

# 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 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2009*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations
HKAS 12 (Amendment)	Income taxes**

\* Except for certain amendments to HKAS 39 which were adopted in 2009.

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

The Improvements to HKFRSs 2009 consist of further amendments to existing standards, including an amendment to HKAS 17 Leases. The amendment to HKAS 17 requires the land element of a property lease to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. Before amendment, HKAS 17 stated that the land element of a property lease would normally be classified as an operating lease unless title to the land was expected to pass to the lessee at the end of the lease term. On adoption of the amendment, the Group has assessed its leases in Hong Kong, Mainland China and the UK and has reclassified the land element of its principal property leases in Hong Kong from operating leases to finance leases. In addition, the amortisation of the prepaid land lease expense has been reclassified to depreciation. The effect of the adoption of the amendment on the consolidated statement of financial position at 1st January 2010 is to increase property, plant and equipment by HK\$2,182 million with a corresponding reduction in leasehold land and land use rights. The depreciation charge for the year ended 31st December 2010 has increased by HK\$21 million with a corresponding reduction in the amortisation charge. As the adoption of the amendment applies retrospectively, it has also resulted in an increase in the depreciation charge for the year ended 31st December 2009 of HK\$8 million and a corresponding reduction in the amortisation charge for that year. The consolidated statements of financial position at 31st December 2009 and 31st December 2008 have also been restated to reflect the reclassifications.

The revised HKAS 27 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 change in goodwill.

The revised HKFRS 3 has introduced a number of changes to the accounting for business combinations, including the requirement that where a business combination is achieved in stages, the previously held interest in the acquiree should be remeasured at fair value at the acquisition date when the controlling interest is obtained, with any resulting gain or loss recognised in the income statement. The acquisition of additional interests in HAECO during the year (as detailed in note 39) has been accounted for in accordance with the revised HKFRS 3 and the revised HKAS 27. This has resulted in the remeasurement of the previously held interest in HAECO of 45.96% to fair value and the recognition of a gain of HK\$2,547 million in the consolidated income statement.

In December 2010, the IASB/HKICPA amended IAS/HKAS 12, “Income taxes”, to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Currently IAS/HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that investment property measured at fair value is recovered entirely by sale. The presumption of recovery entirely by sale is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The effective date for the amendment is annual periods on or after 1st January 2012. As permitted, the Group has early adopted this amendment. The new accounting policy has been applied retrospectively for annual periods beginning before 1st January 2010 and the effects are disclosed as follows.

As of 31st December 2010, the Group had investment properties amounting to HK\$180,248 million (2009: HK\$154,408 million and 2008: HK\$134,539 million), representing their fair values in accordance with the Group's accounting policy as disclosed in note 16. The investment properties held by the Group are situated in Hong Kong and Mainland China.

## 1. Changes in Accounting Standards (continued)

In Hong Kong, land leases can typically be renewed without a payment of a market-based premium which is consistent with their reclassification as finance leases under the amendment to HKAS 17. Given this, it is difficult to assert with a high degree of confidence that the Group would consume substantially all of the economic benefits embodied in the investment property over time. Consequently, as required by the amendment, the Group has re-measured the deferred tax relating to these investment properties based on the presumption that they are recovered entirely by sale as if this new policy had always been applied. The tax consequences in Hong Kong of a sale of the investment property or of the entity owning the investment property are not significantly different.

In Mainland China, the tax consequences of a sale of the investment property or of the entity owning the investment property may be different. The Group's business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has continued to recognise deferred taxes on the basis that the value of investment property is recovered through use.

As a result of the early adoption of amendments to HKAS 12, the comparative figures for 2009 and 2008 have been restated to reflect the change in accounting policy, as summarised below.

<b>Effect on Consolidated Statement of Financial Position</b>	<b>31st December 2010 HK\$M</b>	31st December 2009 HK\$M	1st January 2009 HK\$M
Decrease in deferred tax liabilities	20,345	16,703	14,749
Decrease in goodwill (note)	495	495	495
Increase in jointly controlled companies	106	77	64
Increase in associated companies	51	91	81
Increase in non-controlling interests	5	3	2
Increase in retained earnings	20,002	16,373	14,397

<b>Effect on Consolidated Income Statement</b>	<b>Year ended 31st December</b>	
	<b>2010 HK\$M</b>	2009 HK\$M
Decrease in other net gains	(51)	–
Decrease in income tax expense	3,401	1,954
Increase in share of profits less losses of jointly controlled companies	29	13
Increase in share of profit less losses of associated companies	11	10
Increase in profit attributable to the non-controlling interests	2	1
Increase in profit attributable to the Company's shareholders	3,388	1,976
Increase in other comprehensive income attributable to the Company's shareholders	241	–
Increase in basic earnings per share	HK\$2.25	HK\$1.31
Increase in diluted earnings per share	HK\$2.25	HK\$1.31

Note:

If the investment properties were acquired as part of a business combination which took place in prior years, then the related deferred tax would be adjusted against goodwill.

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

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

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

## 1. Changes in Accounting Standards (continued)

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

HKFRS 9	Financial Instruments <sup>2</sup>
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>1</sup>

<sup>1</sup> To be applied by the Group from 1st January 2011.

<sup>2</sup> To be applied by the Group from 1st January 2013.

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.

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.

The amendment to HKAS 24 changes the definition of related parties. The Group and the parent company will need to disclose any transactions between its subsidiary, jointly controlled and associated companies.

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

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

## 2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 90 and 91.

### 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 2010		
Impact on income statement: (loss)/gain	(178)	178
Impact on equity: gain/(loss)	42	(11)
At 31st December 2009		
Impact on income statement: (loss)/gain	(84)	84
Impact on equity: gain/(loss)	108	(99)

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 7.77 (2009: 7.76), 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 2010		
Impact on income statement: gain/(loss)	50	(12)
Impact on equity: (loss)/gain	(55)	36
At 31st December 2009		
Impact on income statement: gain/(loss)	10	(10)
Impact on equity: (loss)/gain	(8)	38

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 2010

	Note	Carrying amount HK\$M	Total contractual undiscounted cash flow HK\$M	Within 1 year or on demand HK\$M	More than 1 year but less than 2 years HK\$M	More than 2 years but less than 5 years HK\$M	More than 5 years HK\$M
Trade creditors	30	1,853	1,853	1,853	–	–	–
Amounts due to immediate holding company	30	191	191	191	–	–	–
Amounts due to jointly controlled companies	30	48	48	48	–	–	–
Amounts due to associated companies	30	7	7	7	–	–	–
Interest-bearing advances from jointly controlled companies	30	17	17	17	–	–	–
Interest-bearing advances from associated companies	30	149	149	149	–	–	–
Advances from non-controlling interests	30	368	368	368	–	–	–
Rental deposits from tenants	30	1,810	1,912	441	349	842	280
Put option over non-controlling interest in Sanlitun Village	30	678	678	678	–	–	–
Accruals and other payables	30	5,035	5,035	4,955	80	–	–
Borrowings (including interest obligations)	33	43,122	50,878	15,662	10,124	8,784	16,308
Derivative financial instruments	25	215	215	11	204	–	–
Financial guarantee contracts		–	36	36	–	–	–
		53,493	61,387	24,416	10,757	9,626	16,588

## 2. Financial Risk Management (continued)

### 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	30	1,491	1,491	1,491	–	–	–
Amounts due to immediate holding company	30	119	119	119	–	–	–
Amounts due to jointly controlled companies	30	69	69	69	–	–	–
Amounts due to associated companies	30	43	43	43	–	–	–
Interest-bearing advances from jointly controlled companies	30	16	16	16	–	–	–
Interest-bearing advances from associated companies	30	149	149	149	–	–	–
Advances from non-controlling interests	30	327	327	327	–	–	–
Rental deposits from tenants	30	1,654	1,724	465	407	686	166
Put option over non-controlling interest in Sanlitun Village	30	690	690	690	–	–	–
Accruals and other payables	30	4,279	4,279	4,245	34	–	–
Borrowing (including interest obligations)	33	32,176	40,571	3,871	7,336	12,899	16,465
Derivative financial instruments	25	186	186	20	7	159	–
Financial guarantee contracts		–	54	54	–	–	–
		41,199	49,718	11,559	7,784	13,744	16,631

### Company

At 31st December 2010

	Note	Carrying amount HK\$M	Total contractual undiscounted cash flow HK\$M	Within 1 year or on demand HK\$M	More than 1 year but less than 2 years HK\$M	More than 2 years but less than 5 years HK\$M	More than 5 years HK\$M
Amounts due to immediate holding company	30	34	34	34	–	–	–
Amounts due to subsidiary companies	30	7,082	7,082	7,082	–	–	–
Interest-bearing advances from a subsidiary company	30	2,189	2,189	2,189	–	–	–
Borrowings (including interest obligations)	33	3,893	3,894	3,894	–	–	–
Other payables	30	40	40	40	–	–	–
Financial guarantee contracts		–	36	36	–	–	–
		13,238	13,275	13,275	–	–	–

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	30	17	17	17	–	–	–
Amounts due to subsidiary companies	30	5,428	5,428	5,428	–	–	–
Other payables	30	70	70	70	–	–	–
Financial guarantee contracts		–	54	54	–	–	–
		5,515	5,569	5,569	–	–	–

### 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 2010. 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.

**(b) Impairment of assets**

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. These calculations require the use of estimates. Refer to note 18 for details of goodwill impairment testing.

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.

**(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 169 to 178.

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

	Group	
	2010	2009
	HK\$M	HK\$M
Gross rental income from investment properties	7,841	7,392
Property trading	398	643
Hotels	518	172
Charter hire and related income	3,046	3,892
Rendering of services	2,614	91
Sales of goods	14,784	12,719
	29,201	24,909

## 5. Profit on Sale of Interests in Associated and Jointly Controlled Companies

On 12th February 2010, Swire Aviation Limited ("Swire Aviation"), 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 ceased to equity account for its interest in Hactl from that date.

On 25th May 2010, Swire Aviation agreed to dispose of its 30% interest in Hactl to a consortium comprising the existing shareholders in Hactl (with the exception of Cathay Pacific) for a total cash consideration of HK\$1,341 million. The transaction was completed on 31st May 2010 and Swire Aviation recorded a profit of HK\$1,238 million, of which HK\$825 million is attributable to the Group after deducting the portion attributable to the non-controlling interest in Swire Aviation.

On 7th September 2010, the Group agreed to dispose of its 44.57% interest in CROWN Beverage Cans Hong Kong Limited and its 37.37% interest in CROWN Beverage Cans Hanoi for a total cash consideration of HK\$1,165 million. The transaction was completed on 15th September 2010 and the Group recorded a profit of HK\$771 million.

## 6. Other Net Gains

Other net gains include the following:

	Group	
	2010	2009
	HK\$M	HK\$M
Remeasurement gains and profit on disposal relating to the change of shareholding in PCCW Tower	342	–
Profit on sale of available-for-sale assets	45	46
Profit on sale of investment properties	544	21
(Loss)/profit on sale of property, plant and equipment	(5)	101
Net foreign exchange losses	(9)	(35)
Fair value gains on derivative instruments transferred from cash flow hedge reserve – cross-currency swaps	34	8

## 7. Expenses by Type

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

	<b>Group</b>	
	<b>2010</b>	2009
	<b>HK\$M</b>	HK\$M (Restated)
Direct operating expenses of investment properties that		
– generated rental income	<b>1,330</b>	1,289
– did not generate rental income	<b>94</b>	81
Cost of stocks sold	<b>10,143</b>	8,313
Write-down of properties held for development	<b>–</b>	29
Write-down of stocks and work in progress	<b>51</b>	12
Impairment losses recognised on trade receivables	<b>–</b>	7
Reversal of impairment losses on trade receivables	<b>(34)</b>	–
Impairment losses recognised on vessels (note 15)	<b>57</b>	–
Impairment losses recognised on intangible assets (note 18)	<b>1</b>	–
Depreciation of property, plant and equipment (note 15)	<b>1,244</b>	868
Amortisation of		
– leasehold land and land use rights (note 17)	<b>16</b>	2
– intangible assets (note 18)	<b>31</b>	15
– initial leasing costs	<b>34</b>	28
– others	<b>3</b>	–
Staff costs	<b>4,929</b>	3,686
Operating lease rentals		
– properties	<b>373</b>	297
– other equipment	<b>37</b>	37
Auditors' remuneration		
– audit services	<b>21</b>	18
– tax services*	<b>15</b>	11
– other services**	<b>20</b>	5

\* HK\$6 million relates to fees incurred in respect of tax restructuring work in the United States.

\*\* HK\$17 million relates to fees incurred in respect of a proposed spin-off, initial public offering and listing of shares in Swire Properties Limited. As indicated in the Company's announcement dated 6th May 2010, these did not proceed.

## 8. Segment Information

### (a) Information about reportable segments Analysis of Consolidated Income Statement

Year ended 31st December 2010

	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	7,893	60	6,553	(1,233)	24	19	18	(792)	4,589	4,582	(139)
Change in fair value of investment properties	–	–	20,381	–	–	1,435	75	(469)	21,422	21,380	–
Property trading	398	381	147	(6)	3	30	–	(19)	155	155	–
Hotels	518	–	(144)	(25)	–	(23)	132	(49)	(109)	(109)	(120)
	<b>8,809</b>	<b>441</b>	<b>26,937</b>	<b>(1,264)</b>	<b>27</b>	<b>1,461</b>	<b>225</b>	<b>(1,329)</b>	<b>26,057</b>	<b>26,008</b>	<b>(259)</b>
Aviation											
Cathay Pacific group	–	–	–	–	–	–	5,079	–	5,079	5,079	–
HAECO group											
– as subsidiary company	2,574	–	229	(12)	5	243	–	(57)	408	290	(228)
– as associated company	–	–	–	–	–	–	152	–	152	152	–
Gain on remeasurement of previously held interest in HAECO	–	–	2,547	–	–	–	–	–	2,547	2,547	–
Hactl	–	–	–	–	–	–	26	–	26	18	–
Sale of interest in Hactl	–	–	1,238	–	–	–	–	–	1,238	825	–
Others	–	–	(30)	–	–	3	–	–	(27)	(10)	(30)
	<b>2,574</b>	<b>–</b>	<b>3,984</b>	<b>(12)</b>	<b>5</b>	<b>246</b>	<b>5,257</b>	<b>(57)</b>	<b>9,423</b>	<b>8,901</b>	<b>(258)</b>
Beverages											
Mainland China	1,523	–	(14)	(47)	7	291	42	(36)	243	203	(86)
Hong Kong	1,882	1	213	–	–	–	–	(21)	192	173	(60)
Taiwan	1,561	–	55	(1)	–	1	–	(6)	49	48	(58)
USA	3,587	–	339	–	–	–	–	(89)	250	250	(137)
Central costs	–	–	25	–	–	–	–	–	25	25	–
	<b>8,553</b>	<b>1</b>	<b>618</b>	<b>(48)</b>	<b>7</b>	<b>292</b>	<b>42</b>	<b>(152)</b>	<b>759</b>	<b>699</b>	<b>(341)</b>
Marine Services											
Swire Pacific Offshore group	3,046	–	732	(12)	13	–	–	(18)	715	709	(429)
HUD group	–	–	–	–	–	82	–	–	82	82	–
	<b>3,046</b>	<b>–</b>	<b>732</b>	<b>(12)</b>	<b>13</b>	<b>82</b>	<b>–</b>	<b>(18)</b>	<b>797</b>	<b>791</b>	<b>(429)</b>
Trading & Industrial											
Swire Resources group	2,135	–	183	–	2	7	28	(43)	177	177	(11)
Taikoo Motors group	3,588	–	125	(1)	1	–	–	(36)	89	89	(28)
Taikoo Sugar	485	109	5	–	–	–	–	–	5	5	(1)
Akzo Nobel Swire Paints	–	–	–	–	–	119	–	(5)	114	114	–
CROWN Beverage Cans group	–	–	–	–	–	56	–	–	56	56	–
Sale of interest in CROWN Beverage Cans group	–	–	771	–	–	–	–	–	771	771	–
Other activities	4	–	(14)	–	–	–	–	–	(14)	(14)	(1)
	<b>6,212</b>	<b>109</b>	<b>1,070</b>	<b>(1)</b>	<b>3</b>	<b>182</b>	<b>28</b>	<b>(84)</b>	<b>1,198</b>	<b>1,198</b>	<b>(41)</b>
Head Office											
Net income/(expenses)	7	–	(257)	(1,237)	1,260	–	–	2	(232)	(232)	–
Change in fair value of investment properties	–	–	963	–	–	–	–	–	963	963	–
	<b>7</b>	<b>–</b>	<b>706</b>	<b>(1,237)</b>	<b>1,260</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>731</b>	<b>731</b>	<b>–</b>
Inter-segment elimination	–	(551)	(76)	1,257	(1,257)	–	–	–	(76)	(76)	–
Total	<b>29,201</b>	<b>–</b>	<b>33,971</b>	<b>(1,317)</b>	<b>58</b>	<b>2,263</b>	<b>5,552</b>	<b>(1,638)</b>	<b>38,889</b>	<b>38,252</b>	<b>(1,328)</b>

Notes:

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.

## 8. Segment Information (continued)

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

#### 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 (Restated)	Share of profits less losses of associated companies HK\$M (Restated)	Tax (charge)/ credit HK\$M (Restated)	Profit for the year HK\$M (Restated)	Profit attributable to the Company's shareholders HK\$M (Restated)	Depreciation and amortisation charged to operating profit HK\$M
<b>Property</b>											
Property investment	7,473	53	5,607	(1,185)	140	48	16	(525)	4,101	4,093	(112)
Change in fair value of investment properties	–	–	14,383	–	–	20	63	(800)	13,666	13,577	–
Property trading	643	–	70	(4)	1	(26)	–	(18)	23	23	–
Hotels	172	–	(474)	(26)	–	(30)	95	103	(332)	(332)	(36)
	<b>8,288</b>	<b>53</b>	<b>19,586</b>	<b>(1,215)</b>	<b>141</b>	<b>12</b>	<b>174</b>	<b>(1,240)</b>	<b>17,458</b>	<b>17,361</b>	<b>(148)</b>
<b>Aviation</b>											
Cathay Pacific group	–	–	–	–	–	–	1,349	–	1,349	1,349	–
HAECO group	–	–	–	–	–	–	314	–	314	314	–
Hactl	–	–	–	–	–	–	234	–	234	156	–
Others	–	–	–	–	–	2	–	–	2	2	–
	–	–	–	–	–	<b>2</b>	<b>1,897</b>	–	<b>1,899</b>	<b>1,821</b>	–
<b>Beverages</b>											
Mainland China	1,446	–	(5)	(37)	6	326	54	(28)	316	274	(67)
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)
Central costs	–	–	7	–	–	–	–	–	7	7	–
	<b>8,399</b>	–	<b>619</b>	<b>(41)</b>	<b>7</b>	<b>327</b>	<b>54</b>	<b>(140)</b>	<b>826</b>	<b>753</b>	<b>(308)</b>
<b>Marine Services</b>											
Swire Pacific Offshore group	3,892	–	1,594	–	2	3	–	(40)	1,559	1,559	(405)
HUD group	–	–	–	–	–	78	–	–	78	78	–
	<b>3,892</b>	–	<b>1,594</b>	–	<b>2</b>	<b>81</b>	–	<b>(40)</b>	<b>1,637</b>	<b>1,637</b>	<b>(405)</b>
<b>Trading &amp; Industrial</b>											
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)
	<b>4,320</b>	<b>79</b>	<b>126</b>	<b>(1)</b>	<b>21</b>	<b>215</b>	<b>39</b>	<b>(50)</b>	<b>350</b>	<b>350</b>	<b>(51)</b>
<b>Head Office</b>											
Net income/(expenses)	10	158	(215)	(1,104)	1,250	–	–	17	(52)	(52)	(1)
Change in fair value of investment properties	–	–	23	–	–	–	–	–	23	23	–
	<b>10</b>	<b>158</b>	<b>(192)</b>	<b>(1,104)</b>	<b>1,250</b>	–	–	<b>17</b>	<b>(29)</b>	<b>(29)</b>	<b>(1)</b>
<b>Inter-segment elimination</b>	–	<b>(290)</b>	–	<b>1,225</b>	<b>(1,225)</b>	–	–	–	–	–	–
<b>Total</b>	<b>24,909</b>	–	<b>21,733</b>	<b>(1,136)</b>	<b>196</b>	<b>637</b>	<b>2,164</b>	<b>(1,453)</b>	<b>22,141</b>	<b>21,893</b>	<b>(913)</b>

#### Notes:

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.

## 8. Segment Information (continued)

(a) Information about reportable segments (continued)

### Analysis of total assets of the Group

At 31st December 2010

	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	181,581	9,964	53	960	192,558	4,623
Property trading and development	6,150	348	–	42	6,540	2
Hotels	4,759	627	652	40	6,078	236
	<b>192,490</b>	<b>10,939</b>	<b>705</b>	<b>1,042</b>	<b>205,176</b>	<b>4,861</b>
Aviation						
Cathay Pacific group	–	–	23,701	–	23,701	–
HAECO group	7,020	1,065	–	1,252	9,337	233
Others	4,831	2,813	–	–	7,644	–
	<b>11,851</b>	<b>3,878</b>	<b>23,701</b>	<b>1,252</b>	<b>40,682</b>	<b>233</b>
Beverages	<b>4,989</b>	<b>1,413</b>	<b>822</b>	<b>731</b>	<b>7,955</b>	<b>412</b>
Marine Services						
Swire Pacific Offshore group	9,878	–	–	381	10,259	1,705
HUD group	–	(18)	–	–	(18)	–
	<b>9,878</b>	<b>(18)</b>	<b>–</b>	<b>381</b>	<b>10,241</b>	<b>1,705</b>
Trading & Industrial						
Swire Resources group	472	15	258	152	897	13
Taikoo Motors group	1,087	–	–	463	1,550	74
Taikoo Sugar	89	–	–	19	108	2
Akzo Nobel Swire Paints	–	340	–	–	340	–
Other activities	12	–	–	–	12	1
	<b>1,660</b>	<b>355</b>	<b>258</b>	<b>634</b>	<b>2,907</b>	<b>90</b>
Head Office	<b>3,381</b>	<b>–</b>	<b>–</b>	<b>233</b>	<b>3,614</b>	<b>149</b>
	<b>224,249</b>	<b>16,567</b>	<b>25,486</b>	<b>4,273</b>	<b>270,575</b>	<b>7,450</b>

## 8. Segment Information (continued)

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

#### Analysis of total assets of the Group

At 31st December 2009

	Segment assets HK\$M (Restated)	Jointly controlled companies HK\$M (Restated)	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	157,299	6,505	557	937	165,298	2,907
Property trading and development	3,914	87	–	103	4,104	1
Hotels	4,632	438	488	26	5,584	1,065
	<b>165,845</b>	<b>7,030</b>	<b>1,045</b>	<b>1,066</b>	<b>174,986</b>	<b>3,973</b>
Aviation						
Cathay Pacific group	–	–	17,476	–	17,476	–
HAECO group	–	–	3,656	–	3,656	–
Hactl	–	–	498	–	498	–
Others	–	24	–	–	24	–
	<b>–</b>	<b>24</b>	<b>21,630</b>	<b>–</b>	<b>21,654</b>	<b>–</b>
Beverages	<b>4,705</b>	<b>1,443</b>	<b>608</b>	<b>446</b>	<b>7,202</b>	<b>440</b>
Marine Services						
Swire Pacific Offshore group	8,914	–	38	573	9,525	905
HUD group	–	(91)	–	–	(91)	–
	<b>8,914</b>	<b>(91)</b>	<b>38</b>	<b>573</b>	<b>9,434</b>	<b>905</b>
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	–
	<b>1,434</b>	<b>719</b>	<b>224</b>	<b>405</b>	<b>2,782</b>	<b>33</b>
Head Office	<b>1,014</b>	<b>–</b>	<b>–</b>	<b>331</b>	<b>1,345</b>	<b>–</b>
Inter-segment elimination	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(169)</b>
	<b>181,912</b>	<b>9,125</b>	<b>23,545</b>	<b>2,821</b>	<b>217,403</b>	<b>5,182</b>

Note:

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

## 8. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2010

	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	Inter-segment borrowings/ (advances) HK\$M	External borrowings HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
Property						
Property investment	4,767	4,271	27,741	4,885	41,664	479
Property trading and development	196	7	4,405	149	4,757	–
Hotels	241	–	–	569	810	–
	<b>5,204</b>	<b>4,278</b>	<b>32,146</b>	<b>5,603</b>	<b>47,231</b>	<b>479</b>
Aviation						
HAECO group	<b>1,043</b>	<b>384</b>	–	<b>1,426</b>	<b>2,853</b>	<b>3,733</b>
Beverages	<b>1,942</b>	<b>304</b>	<b>1,347</b>	<b>173</b>	<b>3,766</b>	<b>391</b>
Marine Services						
Swire Pacific Offshore group	<b>876</b>	<b>83</b>	<b>1</b>	<b>212</b>	<b>1,172</b>	<b>(4)</b>
Trading & Industrial						
Swire Resources group	476	39	(24)	–	491	–
Taikoo Motors group	603	25	–	–	628	–
Taikoo Sugar	58	–	–	2	60	–
Other activities	39	(1)	–	–	38	–
	<b>1,176</b>	<b>63</b>	<b>(24)</b>	<b>2</b>	<b>1,217</b>	<b>–</b>
Head Office	<b>629</b>	<b>88</b>	<b>(33,470)</b>	<b>38,038</b>	<b>5,285</b>	<b>–</b>
	<b>10,870</b>	<b>5,200</b>	<b>–</b>	<b>45,454</b>	<b>61,524</b>	<b>4,599</b>

At 31st December 2009

	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M (Restated)	Inter-segment borrowings/ (advances) HK\$M	External borrowings HK\$M	Total liabilities HK\$M (Restated)	Non-controlling interests HK\$M
Property						
Property investment	4,872	3,366	28,031	3,645	39,914	424
Property trading and development	148	45	2,409	82	2,684	–
Hotels	87	–	864	502	1,453	–
	<b>5,107</b>	<b>3,411</b>	<b>31,304</b>	<b>4,229</b>	<b>44,051</b>	<b>424</b>
Aviation						
Hactl	–	–	–	–	–	37
Beverages	<b>1,892</b>	<b>294</b>	<b>983</b>	<b>130</b>	<b>3,299</b>	<b>392</b>
Marine Services						
Swire Pacific Offshore group	<b>888</b>	<b>91</b>	<b>(343)</b>	<b>381</b>	<b>1,017</b>	<b>(4)</b>
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	–
	<b>838</b>	<b>12</b>	<b>(21)</b>	<b>5</b>	<b>834</b>	<b>–</b>
Head Office	<b>559</b>	<b>84</b>	<b>(31,923)</b>	<b>29,757</b>	<b>(1,523)</b>	<b>–</b>
	<b>9,284</b>	<b>3,892</b>	<b>–</b>	<b>34,502</b>	<b>47,678</b>	<b>849</b>

## 8. 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 8(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*	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M (Restated)
Hong Kong	13,535	11,220	174,996	145,890
Asia (excluding Hong Kong)	8,906	6,023	24,524	16,463
United States of America	3,640	3,701	1,234	1,222
United Kingdom	74	73	538	433
Ship owning and operating	3,046	3,892	9,057	8,085
	29,201	24,909	210,349	172,093

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

## 9. Directors' and Executive Officers' Emoluments

The five highest paid individuals in the Group in both 2010 and 2009 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 2010 HK\$'000	Total 2009 HK\$'000
Executive Directors								
C D Pratt	6,880	3,077	479	2,558	907	3,809	17,710	17,906
P N L Chen (until 1st July 2010)	2,604	3,545	1,127	74	–	–	7,350	14,218
M Cubbon	4,219	2,126	632	1,568	695	2,927	12,167	12,805
D Ho (until 1st April 2010)	414	1,303	604	12	–	–	2,333	5,238
K G Kerr (until 14th May 2009)	–	1,916	–	–	–	–	1,916	26,898
P A Kilgour (from 1st April 2009)	2,664	831	861	990	378	2,353	8,077	6,351
J R Slosar	690	120	58	256	40	385	1,549	654
A N Tyler	246	128	3	91	43	126	637	672
I Shiu (from 1st August 2010)	289	–	223	–	–	–	512	–
Non-Executive Directors								
Baroness Dunn	–	–	–	–	–	–	–	–
J W J Hughes-Hallett	–	–	–	–	–	–	–	–
P A Johansen	815	–	–	–	–	–	815	815
M B Swire (from 1st January 2009)	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
T G Freshwater	600	–	–	–	–	–	600	600
C K M Kwok	850	–	–	–	–	–	850	850
C Lee	800	–	–	–	–	–	800	800
M Leung	600	–	–	–	–	–	600	600
M C C Sze	600	–	–	–	–	–	600	600
M M T Yang	600	–	–	–	–	–	600	600
Total 2010	22,871	13,046	3,987	5,549	2,063	9,600	57,116	
Total 2009	26,151	13,296	5,126	34,873	–	10,161		89,607
Executive Officers								
G L Cundle	2,434	1,187	332	905	558	2,532	7,948	11,338
J B Rae-Smith	1,457	584	338	542	332	1,911	5,164	7,724
K W A Tang (from 1st June 2010)	1,636	–	665	80	–	–	2,381	–
Total 2010	5,527	1,771	1,335	1,527	890	4,443	15,493	
Total 2009	3,801	3,319	680	4,835	1,702	4,725		19,062

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 2010. The amounts disclosed above are related to services as Executive Directors or Officers for 2009 but paid and charged to the Group in 2010.
- Emoluments for the Executive Directors and Officers represent the amounts charged to the Group.

## 10. Net Finance Charges

Refer to pages 74 to 76 for details of the Group's net finance charges.

## 11. Taxation

	Group			
	2010		2009	
	HK\$M	HK\$M	HK\$M (Restated)	HK\$M (Restated)
Current taxation:				
Hong Kong profits tax	(747)		(418)	
Overseas taxation	(251)		(176)	
Over-provisions in prior years	11		69	
		(987)		(525)
Deferred taxation: (note 34)				
Changes in fair value of investment properties	(379)		(715)	
Origination and reversal of temporary differences	(272)		(213)	
		(651)		(928)
		(1,638)		(1,453)

Hong Kong profits tax is calculated at 16.5% (2009: 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:

	2010 HK\$M	2009 HK\$M (Restated)
Profit before taxation	40,527	23,594
Calculated at a tax rate of 16.5% (2009: 16.5%)	(6,687)	(3,893)
Share of profits less losses of jointly controlled and associated companies	1,290	462
Effect of different tax rates in other countries	(163)	(215)
Income not subject to tax	4,141	2,267
Expenses not deductible for tax purposes	(85)	(142)
Unused tax losses not recognised	(56)	(37)
Utilisation of previously unrecognised tax losses	34	56
Deferred tax assets written off	(107)	–
Over-provisions in prior years	11	69
Others	(16)	(20)
Tax charge	(1,638)	(1,453)

The Group's share of jointly controlled and associated companies' tax charges of HK\$623 million (2009: HK\$208 million, as restated) and HK\$684 million (2009: HK\$236 million, as restated) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

## 12. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK\$2,314 million (2009: HK\$3,993 million, as restated) is dealt with in the accounts of the Company.

## 13. Dividends

	Company	
	2010 HK\$M	2009 HK\$M
Interim dividend paid on 4th October 2010 of HK¢100.0 per 'A' share and HK¢20.0 per 'B' share (2009: HK¢60.0 and HK¢12.0)	1,505	903
Proposed final dividend of HK¢250.0 per 'A' share and HK¢50.0 per 'B' share (2009 actual dividend paid: HK¢220.0 and HK¢44.0)	3,761	3,310
	5,266	4,213

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 2011.

## 14. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK\$38,252 million (2009: HK\$21,893 million, as restated) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2009 and 2010 in the proportion five to one.

## 15. Property, Plant and Equipment

	Group					Company
	Leasehold land held for own use under finance lease HK\$M	Property HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M	Plant and machinery HK\$M
<b>Cost:</b>						
At 1st January 2010						
as originally stated	–	6,004	5,430	10,115	21,549	20
adjustment on adoption of amendments to HKAS 17	2,243	–	–	–	2,243	–
as restated	2,243	6,004	5,430	10,115	23,792	20
Translation differences	–	93	104	24	221	–
Change in composition of Group	–	5,992	2,189	–	8,181	–
Additions	–	426	686	1,665	2,777	13
Disposals	–	–	(420)	(395)	(815)	(9)
Other net transfers to investment properties	(892)	35	–	–	(857)	–
Transfer between categories	–	(144)	144	–	–	–
Revaluation surplus	1,462	–	–	–	1,462	–
At 31st December 2010	2,813	12,406	8,133	11,409	34,761	24
<b>Accumulated depreciation and impairment:</b>						
At 1st January 2010						
as originally stated	–	1,065	3,743	2,192	7,000	18
adjustment on adoption of amendments to HKAS 17	61	–	–	–	61	–
as restated	61	1,065	3,743	2,192	7,061	18
Translation differences	–	20	54	6	80	–
Change in composition of Group	–	1,425	1,263	–	2,688	–
Charge for the year (note 7)	21	250	590	383	1,244	2
Provision for impairment losses (note 7)	–	–	–	57	57	–
Disposals	–	–	(339)	(104)	(443)	(8)
Other net transfers to investment properties	(8)	(43)	–	–	(51)	–
At 31st December 2010	74	2,717	5,311	2,534	10,636	12
<b>Net book value:</b>						
At 31st December 2010	2,739	9,689	2,822	8,875	24,125	12

## 15. Property, Plant and Equipment (continued)

	Group					Company
	Leasehold land held for own use under finance lease HK\$M	Property HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M	Plant and machinery HK\$M
<b>Cost:</b>						
At 1st January 2009						
as originally stated	–	8,656	5,189	9,286	23,131	22
adjustment on adoption of amendments to HKAS 17	2,620	–	–	–	2,620	–
as restated	2,620	8,656	5,189	9,286	25,751	22
Translation differences	–	46	32	6	84	–
Transferred to investment properties on adoption of revised HKAS 40	(488)	(3,887)	–	–	(4,375)	–
Change in composition of Group	–	–	98	–	98	–
Additions	–	1,113	471	892	2,476	–
Disposals	(8)	(12)	(303)	(69)	(392)	(2)
Other net transfers from investment properties	119	23	1	–	143	–
Transfer between categories	–	58	(58)	–	–	–
Depreciation from leasehold land capitalised	–	7	–	–	7	–
At 31st December 2009	2,243	6,004	5,430	10,115	23,792	20
<b>Accumulated depreciation and impairment:</b>						
At 1st January 2009						
as originally stated	–	709	3,514	1,898	6,121	18
adjustment on adoption of amendments to HKAS 17	89	–	–	–	89	–
as restated	89	709	3,514	1,898	6,210	18
Translation differences	–	3	19	1	23	–
Transferred to investment properties on adoption of revised HKAS 40	(39)	–	–	–	(39)	–
Change in composition of Group	–	–	14	–	14	–
Charge for the year (note 7)	8	92	406	362	868	1
Capitalised on property under construction	7	–	–	–	7	–
Provision for impairment losses	–	267	–	–	267	–
Disposals	(2)	(3)	(209)	(69)	(283)	(1)
Other net transfers to investment properties	(2)	(3)	(1)	–	(6)	–
At 31st December 2009	61	1,065	3,743	2,192	7,061	18
<b>Net book value:</b>						
At 31st December 2009 (restated)	2,182	4,939	1,687	7,923	16,731	2
At 31st December 2008 (restated)	2,531	7,947	1,675	7,388	19,541	4

## 15. Property, Plant and Equipment (continued)

At 31st December 2010 and 2009 none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

During the year a property occupied by the Group (together with the associated leasehold land) was transferred to investment properties following the end of occupation by the Group. The valuation increase from its carrying amount to its fair value at the date of transfer of HK\$1,462 million has been recognised in other comprehensive income and the properties revaluation reserve.

Property, plant and equipment is reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors considered 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. During the year, the carrying amount of some vessels has been written down by HK\$57 million to their recoverable amount, which is the fair value less costs to sell.

Property, plant and machinery and vessels include costs of HK\$512 million (2009: HK\$295 million), HK\$14 million (2009: nil) and HK\$2,381 million (2009: HK\$1,563 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

## 16. Investment Properties

Refer to page 19 for details of the Group's and Company's investment properties.

## 17. Leasehold Land and Land Use Rights

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

	Group		
	2010 HK\$M	2009 HK\$M	2008 HK\$M
At 1st January			
as originally stated	2,234	2,586	2,349
adjustment on adoption of amendments to HKAS 17	(2,182)	(2,531)	(2,295)
as restated	52	55	54
Translation differences	5	(1)	2
Changes in composition of Group	887	–	–
Amortisation for the year (note 7)	(16)	(2)	(1)
At 31st December	928	52	55
Held in Hong Kong:			
On medium-term leases (10 to 50 years)	22	–	–
Held outside Hong Kong:			
On medium-term leases (10 to 50 years)	906	52	55
	928	52	55

## 18. Intangible Assets

	Group			
	Goodwill HK\$M	Computer Software HK\$M	Technical Licences HK\$M	Total HK\$M
<b>Cost:</b>				
At 1st January 2010				
as originally stated	832	108	–	940
adjustment on adoption of amendments to HKAS 12	(495)	–	–	(495)
as restated	337	108	–	445
Translation differences	8	–	15	23
Changes in composition of Group	30	26	524	580
Additions	3,479	22	–	3,501
Disposal	–	(1)	–	(1)
At 31st December 2010	3,854	155	539	4,548

**Accumulated amortisation and impairment:**

At 1st January 2010	–	69	–	69
Changes in composition of Group	–	10	2	12
Amortisation for the year (note 7)	–	16	15	31
Provision for impairment losses (note 7)	1	–	–	1
At 31st December 2010	1	95	17	113

**Net book value:**

At 31st December 2010	3,853	60	522	4,435
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	Group			
	Goodwill HK\$M	Computer Software HK\$M		Total HK\$M
<b>Cost:</b>				
At 1st January 2009				
as originally stated	832	89		921
adjustment on adoption of amendments to HKAS 12	(495)	–		(495)
as restated	337	89		426
Translation differences	(2)	–		(2)
Additions	2	19		21
At 31st December 2009	337	108		445

**Accumulated amortisation and impairment:**

At 1st January 2009	–	54		54
Amortisation for the year (note 7)	–	15		15
At 31st December 2009	–	69		69

**Net book value:**

At 31st December 2009 (restated)	337	39		376
At 31st December 2008 (restated)	337	35		372

Amortisation of HK\$31 million (2009: HK\$15 million) is included in administrative expenses in the consolidated income statement.

## 18. Intangible Assets (continued)

### Impairment test of goodwill

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

	2010 HK\$M	2009 HK\$M (Restated)	2008 HK\$M (Restated)
HAECO – Hong Kong	3,510	–	–
Investment properties – Hong Kong	174	174	174
Beverage franchises – Mainland China	160	153	154
Hotel business – United Kingdom	8	8	9
Others	1	2	–
	3,853	337	337

Goodwill attributable to HAECO arose from its highly skilled workforce in the aircraft engineering and maintenance business. It also represents the premium paid over the traded market price to obtain control of the business.

Goodwill attributable to investment properties in Hong Kong arose where the fair value of net assets acquired was below the fair value of consideration paid due to the recognition, required for accounting purposes, of deferred tax liabilities in respect of accelerated tax depreciation on the investment properties purchased. Consequently the related goodwill will only be impaired should the fair value of the investment property in future fall below its fair value at acquisition. The recoverable amount of goodwill attributable to this 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. (In the case of HAECO, the average long-term growth rate of profitability is 10.5%). The discount rates used at 31st December 2010 were between 7.5% and 10.5% (2009: 7.5% and 11.0%). These discount rates are pre-tax and reflect the specific risks relating to the relevant CGU.

## 19. Properties Held for Development

Refer to page 24 for details of the Group's properties held for development.

## 20. Subsidiary Companies

	Company	
	2010 HK\$M	2009 HK\$M
Shares at cost less provisions		
– Listed in Hong Kong	7,491	–
– Unlisted	8,578	8,659
	16,069	8,659
Loans and other amounts due from subsidiary companies		
– Interest-free	3,860	2,180
– Interest-bearing at 0.17% to 4.0% (2009: 0.04% to 4.0%)	50	1,617
	19,979	12,456

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 169 to 178.

## 21. Jointly Controlled Companies

	Group			Company	
	2010 HK\$M	2009 HK\$M (Restated)	2008 HK\$M (Restated)	2010 HK\$M	2009 HK\$M
Unlisted shares at cost				28	38
Share of net assets, unlisted	7,653	686	188	–	–
Loans due from jointly controlled companies less provisions					
– Interest-free	8,818	8,343	7,681	–	3
– Interest-bearing at 5.0% (2009: 5.0%; 2008: 5.0% to 6.57%)	96	96	700	86	86
	16,567	9,125	8,569	114	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		
	2010 HK\$M	2009 HK\$M (Restated)	2008 HK\$M (Restated)
Non-current assets	19,333	9,609	7,935
Current assets	5,537	2,967	3,760
Current liabilities	(7,737)	(5,270)	(5,409)
Non-current liabilities	(9,480)	(6,582)	(6,061)
Non-controlling interests	–	(38)	(37)
<b>Net assets</b>	<b>7,653</b>	<b>686</b>	<b>188</b>
Revenue	12,088	8,900	
Expenses	(9,202)	(8,055)	
Profit before taxation	2,886	845	
Taxation	(623)	(208)	
<b>Profit for the year</b>	<b>2,263</b>	<b>637</b>	

The principal jointly controlled companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 169 to 178.

## 21. Jointly Controlled Companies (continued)

The restated opening balance for 2009 and 2010 together with the significant movements in 2010 are analysed as follows:

	Group	
	HK\$M	HK\$M
At 1st January 2009		
as originally stated		8,505
adjustment on early adoption of amendments to HKAS 12		64
as restated		8,569
At 1st January 2010		
as originally stated		9,048
adjustment on early adoption of amendments to HKAS 12		77
as restated		9,125
Translation differences		4
Acquisition of new interest in		
– Argyle Street Project (50%)	255	
– Daci Temple Project in Chengdu, Mainland China (50%)	29	
– Akzo Nobel Decorative Coating in Langfang, Mainland China (30%)	22	
		306
Introduced from the HAECO group following the acquisition of controlling interest in HAECO		3,860
Reclassification of PCCW Tower from held-for-sale investment following the sale of 50% interest to a third party		1,353
Loans advanced		770
Disposal of interest in		
– CROWN Beverage Cans group	(374)	
– Others	(8)	
		(382)
Reclassification of Swire Coca-Cola Vending to subsidiary company following the acquisition of its remaining 50% interest		(67)
Loans repaid		(147)
Share of retained profit/(loss)		1,531
Other equity movements		214
At 31st December 2010		16,567

## 22. Associated Companies

	Group			Company	
	2010 HK\$M	2009 HK\$M (Restated)	2008 HK\$M (Restated)	2010 HK\$M	2009 HK\$M
Shares at cost					
– Listed in Hong Kong				3,372	4,965
Share of net assets					
– Listed in Hong Kong	23,039	20,102	16,048		
– Unlisted	1,566	1,770	1,350		
	24,605	21,872	17,398		
Goodwill	662	1,030	315		
	25,267	22,902	17,713		
Loans due from associated companies					
– Interest-free	219	287	254	–	30
– Interest-bearing (2009: 1.65%; 2008: 3.6%)	–	356	556	–	–
	25,486	23,545	18,523	3,372	4,995

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 2010 was HK\$36,258 million (2009: HK\$31,613 million; 2008: HK\$17,262 million).

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

	2010 HK\$M	2009 HK\$M (Restated)	2008 HK\$M (Restated)
Non-current assets	46,835	45,695	41,526
Current assets	11,841	10,817	9,462
Current liabilities	(12,874)	(11,113)	(12,572)
Non-current liabilities	(21,132)	(22,961)	(20,655)
Non-controlling interests	(65)	(566)	(363)
<b>Net assets</b>	<b>24,605</b>	<b>21,872</b>	<b>17,398</b>
Revenue	43,097	33,367	
Profit/(loss) for the year	5,552	2,164	

The principal associated companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 169 to 178. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 179 to 182.

### Change of status of Hong Kong Aircraft Engineering Company Limited ("HAECO")

HAECO ceased to be an associated company and became a subsidiary of the Company with effect from 7th June 2010. Please refer to note 39 for details of the business combination process.

### Acquisition of shares in Cathay Pacific Airways Limited ("Cathay Pacific")

Swire Pacific acquired an additional 1% shareholding in Cathay Pacific from CITIC Pacific for a total cash consideration of HK\$826 million (out of which stamp duty and professional fees amounting to HK\$1 million have been recognised in the consolidated income statement). The transaction was completed on 29th October 2010 and the goodwill on acquisition was HK\$232 million.

## 23. Financial Instruments by Category

The accounting policies applied to financial instruments are shown below by line item:

Group	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
<b>Assets as per consolidated statement of financial position</b>							
At 31st December 2010							
Available-for-sale assets (note 24)	–	–	302	–	–	302	302
Long-term receivables	–	–	–	7	–	7	7
Long-term security deposits	–	–	–	42	–	42	42
Derivative financial assets (note 25)	1	646	–	–	–	647	647
Trade and other receivables (note 28)	–	–	–	4,499	–	4,499	4,499
Bank balances and short-term deposits (note 29)	–	–	–	4,180	–	4,180	4,180
<b>Total</b>	<b>1</b>	<b>646</b>	<b>302</b>	<b>8,728</b>	<b>–</b>	<b>9,677</b>	<b>9,677</b>
At 31st December 2009							
Available-for-sale assets (note 24)	–	–	392	–	–	392	392
Long-term receivables	–	–	–	9	–	9	9
Long-term security deposits	–	–	–	211	–	211	211
Derivative financial assets (note 25)	–	464	–	–	–	464	464
Trade and other receivables (note 28)	–	–	–	3,820	–	3,820	3,820
Bank balances and short-term deposits (note 29)	–	–	–	2,564	–	2,564	2,564
<b>Total</b>	<b>–</b>	<b>464</b>	<b>392</b>	<b>6,604</b>	<b>–</b>	<b>7,460</b>	<b>7,460</b>
<b>Liabilities as per consolidated statement of financial position</b>							
At 31st December 2010							
Trade and other payables (note 30)	678	–	–	–	9,478	10,156	10,156
Derivative financial liabilities (note 25)	–	215	–	–	–	215	215
Bank overdrafts and short-term loans	–	–	–	–	5,283	5,283	5,283
Long-term loans and bonds due within one year	–	–	–	–	9,101	9,101	9,119
Perpetual capital securities	–	–	–	–	2,332	2,332	2,565
Long-term loans and bonds due after one year	–	–	–	–	28,738	28,738	29,791
<b>Total</b>	<b>678</b>	<b>215</b>	<b>–</b>	<b>–</b>	<b>54,932</b>	<b>55,825</b>	<b>57,129</b>
At 31st December 2009							
Trade and other payables (note 30)	690	–	–	–	8,147	8,837	8,837
Provisions (note 31)	–	–	–	–	7	7	7
Derivative financial liabilities (note 25)	–	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
<b>Total</b>	<b>690</b>	<b>186</b>	<b>–</b>	<b>–</b>	<b>42,656</b>	<b>43,532</b>	<b>44,156</b>

## 23. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

Company	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
<b>Assets as per statement of financial position</b>							
At 31st December 2010							
Available-for-sale assets (note 24)	–	–	126	–	–	126	126
Long-term receivables	–	–	–	1	–	1	1
Trade and other receivables (note 28)	–	–	–	50	–	50	50
Short-term deposits and bank balances (note 29)	–	–	–	158	–	158	158
Total	–	–	126	209	–	335	335
At 31st December 2009							
Available-for-sale assets (note 24)	–	–	100	–	–	100	100
Long-term receivables	–	–	–	1	–	1	1
Trade and other receivables (note 28)	–	–	–	1,753	–	1,753	1,753
Short-term deposits and bank balances (note 29)	–	–	–	256	–	256	256
Total	–	–	100	2,010	–	2,110	2,110
<b>Liabilities as per statement of financial position</b>							
At 31st December 2010							
Trade and other payables (note 30)	–	–	–	–	9,345	9,345	9,345
Bank overdrafts and short-term loans	–	–	–	–	3,893	3,893	3,893
Total	–	–	–	–	13,238	13,238	13,238
At 31st December 2009							
Trade and other payables (note 30)	–	–	–	–	5,515	5,515	5,515

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.

## 23. 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
<b>Assets as per consolidated statement of financial position</b>			
At 31st December 2010			
Available-for-sale assets (note 24)			
– Shares listed in Hong Kong	126	–	126
– Shares listed overseas	167	–	167
– Unlisted investments	–	9	9
Derivatives used for hedging (note 25)	–	647	647
Total	293	656	949
At 31st December 2009			
Available-for-sale assets (note 24)			
– Shares listed in Hong Kong	160	–	160
– Shares listed overseas	223	–	223
– Unlisted investments	–	9	9
Derivatives used for hedging (note 25)	–	464	464
Total	383	473	856
<b>Liabilities as per consolidated statement of financial position</b>			
At 31st December 2010			
Derivatives used for hedging (note 25)	–	215	215
Put option over non-controlling interest in Sanlitun Village (note 30)	–	678	678
Total	–	893	893
At 31st December 2009			
Derivatives used for hedging (note 25)	–	186	186
Put option over non-controlling interest in Sanlitun Village (note 30)	–	690	690
Total	–	876	876
<b>Company</b>			
	Level 1 HK\$M	Level 2 HK\$M	Total carrying amount HK\$M
<b>Assets as per statement of financial position</b>			
At 31st December 2010			
Available-for-sale assets			
– Shares listed in Hong Kong (note 24)	126	–	126
At 31st December 2009			
Available-for-sale assets			
– Shares listed in Hong Kong (note 24)	100	–	100

Notes:

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.

## 24. Available-for-sale Assets

	Group		Company	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
<b>Non-current assets</b>				
Shares listed in Hong Kong	126	160	126	100
Securities listed overseas	167	223	—	—
Unlisted investments	9	9	—	—
	<b>302</b>	<b>392</b>	<b>126</b>	<b>100</b>

## 25. Derivative Financial Instruments

	Group			
	2010		2009	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Cross-currency swaps – cash flow hedges (a)	609	—	424	—
Interest rate swaps – cash flow hedges (b)	—	204	—	159
Interest rate swap – fair value hedge (c)	13	—	26	—
Forward foreign exchange contracts – cash flow hedges (d)	24	11	14	27
Commodity swaps - not qualifying as hedges	1	—	—	—
<b>Total</b>	<b>647</b>	<b>215</b>	<b>464</b>	<b>186</b>
<i>Less non-current portion:</i>				
Cross-currency swaps – cash flow hedges (a)	609	—	424	—
Interest rate swaps – cash flow hedges (b)	—	204	—	159
Interest rate swap – fair value hedge (c)	—	—	26	—
Forward foreign exchange contracts – cash flow hedges (d)	2	—	—	7
	<b>611</b>	<b>204</b>	<b>450</b>	<b>166</b>
Current portion	<b>36</b>	<b>11</b>	<b>14</b>	<b>20</b>

- (a) The cross-currency swaps hedge the foreign currency risk relating to US\$ note issues. Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2010 are expected to affect the income statement in the years to redemption of the notes (up to and including 2019).
- (b) These interest rate swaps hedge the interest rate risk associated with floating rate notes. Gains and losses recognised in other comprehensive income on interest rate swaps at 31st December 2010 are expected to affect the income statement in the years to redemption of the notes (up to and including 2012).
- (c) This 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 foreign exchange contracts hedge the foreign currency exposure relating to contractual obligations. Gains and losses recognised in other comprehensive income on foreign exchange contracts at 31st December 2010 are expected to affect the income statement up to and including 2013.

At 31st December 2010, the fixed interest rates varied from 2.670% to 7.355% (2009: same) and the main floating rates were HIBOR (2009: same).

### Interest rate swaps

The total notional principal amount of the outstanding interest rate swap contracts at 31st December 2010 was HK\$5,500 million (2009: same).

### Cash flow hedges

For the years ended 31st December 2010 and 31st December 2009 all cash flow hedges were effective.

## 26. Properties for Sale

Refer to page 24 for details of the Group's properties for sale.

## 27. Stocks and Work in Progress

	Group	
	2010 HK\$M	2009 HK\$M
Goods for sale	1,178	964
Manufacturing materials	225	208
Production supplies	506	223
Work in progress	195	33
	<b>2,104</b>	<b>1,428</b>

## 28. Trade and Other Receivables

	Group		Company	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
Trade debtors	2,197	1,738	—	—
Amounts due from fellow subsidiary companies	—	13	—	—
Amounts due from subsidiary companies	—	—	21	144
Amounts due from jointly controlled companies	179	116	—	—
Amounts due from associated companies	4	9	—	—
Prepayments and accrued income	983	857	1	2
Other receivables	1,136	1,087	28	1,607
	<b>4,499</b>	<b>3,820</b>	<b>50</b>	<b>1,753</b>

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.

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

	Group	
	2010 HK\$M	2009 HK\$M
Under three months	1,966	1,520
Between three and six months	105	137
Over six months	126	81
	<b>2,197</b>	<b>1,738</b>

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.

## 28. Trade and Other Receivables (continued)

At 31st December 2010, trade debtors of HK\$878 million (2009: HK\$639 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	
	2010 HK\$M	2009 HK\$M
Up to three months	688	471
Between three and six months	67	87
Over six months	123	81
	<b>878</b>	<b>639</b>

At 31st December 2010, trade debtors of HK\$29 million (2009: HK\$71 million) were impaired and provided for. The amount of the provision was HK\$19 million at 31st December 2010 (2009: HK\$55 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	
	2010 HK\$M	2009 HK\$M
Up to three months	9	44
Between three and six months	–	2
Over six months	20	25
	<b>29</b>	<b>71</b>

The maximum exposure to credit risk at 31st December 2010 and 31st December 2009 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 2010 was HK\$1,810 million (2009: HK\$1,654 million).

## 29. Bank Balances and Short-term Deposits

	Group		Company	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
Cash and cash equivalents	3,809	2,322	158	256
Short-term deposits maturing after more than three months	201	73	–	–
Security deposits in respect of loans repayable within one year	170	169	–	–
	371	242	–	–
	<b>4,180</b>	<b>2,564</b>	<b>158</b>	<b>256</b>

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 4.58% (2009: 0.01% to 4.58%); these deposits have a maturity from 3 to 243 days (2009: 30 to 90 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2010 and 31st December 2009 is the carrying value of the bank balances and short-term deposits disclosed above.

### 30. Trade and Other Payables

	Group		Company	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
Trade creditors	1,853	1,491	–	–
Amounts due to immediate holding company	191	119	34	17
Amounts due to subsidiary companies	–	–	7,082	5,428
Amounts due to jointly controlled companies	48	69	–	–
Amounts due to associated companies	7	43	–	–
Interest-bearing advances from a subsidiary company at 0.79% (2009: nil)	–	–	2,189	–
Interest-bearing advances from jointly controlled companies at 2.66% (2009: 0.09%)	17	16	–	–
Interest-bearing advances from associated companies at 0.54% (2009: 0.32%)	149	149	–	–
Advances from non-controlling interests	368	327	–	–
Rental deposits from tenants	1,810	1,654	–	–
Put option over non-controlling interest in Sanlitun Village	678	690	–	–
Accrued capital expenditure	1,318	1,478	–	–
Other accruals	2,604	1,904	–	–
Other payables	1,113	897	40	70
	10,156	8,837	9,345	5,515

The amounts due to and advances from immediate holding, subsidiary, jointly controlled and associated companies, and non-controlling 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	
	2010 HK\$M	2009 HK\$M
Under three months	1,720	1,356
Between three and six months	113	119
Over six months	20	16
	1,853	1,491

### 31. Provisions

	Group	
	2010 HK\$M	2009 HK\$M
At 1st January	7	8
Utilised during the year	(7)	(1)
At 31st December	–	7

### 32. Perpetual Capital Securities

Refer to page 73 for details of the Group's perpetual capital securities.

### 33. Borrowings

Refer to pages 71 to 79 for details of the Group's borrowings.

### 34. Deferred Taxation

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

	Group		Company	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
At 1st January				
as originally stated	20,033	17,087	25	34
adjustment on adoption of amendments to HKAS 12	(16,703)	(14,749)	(23)	(19)
as restated	3,330	2,338	2	15
Translation differences	(7)	(4)	—	—
Change in composition of Group	289	—	—	—
Charged/(credited) to income statement (note 11)	651	928	1	(13)
Charged to other comprehensive income	15	68	—	—
At 31st December	4,278	3,330	3	2

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK\$1,318 million (2009: HK\$447 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group	
	2010 HK\$M	2009 HK\$M
No expiry date	899	447
Expiring in 2013	49	—
Expiring in 2014	146	—
Expiring in 2015	224	—
	1,318	447

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	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
At 1st January								
as originally stated	2,290	2,054	17,832	15,161	431	362	20,553	17,577
adjustment on adoption of amendments to HKAS 12	—	—	(16,703)	(14,749)	—	—	(16,703)	(14,749)
as restated	2,290	2,054	1,129	412	431	362	3,850	2,828
Translation differences	—	—	2	(1)	1	(1)	3	(2)
Change in composition of Group	264	—	—	—	82	—	346	—
Charged to income statement	176	236	383	718	10	70	569	1,024
At 31st December	2,730	2,290	1,514	1,129	524	431	4,768	3,850

### 34. Deferred Taxation (continued)

#### Deferred tax liabilities (continued)

	Company					
	Accelerated tax depreciation		Valuation of investment properties		Total	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
At 1st January						
as originally stated	2	15	23	19	25	34
adjustment on adoption of amendments to HKAS 12	–	–	(23)	(19)	(23)	(19)
as restated	2	15	–	–	2	15
Charged/(credited) to income statement	1	(13)	–	–	1	(13)
At 31st December	3	2	–	–	3	2

#### Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
At 1st January	179	80	94	147	247	263	520	490
Translation differences	4	1	6	–	–	1	10	2
Transfer between categories	–	14	–	–	–	(14)	–	–
Change in composition of Group	38	–	19	–	–	–	57	–
Credited/(charged) to income statement	33	84	(63)	(53)	(52)	65	(82)	96
Charged to other comprehensive income	–	–	–	–	(15)	(68)	(15)	(68)
At 31st December	254	179	56	94	180	247	490	520

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		
	2010 HK\$M	2009 HK\$M (Restated)	2008 HK\$M (Restated)	2010 HK\$M	2009 HK\$M (Restated)	2008 HK\$M (Restated)
Deferred tax assets:						
– To be recovered after more than 12 months	(226)	(192)	(226)	–	–	–
– To be recovered within 12 months	(101)	(78)	(69)	–	–	–
	(327)	(270)	(295)	–	–	–
Deferred tax liabilities:						
– To be settled after more than 12 months	4,543	3,579	2,632	3	2	15
– To be settled within 12 months	62	21	1	–	–	–
	4,605	3,600	2,633	3	2	15
	4,278	3,330	2,338	3	2	15

### 35. Retirement Benefits

The Group operates various retirement benefit plans providing resignation and retirement benefits to staff on both a contributory and non-contributory basis. The assets of the plans are administered by trustees and are maintained independently of the Group's finances. The majority of the plans are of the defined benefit type and contributions to such plans are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The principal plans in Hong Kong are valued annually by qualified actuaries, Tower Watson (formerly known as Watson Wyatt Hong Kong Limited), for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2010, the funding level was 118% (2009: 95%) of the accrued actuarial liabilities on an ongoing basis.

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

Total retirement benefit costs recognised in the income statement for the year ended 31st December 2010 amounted to HK\$159 million (2009: HK\$195 million), including HK\$71 million (2009: HK\$47 million) in respect of defined contribution plans.

Defined benefit plans are valued using the projected unit credit method in accordance with HKAS 19. For the year ended 31st December 2009, the HKAS 19 disclosures shown in the accounts are based on valuations prepared by Towers Watson at 31st December 2009. For the year ended 31st December 2010, the HKAS 19 disclosures are based on valuations prepared by Towers Watson at 31st December 2009, which were updated at 31st December 2010 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:

	2010			Company Defined benefit plans HK\$M
	Defined benefit plans HK\$M	Other post- employment benefits HK\$M	Total HK\$M	
Present value of funded obligations	4,152	–	4,152	79
Fair value of plan assets	(4,358)	–	(4,358)	(182)
	(206)	–	(206)	(103)
Present value of unfunded obligations	–	44	44	–
Net unrecognised actuarial (losses)/gains	(91)	7	(84)	(8)
Net retirement benefit (assets)/liabilities	(297)	51	(246)	(111)
Represented by:				
Retirement benefit assets	(548)	–	(548)	(111)
Retirement benefit liabilities	251	51	302	–
	(297)	51	(246)	(111)

### 35. Retirement Benefits (continued)

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

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

(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	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
At 1st January	1,791	1,531	49	43	73	56
Translation differences	72	6	–	–	–	–
Change in composition of Group	2,076	–	–	–	–	–
Service cost	173	115	1	1	6	5
Interest cost	139	78	2	3	3	3
Actuarial losses/(gains)	121	135	(7)	3	3	–
Transfer in members	–	2	–	–	–	13
Increase in obligation due to amendment	–	5	–	–	–	–
Employees contribution	2	–	–	–	–	–
Benefits paid	(222)	(81)	(1)	(1)	(6)	(4)
At 31st December	4,152	1,791	44	49	79	73

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

	Group		Company	
	Defined benefit plans		Defined benefit plans	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
At 1st January	1,554	1,143	170	121
Translation differences	6	2	–	–
Change in composition of Group	2,557	–	–	–
Expected return	250	82	13	8
Actuarial gains	125	261	5	32
Assets distributed on settlements	–	–	–	–
Contributions by employer	85	143	–	–
Employees contribution	2	–	–	–
Transfer in of members	–	2	–	13
Benefits paid	(221)	(79)	(6)	(4)
At 31st December	4,358	1,554	182	170

### 35. Retirement Benefits (continued)

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

	Group					
	2010			2009		
	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	173	1	174	115	1	116
Interest cost	139	2	141	78	3	81
Expected return on plan assets – gain	(250)	–	(250)	(82)	–	(82)
Past service costs recognised	–	–	–	4	–	4
Net actuarial losses/(gains) recognised	23	(2)	21	25	(2)	23
Gains on curtailments and settlements	2	–	2	6	–	6
	87	1	88	146	2	148

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\$375 million (2009: gain of HK\$343 million).

(d) Plan assets comprise the following:

	Group			
	Defined benefit plans			
	2010		2009	
	HK\$M	%	HK\$M	%
Equities	3,071	70	1,114	72
Bonds	1,218	28	367	23
Deposits and cash	69	2	73	5
	4,358	100	1,554	100

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

	Group				
	2010 HK\$M	2009 HK\$M	2008 HK\$M	2007 HK\$M	2006 HK\$M
Defined benefit plans					
– Defined benefit obligations	4,152	1,791	1,531	1,671	1,512
– Plan assets	(4,358)	(1,554)	(1,143)	(1,770)	(1,555)
– (Surplus)/deficit	(206)	237	388	(99)	(43)
– Experience adjustments on plan liabilities	17	72	(52)	44	14
– Experience adjustments on plan assets	(125)	(261)	719	(113)	(93)
Other post-employment benefits					
– Defined benefit obligations	44	49	43	44	44
– Experience adjustments on plan liabilities	(7)	3	(4)	(3)	1

### 35. Retirement Benefits (continued)

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

	Group					
	Defined benefit plans				Other post-employment benefits	
	2010		2009		2010	2009
	HK %	Others %	HK %	Others %	USA %	USA %
Discount rate	4.4	1.75-5.57	4.75	2.25-6.0	5.57	5.77
Expected rate of return on plan assets	8.0	1.75-8.25	8.0	2.0-8.25	N/A	N/A
Expected rate of future salary increases	3.5-3.6	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	8.5	9.0

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.

### 36. Share Capital

	Company				
	'A' shares of HK\$0.60 each	'B' shares of HK\$0.12 each	'A' shares HK\$M	'B' shares HK\$M	Total HK\$M
<b>Authorised:</b>					
At 31st December 2010 and 2009	1,140,000,000	3,600,000,000	684	432	1,116
<b>Issued and fully paid:</b>					
At 31st December 2010 and 2009	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.

## 37. Reserves

Group	Revenue reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Property revaluation 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 adjustment on adoption of amendments to HKAS 12	132,433	342	49	–	406	(889)	1,497	133,838
as restated	14,397	–	–	–	–	–	–	14,397
	146,830	342	49	–	406	(889)	1,497	148,235
<b>Profit for the year</b>	21,893	–	–	–	–	–	–	21,893
<b>Other comprehensive income</b>								
Cash flow hedges								
– recognised during the year	–	–	–	–	–	365	–	365
– 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
– deferred tax	–	–	–	–	–	(68)	–	(68)
Net fair value changes on available-for-sale assets								
– net gains 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
<b>Total comprehensive income for the year</b>	21,935	–	–	–	305	536	92	22,868
2008 final dividend	(2,227)	–	–	–	–	–	–	(2,227)
2009 interim dividend (note 13)	(903)	–	–	–	–	–	–	(903)
At 31st December 2009	165,635	342	49	–	711	(353)	1,589	167,973

### 37. Reserves (continued)

Group	Revenue reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Property revaluation reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2010 as originally stated	149,262	342	49	–	711	(353)	1,589	151,600
adjustment on adoption of amendments to HKAS 12	16,373	–	–	–	–	–	–	16,373
as restated	165,635	342	49	–	711	(353)	1,589	167,973
<b>Profit for the year</b>	<b>38,252</b>	–	–	–	–	–	–	<b>38,252</b>
<b>Other comprehensive income</b>								
Cash flow hedges								
– recognised during the year	–	–	–	–	–	106	–	106
– transferred to net finance charges	–	–	–	–	–	12	–	12
– transferred to operating profit – exchange differences	–	–	–	–	–	(34)	–	(34)
– transferred to initial cost of non-financial assets	–	–	–	–	–	26	–	26
– deferred tax	–	–	–	–	–	(15)	–	(15)
Net fair value changes on available-for-sale assets								
– net losses recognised during the year	–	–	–	–	(30)	–	–	(30)
– transferred to operating profit	–	–	–	–	(39)	–	–	(39)
Revaluation of property previously occupied by the Group								
– gain recognised during the year	–	–	–	1,462	–	–	–	1,462
Share of other comprehensive income of jointly controlled and associated companies	12	–	–	–	(7)	(197)	276	84
Net translation differences on foreign operations	–	–	–	–	–	–	607	607
<b>Total comprehensive income for the year</b>	<b>38,264</b>	–	–	<b>1,462</b>	<b>(76)</b>	<b>(102)</b>	<b>883</b>	<b>40,431</b>
2009 final dividend (note 13)	(3,310)	–	–	–	–	–	–	(3,310)
2010 interim dividend (note 13)	(1,505)	–	–	–	–	–	–	(1,505)
Changes in composition of Group	(40)	–	–	–	–	–	–	(40)
At 31st December 2010	199,044	342	49	1,462	635	(455)	2,472	203,549

## 37. Reserves (continued)

Company	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 2009					
as originally stated	13,292	342	49	(41)	13,642
adjustment on adoption of amendments to HKAS 12	19	–	–	–	19
as restated	13,311	342	49	(41)	13,661
<b>Profit for the year</b> (note 12)	3,993	–	–	–	3,993
<b>Other comprehensive income</b>					
Net fair value changes on available-for-sale assets					
– net gains recognised during the year	–	–	–	55	55
– transferred to operating profit	–	–	–	(16)	(16)
<b>Total comprehensive income for the year</b>	3,993	–	–	39	4,032
2008 final dividend	(2,227)	–	–	–	(2,227)
2009 interim dividend (note 13)	(903)	–	–	–	(903)
At 31st December 2009	14,174	342	49	(2)	14,563
At 1st January 2010					
as originally stated	14,151	342	49	(2)	14,540
adjustment on adoption of amendments to HKAS 12	23	–	–	–	23
as restated	14,174	342	49	(2)	14,563
<b>Profit for the year</b> (note 12)	2,314	–	–	–	2,314
<b>Other comprehensive income</b>					
Net fair value changes on available-for-sale assets					
– net losses recognised during the year	–	–	–	26	26
<b>Total comprehensive income for the year</b>	2,314	–	–	26	2,340
2009 final dividend (note 13)	(3,310)	–	–	–	(3,310)
2010 interim dividend (note 13)	(1,505)	–	–	–	(1,505)
At 31st December 2010	11,673	342	49	24	12,088

- (a) The Group revenue reserve includes retained revenue reserves from jointly controlled companies amounting to HK\$505 million (2009: accumulated losses of HK\$1,856 million) and retained revenue reserves from associated companies amounting to HK\$21,086 million (2009: HK\$17,487 million).
- (b) The Group and Company revenue reserves include HK\$3,761 million (2009: HK\$3,310 million) representing the proposed final dividend for the year (note 13).

## 38. Non-controlling Interests

	Group	
	2010 HK\$M	2009 HK\$M
At 1st January		
as originally stated	846	1,447
adjustment on adoption of amendments to HKAS 12	3	2
as restated	849	1,449
Share of profits less losses for the year	637	248
Share of cash flow hedges recognised during the year	4	–
Share of fair value (losses)/gains on available-for-sale assets	(5)	1
Share of other comprehensive income of jointly controlled companies	9	15
Share of translation differences on foreign operations	8	–
Share of total comprehensive income	653	264
Dividends paid and payable	(525)	(123)
Additional non-controlling interests arising on consolidation of HAECO	3,720	–
Acquisition of non-controlling interests in subsidiary companies	(108)	(2)
Disposal of non-controlling interests in subsidiary companies	(3)	–
Capital contribution from non-controlling interests	13	12
Recognition of put option over non-controlling interest in Sanlitun Village	–	(751)
At 31st December	4,599	849

## 39. Business Combination

On 7th June 2010, Swire Pacific announced that the Company and Cathay Pacific had entered into a sale and purchase agreement for the Company to acquire 24,948,728 shares in HAECO (representing a 15% interest) from Cathay Pacific at a price of HK\$105 per share, which amounted to a total cash consideration of HK\$2,620 million. The Group recognised a gain of HK\$2,547 million on the remeasurement of its 45.96% equity interest in HAECO held prior to the acquisition date. The transaction enabled the Company to acquire majority control of HAECO and as a result to consolidate the HAECO group's financial results and cash flows.

On 7th June 2010, Swire Pacific also announced that, in accordance with the Hong Kong Code on Takeovers and Mergers, the Company would be required to make a mandatory unconditional general offer in cash for all of the issued HAECO shares which it did not own, at the same price per share as that payable by the Company to Cathay Pacific. On 28th June 2010, Swire Pacific dispatched the document containing the general offer to shareholders of HAECO. The general offer was open until 27th July 2010. Shareholders holding 24,766,659 shares (representing a 14.89% interest) accepted the general offer, with the result that Swire Pacific's total holding of HAECO shares represented 75.85% of HAECO's issued share capital. Swire Pacific sold 1,440,925 shares in HAECO on 6th August 2010 in order to restore the percentage of shares in HAECO in public hands to the minimum 25% in compliance with the Hong Kong Stock Exchange Listing Rules. After completion of this transaction on 13th August 2010, Swire Pacific's total interest in HAECO was reduced to 74.99%.

Details of the purchase consideration for the acquisition of the shares in HAECO held by Cathay Pacific and the public shareholders, the fair value of the interest in HAECO held by Swire Pacific before these acquisitions, the consolidated net assets of HAECO at 7th June 2010 and the amount of the goodwill recorded in the books of Swire Pacific are shown in the table on the next page. The final amount of the goodwill relating to the whole business combination involving HAECO has been recalculated as at 13th August 2010 having regard to the additional shares in HAECO acquired from Cathay Pacific and under the terms of the general offer and to the subsequent sale of shares in HAECO to maintain its minimum public shareholding as a listed company.

## 39. Business Combination (continued)

	HK\$M
Purchase consideration – cash paid to Cathay Pacific	2,620
Purchase consideration – cash paid for the general offer of issued HAECO shares	2,600
Consideration received from the subsequent sale of HAECO shares	(148)
Net consideration paid	5,072
Fair value of previously held interest in HAECO	6,421
	11,493
	Fair Value HK\$M
Cash and cash equivalents	541
Short-term deposits	124
Property, plant and equipment	5,411
Leasehold land and land use rights	887
Intangible assets	568
Jointly controlled companies	3,860
Retirement benefit assets	279
Inventories	362
Receivables	836
Payables	(861)
Borrowings	(1,324)
Net current and deferred tax liabilities	(294)
Non-controlling interests	(1,495)
Net identifiable assets (100%)	8,894
Net identifiable assets acquired	6,670
Elimination of the Group's share of profit on disposal recorded by Cathay Pacific	1,344
Goodwill*	3,479
	11,493

\* including goodwill of HK\$600 million previously classified under interest in associated companies.

	HK\$M
Net purchase consideration settled in cash	5,072
Cash and cash equivalents acquired	(541)
Net cash outflow on acquisition	4,531

The Group has chosen to recognise the non-controlling interest at its proportionate share of net assets for this acquisition.

The goodwill is attributable to HAECO's highly skilled workforce. It also represents the premium paid over the traded market price to obtain control of the business. The goodwill is not expected to be deductible for tax purposes.

The fair value of the acquired receivables was HK\$836 million and includes trade receivables with a fair value of HK\$431 million. The contractual amount of the trade receivables due is HK\$432 million, in respect of which a bad debt provision of HK\$1 million has been made.

Acquisition-related costs of HK\$24 million have been recognised in the consolidated income statement.

The acquired business contributed revenue of HK\$2,574 million and net profit of HK\$290 million to the Group for the period from 7th June 2010 to 31st December 2010. If the acquisition had occurred on 1st January 2010, consolidated revenue and consolidated net profit for the year ended 31st December 2010 would have been increased by HK\$1,692 million and HK\$178 million respectively.

## 40. Capital Commitments

	Group	
	2010 HK\$M	2009 HK\$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	3,983	3,069
Authorised by Directors but not contracted for	1,915	725
(b) Investment properties		
Contracted for	2,461	2,983
Authorised by Directors but not contracted for	1,576	2,028
The Group's share of capital commitments of jointly controlled companies at the year-end*		
Contracted for	1,894	594
Authorised by Directors but not contracted for	5,411	5,073
	7,305	5,667

\* of which the Group is committed to funding HK\$2,460 million (2009: HK\$268 million).

The Company had no commitments in respect of the above items at 31st December 2010 (2009: same).

At 31st December 2010, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK\$146 million (2009: HK\$158 million).

## 41. Contingencies

	Group		Company	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
(a) <b>Guarantees provided in respect of bank loans and other liabilities of:</b>				
Subsidiary companies	—	—	34,166	29,950
Jointly controlled companies	982	987	981	986
	982	987	35,147	30,936

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

### (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\$206 million at 31st December 2010 (2009: HK\$171 million).

## 41. Contingencies (continued)

### (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 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, has responded.

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

On 27th May 2010, the Korean Fair Trade Commission (“KFTC”) announced it will fine several airlines, including Cathay Pacific, for their air cargo pricing practices. On 29th November 2010, KFTC issued a written decision and Cathay Pacific’s fine was KRW 5.35 billion which is approximately HK\$36 million at the exchange rate current as of the date of the announcement. Cathay Pacific has filed an appeal in the Seoul High Court challenging the KFTC’s decision in December 2010.

On 9th November 2010, the European Commission announced that it had issued a decision in its Airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission has imposed a fine of Euros 57,120,000 (equivalent to HK\$618 million) on Cathay Pacific. Cathay Pacific filed an appeal with the General Court of the European Union in January 2011.

Cathay Pacific has been named as a defendant in a number of civil complaints, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, Korea, United Kingdom 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 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 makes provisions based on facts and circumstances in line with the relevant accounting policy.

## 42. 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 periods of three to six years. The turnover-related rental income received during the year amounted to HK\$295 million (2009: HK\$206 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	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
Land and buildings:				
Not later than one year	5,987	5,571	2	2
Later than one year but not later than five years	12,529	9,939	1	1
Later than five years	2,315	2,176	–	–
	20,831	17,686	3	3
Vessels:				
Not later than one year	853	1,727		
Later than one year but not later than five years	1,160	1,702		
Later than five years	1,348	1,581		
	3,361	5,010		
	24,192	22,696		

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

	Group				Company	
	2010		2009		2010	2009
	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	160,763	8,865	141,129	8,369	117	98
Less: accumulated depreciation	–	(2,534)	–	(2,192)	–	–
Net book value	160,763	6,331	141,129	6,177	117	98
Depreciation for the year	–	383	–	362	–	–

## 42. Operating Lease Arrangements (continued)

### (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\$17 million (2009: HK\$14 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	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
Land and buildings:				
Not later than one year	464	225	8	7
Later than one year but not later than five years	691	217	11	19
Later than five years	2,152	13	—	—
	3,307	455	19	26
Vessels:				
Not later than one year	70	70		
Later than one year but not later than five years	281	281		
Later than five years	400	469		
	751	820		
Other equipment:				
Not later than one year	18	18		
Later than one year but not later than five years	71	73		
	89	91		
	4,147	1,366		

## 43. Related Party Transactions

There are agreements for services ("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 non-controlling interests after certain adjustments. The current Agreements, which commenced on 1st January 2008 for a period of three years, expired on 31st December 2010. The agreements were renewed on 1st October 2010 and will last for another three years on the same terms and conditions commencing on 1st January 2011. For the year ended 31st December 2010, service fees payable amounted to HK\$203 million (2009: HK\$184 million). Expenses of HK\$131 million (2009: HK\$145 million) were reimbursed at cost; in addition, HK\$203 million (2009: HK\$212 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between the Company and JSSHK dated 5th August 2010, members of the Group will enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the year ended 31st December 2010, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK\$59 million (2009: HK\$52 million).

### 43. Related Party Transactions (continued)

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

	Notes	Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
		2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
Revenue from	(a)								
– Sales of beverage drinks		–	–	17	16	–	–	–	–
– Rendering of services		1	6	4	6	–	–	–	–
– Aircraft and engine maintenance		44	–	1,151	–	–	–	–	–
Purchases of beverage drinks	(a)	–	–	439	368	–	–	–	–
Purchases of beverage cans	(a)	94	164	–	–	–	–	–	–
Purchases of other goods	(a)	3	3	35	37	–	–	–	–
Purchases of services	(a)	16	–	18	3	17	9	–	–
Rental revenue	(b)	4	6	8	7	13	12	50	43
Interest income	(c)	8	31	13	22	–	–	–	–
Interest charges	(c)	–	–	–	–	–	–	–	–

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 2010 are disclosed in notes 21 and 22 respectively. Advances from jointly controlled and associated companies are disclosed in note 30.

At 31st December 2010, Swire Coca-Cola Beverages Xiamen Ltd ("SCCXM") extended a loan facility of RMB40 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 2010 are disclosed in note 30. 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 9.

## 44. Notes to the Consolidated Statement of Cash Flows

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

	Group	
	2010 HK\$M	2009 HK\$M
Operating profit	33,971	21,733
Loss/(profit) on sale of property, plant and equipment	5	(101)
Profit on sale of investment properties	(544)	(21)
Profit on sale of available-for-sale assets	(45)	(46)
Remeasurement gains and profit on disposal relating to the change of shareholding in PCCW Tower	(342)	–
Gain on remeasurement of previously held interest in HAECO on acquiring control	(2,547)	–
Change in fair value of investment properties	(21,344)	(14,406)
Depreciation	1,244	868
Amortisation of initial leasing costs and others	37	28
Amortisation of leasehold land and land use rights	16	2
Amortisation of intangible assets	31	15
Impairment losses recognised on hotel properties	–	267
Impairment losses recognised on intangible assets	1	–
Impairment losses recognised on vessels	57	–
Write-down of properties held for development	–	29
Profit on sale of interests in associated and jointly controlled companies	(2,008)	–
Other items	(96)	2
<b>Operating profit before working capital changes</b>	<b>8,436</b>	<b>8,370</b>
Decrease/(increase) in long-term receivables	2	(1)
Increase in properties for sale	(1,249)	(62)
(Increase)/decrease in stocks and work in progress	(285)	392
Decrease in trade and other receivables	57	140
Increase/(decrease) in trade and other payables	666	(99)
<b>Cash generated from operations</b>	<b>7,627</b>	<b>8,740</b>

### (b) Purchase of property, plant and equipment

	Group	
	2010 HK\$M	2009 HK\$M
Properties	518	942
Plant and machinery	781	486
Vessels	1,287	800
<b>Total</b>	<b>2,586</b>	<b>2,228</b>

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

## 44. Notes to the Consolidated Statement of Cash Flows (continued)

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

	Group			
	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2010 HK\$M	2009 HK\$M	2010 HK\$M	2009 HK\$M
At 1st January				
as originally stated	34,502	35,272	846	1,447
adjustment on adoption of amendments to HKAS 12	—	—	3	2
as restated	34,502	35,272	849	1,449
Net cash inflow/(outflow) from financing	9,585	(814)	13	12
Changes in composition of Group	1,324	—	3,720	—
Acquisition of non-controlling interests in subsidiary companies	—	—	(108)	—
Disposal of non-controlling interests in subsidiary companies	—	—	(3)	—
Non-controlling interests' share of total comprehensive income	—	—	653	264
Dividends paid to non-controlling interests	—	—	(490)	(123)
Dividends payable to non-controlling interests	—	—	(35)	—
Recognition of put option over non-controlling interest in Sanlitun Village	—	—	—	(751)
Other non-cash movements	24	44	—	(2)
At 31st December	45,435	34,502	4,599	849

## 45. Events after the Reporting Period

In March 2011, agreements were entered into under which Cathay Pacific group agreed to purchase 15 Airbus A330-300 aircraft and ten Boeing 777-300ER aircraft. The catalogue price of these aircraft is approximately HK\$46,683 million. The actual purchase price of the aircraft, which was determined after arm's length negotiations between the parties, is lower than the catalogue price.

Since the year-end SPO has agreed to acquire four anchor handling tug supply ("AHTS") vessels of which one has been delivered and the remaining three will be delivered in 2012. SPO has also exercised an option to acquire a second wind farm turbine installation vessel for delivery in 2012. These vessels represent commitments aggregating approximately US\$500 million.

## 46. 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.