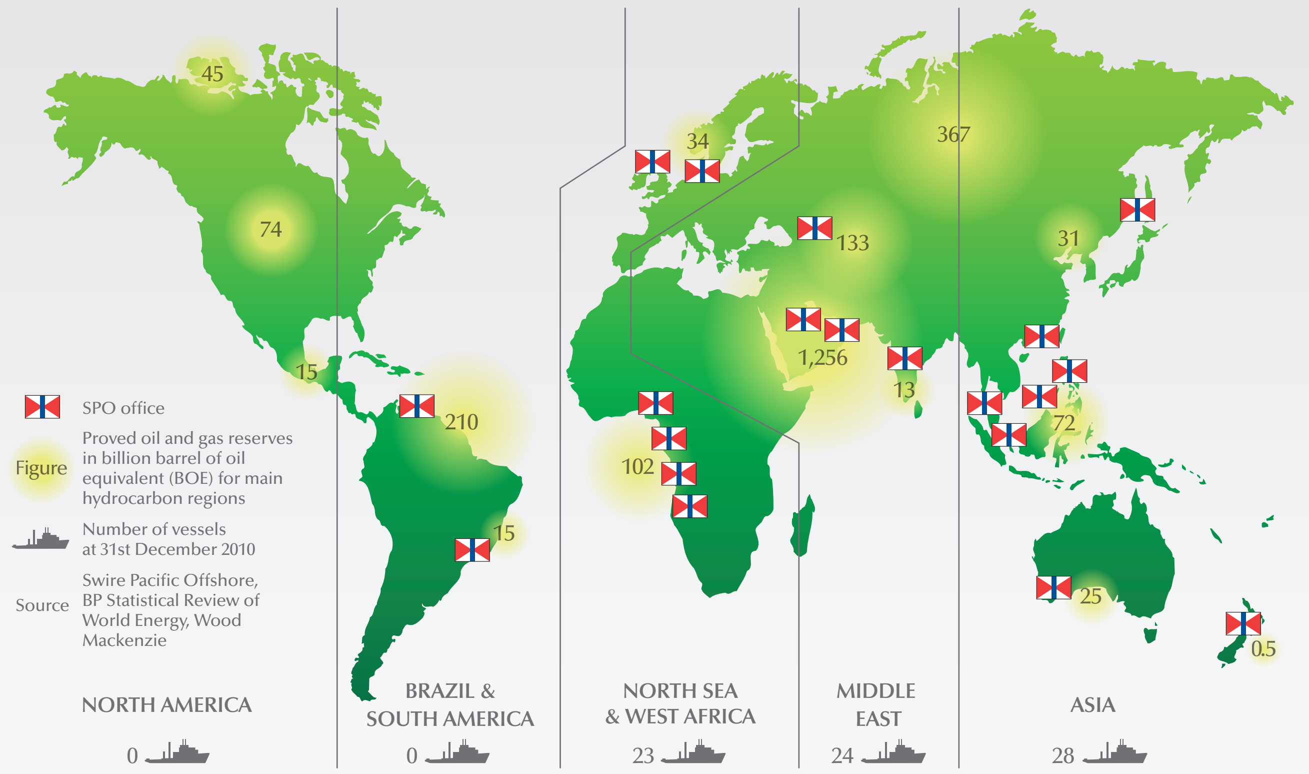
Total capital expenditure on new vessels and other fixed assets in 2010 amounted to HK$1,328 million, compared to HK$811 million in 2009.

The new V-class vessels and P-class vessels delivered in 2010 made an additional contribution of HK$35 million.

In February 2010, SPO acquired Blue Ocean Ships A/S, a Danish company specialising in providing services to the offshore wind farm industry, which has been renamed Swire Blue Ocean A/S. Later in the year, the company placed its first order for a wind farm installation vessel, to be delivered in mid 2012. Since the year end the company has exercised an option to acquire a second wind farm installation vessel for delivery at the end of 2012. Contracts have been entered into under which the two vessels will support the construction of offshore wind farms for European utility companies.

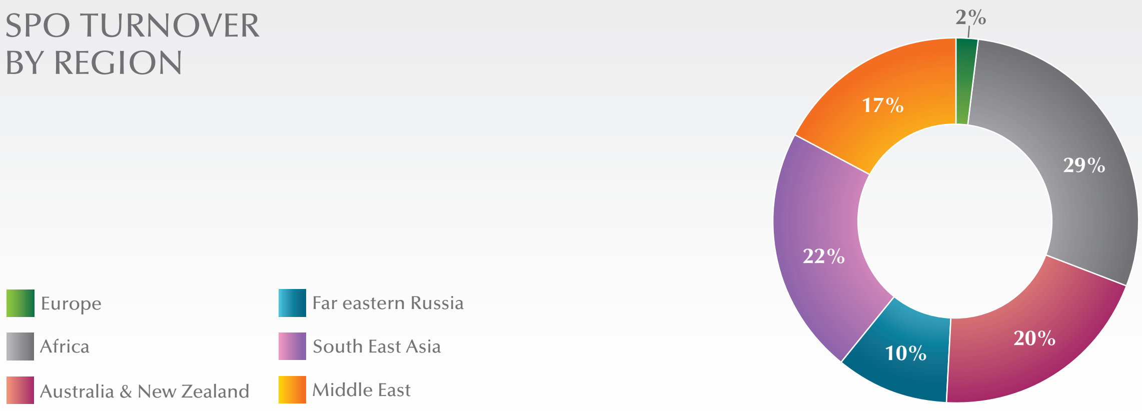
SPO has placed its first order for a wind farm installation vessel to be delivered in 2012 and in March 2011 exercised an option to acquire a second vessel also for delivery in 2012.

SPO GLOBAL FOOTPRINT

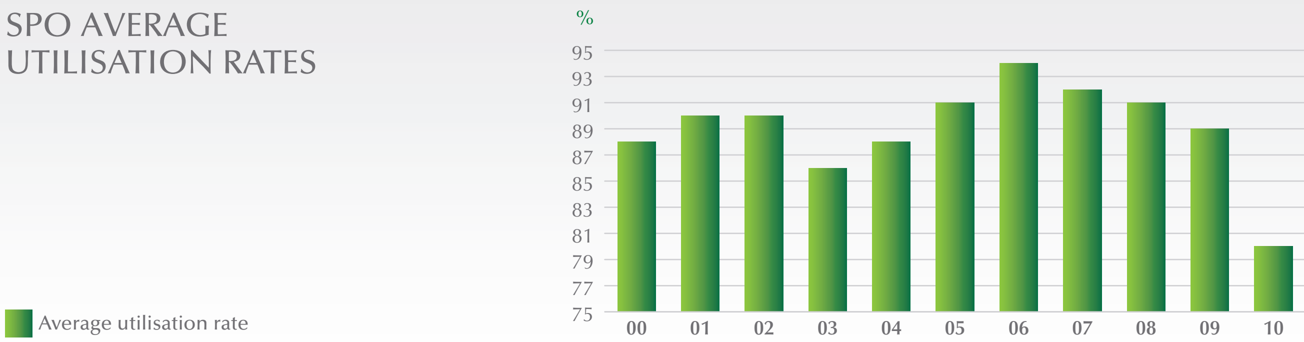


Pacific Rover, an anchor handling tug supply (AHTS) vessel.

SPO TURNOVER BY REGION



SPO AVERAGE UTILISATION RATES



2011 Outlook

2011 will be another challenging year for SPO, with the offshore supply vessel industry continuing to suffer from an over-supply of tonnage. Utilisation is likely to improve but charter hire rates are expected to remain depressed. Conditions should improve in the medium-term due to an increase in exploration and production activity.

41% of SPO's 2011 fleet capacity was pre-booked at 31st December 2010 at rates which are consistent with those achieved during 2010. This represents 50% of the expected revenue for 2011.

At 31st December 2010, SPO had 13 vessels on order and a total capital expenditure commitment of HK$3,601 million (31st December 2009: HK$2,711 million). Of the 13 vessels on order at 31st December 2010, seven will be delivered in 2011, five in 2012 and the remaining one in 2013.

Since the year-end SPO has agreed to acquire four AHTS vessels of which one has been delivered and the remaining three will be delivered in 2012.

With a view to further international expansion, SPO has established new joint ventures in Indonesia and Saudi Arabia.

Hongkong United Dockyards ("HUD") Group

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

HUD Group's Salvage & Towage Division is the only Hong Kong member of the International Salvage Union.

2010 Results

The attributable profit of the HUD group for 2010 was HK$82 million. The comparable 2009 figure was HK$78 million, which included capital profits of HK$11 million on the sale of two tugs.

The ship repair division was busy in the first half of 2010 when it completed several significant contracts at higher than normal margins. There was a slowdown in the second half of the year.

In 2010, HKST benefited from a gradual recovery of the liner business. This was reflected in increased tug movements at container terminals and in the Ma Wan Channel. Total tug movements increased by 6%. The benefit of this was partly offset by weak sea-going activity and by increased fuel costs.

In 2010, HKST placed orders for four new 5000 bhp tugs to be delivered from late 2011 to the middle of 2012. These tugs will service large container vessels with carrying capacity of over 10,000 TEUs.

2011 Outlook

Several major ship repair contracts will be performed in 2011. As a result, trading conditions for the ship repair division are expected to improve.

Tug movements are expected to be similar to those in 2010. HKST will continue to position itself as the market leader in tug operations in Hong Kong.

J B Rae-Smith

With expertise in the management, marketing and distribution of multiple brands, the Trading & Industrial Division is adept at exploiting the sales potential of a range of products from cars and sports apparel to paints and sugar.

EXTENDING OUR REACH

Photo – courtesy of Columbia Sportswear Company

TRADING & INDUSTRIAL DIVISION

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

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

	2010 HK$M	2009 HK$M
Turnover		
Swire Resources group	**2,135**	1,835
Taikoo Motors group	**3,588**	2,158
Taikoo Sugar	**594**	401
Other subsidiary companies	**4**	5
	6,321	4,399
Operating profits/(losses)		
Swire Resources group	**183**	74
Taikoo Motors group	**125**	53
Taikoo Sugar	**5**	10
Other subsidiary companies and central costs	**(14)**	(11)
	299	126
Attributable profits/(losses)		
Swire Resources group*	**177**	100
Taikoo Motors group	**89**	33
Taikoo Sugar	**5**	9
Other subsidiary companies and central costs	**(14)**	(5)
	257	137
* Including post-tax profits from jointly controlled and associated companies within the Swire Resources group shown below.		
Share of post-tax profits from jointly controlled and associated companies		
Swire Resources group	**35**	41
Akzo Nobel Swire Paints	**114**	141
CROWN Beverage Cans group	**56**	72
	205	254
Attributable profit (excluding profit on sale of interest in CROWN Beverage Cans group)	**427**	350
Profit on sale of interest in CROWN Beverage Cans group	**771**	–
Attributable profit	**1,198**	350

KEY OPERATING HIGHLIGHTS

	2010	2009
Shoes sold (millions of pairs)	**3.1**	3.1
Items of apparel sold (millions)	**5.3**	5.3
Retail outlets in Hong Kong	**125**	113
Retail outlets in Mainland China	**87**	74
Vehicles sold:		
– to third party distributors	**7,663**	3,637
– to retail customers	**3,980**	2,661
Sugar sold (millions of pounds):		
– to bulk users	**177.5**	149.1
– to retail and catering users:		
– Hong Kong	**14.8**	15.5
– Mainland China	**20.6**	13.6

2010 Results Summary

Attributable profit from the Trading & Industrial Division increased by 22% to HK$427 million, excluding the HK$771 million gain on disposal of the interest in CROWN Beverage Cans. Swire Resources and Taikoo Motors recorded significant increases in profit. The contribution from jointly controlled interests was lower.

Swire Resources group

The Swire Resources group distributes and retails sports and casual footwear and apparel brands in Hong Kong and Mainland China. Swire Resources is a distributor for 15 brands in Hong Kong and 5 brands in Mainland China.

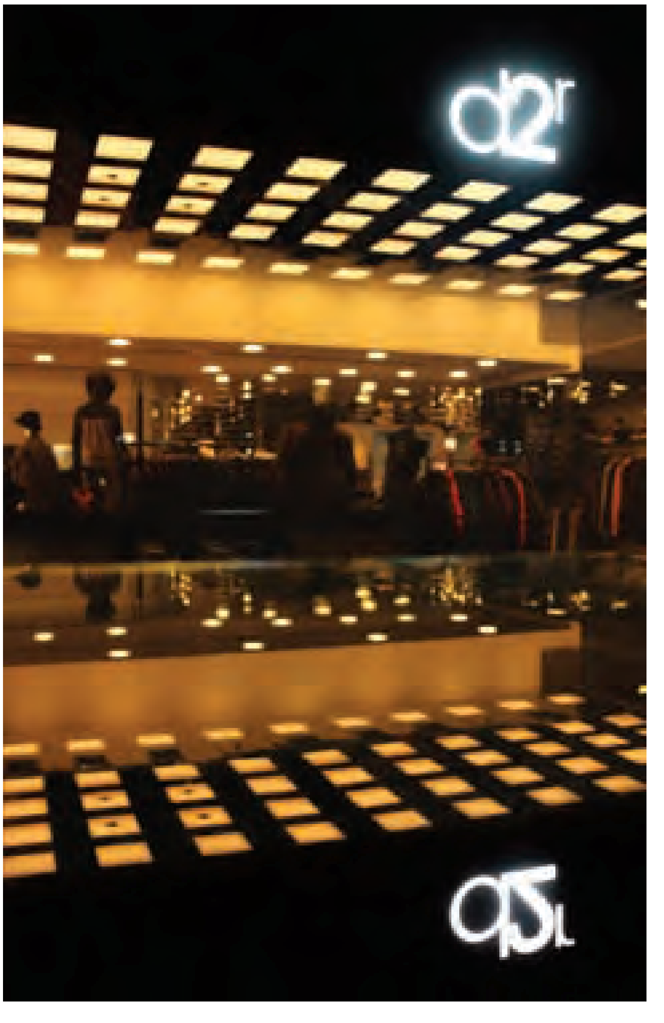
2010 Results

Attributable profit for 2010 was HK$177 million, an increase of 77% over 2009. The multibrand retail chains in Hong Kong performed exceptionally strongly. The results also benefited from 26% growth in sales of Columbia products.

The trading environment in Hong Kong during 2010 was buoyant. Turnover was 11% above that of 2009. Retail sales benefited from strong demand from visitors from Mainland China. Overall margins benefited from less discounting and promotions, partly offset by increased staff and occupancy costs. The group managed 125 retail outlets in Hong Kong at the end of 2010.

Turnover increased by 30% in Mainland China. This principally reflected 36% increased sales of Columbia products. The group managed 87 retail outlets in Mainland China at the end of 2010.

The contribution from the group's PUMA associate fell by 28% as the brand continued to lose market share.



d2[r] at Pacific Place specialises in retailing premium sports and lifestyle fashion brands.

Taikoo Motors distributes and retails Volkswagen and Škoda passenger vehicles, Harley Davidson motorcycles and Volvo light commercial vehicles in Taiwan.

2011 Outlook

The highly competitive and mature Hong Kong market will continue to be challenging. The strong competitive advantage enjoyed by the group's multibrand stores should be maintained.

In Mainland China strong growth in sales of Columbia products is expected to continue. The costs of expanding Swire Resources' distribution network and its portfolio of brands are expected to increase.

In January 2011 the group disposed of its 49% interest in its joint venture with PUMA. A gain on disposal of HK$144 million is expected to arise. The group is seeking additional distributorships.

Taikoo Motors group

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

2010 Results

Attributable profit of HK$89 million for 2010 was more than double the comparable figure of HK$33 million for 2009.

The overall Taiwan passenger car market and its import segment grew by 13% and 21% respectively in 2010 compared with 2009. This reflected a general improvement in the Taiwanese economy. Taikoo Motors sold 11,643 vehicles in 2010, representing an increase of 85% over 2009.

Volkswagen passenger car sales grew by 70% over 2009, increasing Volkswagen's share of the import segment of the Taiwan passenger car market to 31%, from 21% in 2009.

The introduction of the Škoda brand has been well received by the market. 795 units were sold in the year.

1,393 Volkswagen light commercial vehicles were sold in 2010, 61% more than in 2009. The overall market for imported light commercial vehicles increased by 76%.

Sales of Volvo commercial vehicles increased fourfold compared to 2009, compared with a 127% increase in the overall market. 206 Volvo trucks and buses were sold in the year.

Sales of Harley-Davidson motorcycles continued to grow. The group operated 11 showrooms and 14 service centres at the end of 2010.

2011 Outlook

The prospects for the group are good, as the Taiwan economy is expected to continue to improve in 2011, albeit at a slower rate than in 2010. Volkswagen cars will remain Taikoo Motors' principal brand.

In late 2010 the group was appointed as the exclusive importer in Taiwan of Vespa scooters and as the importer in Hong Kong of FIAT and Alfa Romeo cars. Sales of both brands are expected to commence in the first half of 2011. The group will seek to broaden its product portfolio and geographical coverage further.

Taikoo Sugar

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

2010 Results

Taikoo Sugar reported a profit of HK$5 million in 2010, compared to a profit of HK$9 million in 2009.

Turnover increased by 48%, reflecting higher bulk sales in Hong Kong and significant geographical expansion in Mainland China.

Profits grew in Hong Kong. However, overall profits were adversely affected by high sugar costs and the costs of geographical expansion in Mainland China.

Akzo Nobel Swire Paints manufactures and distributes Dulux decorative paint.

Taikoo Sugar has doubled the capacity of its packaging facilities in Guangzhou to over 4,600 metric tonnes per annum.

2011 Outlook

Volume growth in Mainland China of 30% is planned. Gross margins are expected to improve as a result of price increases.

A new packaging plant in Shanghai will be opened in the first half of 2011 with a capacity to package 2,800 metric tonnes of sugar per annum.

Akzo Nobel Swire Paints

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

2010 Results

Attributable profit decreased by 19% from 2009, to HK$114 million.

Sales volume grew by 23% from 2009, reflecting expansion of the distribution network into smaller cities and towns in Mainland China.

Gross margins decreased due to higher raw material costs and an adverse change in the product mix. Set-up and promotional costs associated with network expansion also adversely affected profitability.

2011 Outlook

Sales are expected to grow by over 10% as a result of further network expansion. However, cost increases are expected to result in profits being similar to those of 2010.

CROWN Beverage Cans group

CROWN Beverage Cans group consisted of a joint venture with Crown Holdings Inc. which manufactured aluminium beverage cans in Mainland China and Vietnam. In September 2010 the division sold its interests in CROWN Beverage Cans group to CROWN Holdings Inc. for a consideration of HK$1,165 million. The sale resulted in a gain of HK$771 million after costs.

The group contributed an attributable profit of HK$56 million up to the date of the sale.

J B Rae-Smith