SWIRE PACIFIC

2010 Annual Report

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

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

CONTENTS

Swire Pacific is one of the leading companies in Hong Kong, with five operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial. The Group's operations are predominantly in Greater China, where the name Swire or 太古 has been established for over 140 years. Swire Pacific is deeply committed to Hong Kong, where our subsidiaries and our jointly controlled and associated companies employ over 45,000 staff. Globally we employ over 100,000 staff.

VALUE IN DIVERSITY

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

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

The Group's total net assets employed increased by HK$48,826 million during 2010 to HK$250,232 million. Profit attributable to the Company's shareholders in 2010 was HK$38,252 million against HK$21,893 million in 2009. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$7,668 million to HK$16,143 million.

Net assets employed by the Property Division increased by HK$29,250 million to HK$194,652 million at 31st December 2010, on which date they represented 78% of the Group's net assets. The profit of the Property Division in 2010 was HK$26,008 million. The division's underlying profit in 2010 was HK$4,862 million against HK$3,966 million in 2009 and its return on average underlying equity was 3.3%, compared to 3.1% in 2009.

Net assets employed by the Aviation Division increased by HK$16,349 million to HK$38,003 million at 31st December 2010. The profit of the Aviation Division in 2010 was HK$8,901 million against HK$1,821 million in 2009. Excluding the gain on remeasurement of the previously held interest in HAECO and the profit on disposal of Hactl, the Aviation Division provided a return on average equity employed of 20.8%, compared to a return of 9.4% in 2009.

Net assets employed by the Beverages Division increased by HK$408 million to HK$4,978 million at 31st December 2010. The profit of the Beverages Division in 2010 was HK$699 million against HK$753 million in 2009. The division generated a return on average equity employed of 19.1%, compared to 23.3% in 2009.

Net assets employed by the Marine Services Division increased by HK$1,019 million to HK$8,901 million at 31st December 2010. The profit of the Marine Services Division in 2010 was HK$791 million against HK$1,637 million in 2009. The division provided a return on average equity employed of 9.0%, compared to 21.5% in 2009.

Net assets employed by the Trading & Industrial Division decreased by HK$493 million to HK$1,034 million at 31st December 2010. The profit in 2010 was HK$1,198 million against HK$350 million in 2009. Excluding the profit on disposal of the interest in CROWN Beverage Cans, the division provided a return on average equity employed of 23.5%, compared to 18.3% in 2009.

The Group generated a total return on average equity attributable to the Company's shareholders of 20.5% in 2010 against 13.8% in 2009. On an underlying basis, the Group's return on average equity was 8.5%, compared to 5.2% in 2009.

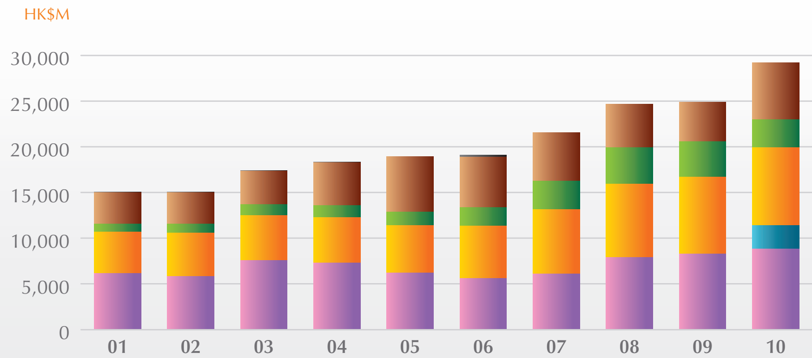
TEN-YEAR FINANCIAL SUMMARY

	2001 HK$M (Restated)	2002 HK$M (Restated)	2003 HK$M (Restated)	2004 HK$M (Restated)	2005 HK$M (Restated)	2006 HK$M (Restated)	2007 HK$M (Restated)	2008 HK$M (Restated)	2009 HK$M (Restated)	**2010 HK$M**
INCOME STATEMENT										
Turnover										
Property	6,163	5,798	7,539	7,306	6,197	5,595	6,060	7,903	8,288	**8,809**
Aviation	–	–	–	–	–	–	–	–	–	**2,574**
Beverages	4,513	4,787	4,955	4,978	5,187	5,750	7,066	8,001	8,399	**8,553**
Marine Services	893	991	1,216	1,297	1,492	1,997	3,104	4,007	3,892	**3,046**
Trading & Industrial	3,453	3,442	3,637	4,704	6,036	5,554	5,306	4,746	4,320	**6,212**
Head Office	29	28	40	39	25	215	17	13	10	**7**
	15,051	15,046	17,387	18,324	18,937	19,111	21,553	24,670	24,909	**29,201**
Profit attributable to the Company's shareholders										
Property	(3,253)	(2,992)	(53)	17,696	14,708	20,122	22,681	3,208	17,361	**26,008**
Aviation	520	2,128	843	2,393	1,928	3,605	3,330	(2,922)	1,821	**8,901**
Beverages	235	276	363	385	474	480	507	585	753	**699**
Marine Services	617	658	646	741	3,035	834	2,550	1,767	1,637	**791**
Trading & Industrial	130	4	225	390	520	449	403	2,091	350	**1,198**
Head Office	(193)	(300)	(103)	(169)	116	225	260	35	(29)	**655**
	(1,944)	(226)	1,921	21,436	20,781	25,715	29,731	4,764	21,893	**38,252**
Interim and final dividends for the year	1,738	1,996	2,052	3,062	3,154	4,321	4,898	3,591	4,213	**5,266**
Share repurchases	–	540	60	–	–	–	1,296	649	–	**–**
Retained profit less share repurchases	(3,682)	(2,762)	(191)	18,374	17,627	21,394	23,537	524	17,680	**32,986**
STATEMENT OF FINANCIAL POSITION										
Net assets employed										
Property – cost and working capital	39,459	38,044	36,657	37,183	38,775	45,374	57,295	66,299	68,595	**75,580**
– valuation surplus	28,510	23,011	20,217	36,004	48,483	62,864	82,343	82,712	96,807	**119,072**
Aviation	15,898	16,565	16,260	17,304	18,431	19,874	21,592	17,016	21,654	**38,003**
Beverages	3,369	3,479	3,111	2,936	2,930	3,201	3,403	4,040	4,570	**4,978**
Marine Services	2,899	3,814	4,335	4,772	5,061	6,026	6,496	7,430	7,882	**8,901**
Trading & Industrial	1,767	1,379	1,039	1,362	1,540	1,720	1,783	3,638	1,527	**1,034**
Head Office	102	27	312	456	212	(86)	1,157	(102)	371	**2,664**
	92,004	86,319	81,931	100,017	115,432	138,973	174,069	181,033	201,406	**250,232**
Financed by										
Equity attributable to the Company's shareholders	70,983	67,430	66,804	85,638	103,556	126,429	150,412	149,138	168,876	**204,452**
Non-controlling interests	4,342	4,754	5,011	6,117	6,428	614	1,165	1,449	849	**4,599**
Net debt	16,679	14,135	10,116	8,262	5,448	11,930	22,492	30,446	31,681	**41,181**
	92,004	86,319	81,931	100,017	115,432	138,973	174,069	181,033	201,406	**250,232**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	**HK$**
'A' shares										
Earnings/(loss) per share	(1.25)	(0.15)	1.25	14.00	13.57	16.80	19.55	3.15	14.55	**25.42**
Dividends per share	1.12	1.30	1.34	2.00	2.06	2.83	3.23	2.38	2.80	**3.50**
Equity attributable to shareholders per share	45.73	43.99	43.64	55.93	67.64	82.58	99.20	99.12	112.24	**135.88**
'B' shares										
Earnings/(loss) per share	(0.25)	(0.03)	0.25	2.80	2.71	3.36	3.91	0.63	2.91	**5.08**
Dividends per share	0.22	0.26	0.27	0.40	0.41	0.57	0.65	0.48	0.56	**0.70**
Equity attributable to shareholders per share	9.15	8.80	8.73	11.19	13.53	16.52	19.84	19.82	22.45	**27.18**
Ratios										
Return on average equity attributable to the Company's shareholders	-2.67%	-0.33%	2.86%	28.12%	21.97%	22.36%	21.48%	3.18%	13.77%	**20.49%**
Return on average equity attributable to the Company's shareholders (historic cost)	10.17%	11.76%	10.30%	12.80%	15.46%	14.24%	15.49%	7.67%	11.96%	**20.04%**
Gearing ratio	22.14%	19.58%	14.09%	9.00%	4.95%	9.39%	14.84%	20.22%	18.67%	**19.70%**
Interest cover – times	(4.57)	(1.96)	4.45	21.72	34.09	46.65	53.91	10.04	23.12	**26.98**
Dividend cover – times	(1.12)	(0.11)	0.94	7.00	6.59	5.95	6.07	1.33	5.20	**7.26**
Underlying										
Profit (HK$M)	4,307	5,389	4,942	6,538	8,742	8,716	10,283	5,238	8,475	**16,143**
Equity attributable to the Company's shareholders (HK$M)	72,540	68,957	68,107	87,020	105,300	128,496	152,750	151,657	172,820	**208,649**
Return on average equity attributable to the Company's shareholders	5.76%	7.62%	7.21%	8.43%	9.09%	7.46%	7.31%	3.44%	5.22%	**8.46%**
Earnings per 'A' share (HK$)	2.77	3.49	3.23	4.27	5.71	5.69	6.76	3.46	5.63	**10.73**
Earnings per 'B' share (HK$)	0.55	0.70	0.65	0.85	1.14	1.14	1.35	0.69	1.13	**2.15**
Equity attributable to 'A' shareholders per share (HK$)	46.74	44.98	44.50	56.84	68.77	83.93	100.74	100.79	114.86	**138.67**
Equity attributable to 'B' shareholders per share (HK$)	9.35	9.00	8.90	11.37	13.75	16.79	20.15	20.16	22.97	**27.73**
Gearing ratio	21.66%	19.18%	13.82%	8.84%	4.87%	9.24%	14.61%	19.87%	18.24%	**19.31%**
Interest cover – times	8.30	7.63	9.47	5.34	12.82	13.44	14.73	9.86	8.04	**10.22**
Dividend cover – times	2.48	2.70	2.41	2.14	2.77	2.02	2.10	1.46	2.01	**3.07**

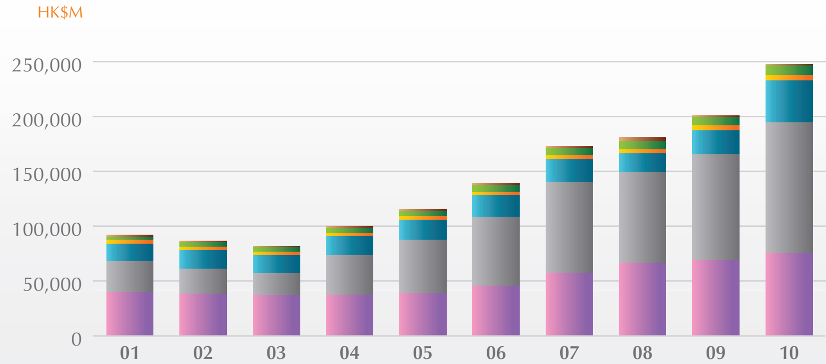
Notes:
1. The information for all years is shown in accordance with the Group's current accounting policies and disclosure practices. Consequently figures for years prior to 2009 may be different from those originally presented. The prior years' income statements and statements of financial position have been restated as a result of the early adoption of amended HKAS 12 "Income taxes".
2. The equity attributable to the Company's shareholders and the returns by division for 2010 and 2009 are shown in the Financial Review – Investment Appraisal and Performance Review on page 69.
3. Underlying profit and equity are discussed on page 62.
4. Refer to Glossary on page 196 for definitions and ratios.

TEN-YEAR FINANCIAL SUMMARY

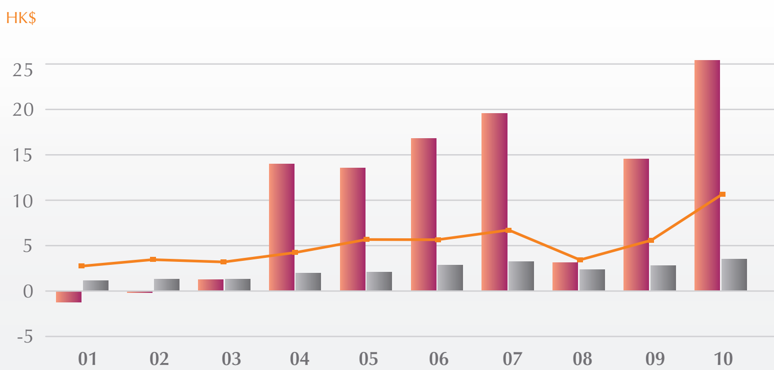
TURNOVER



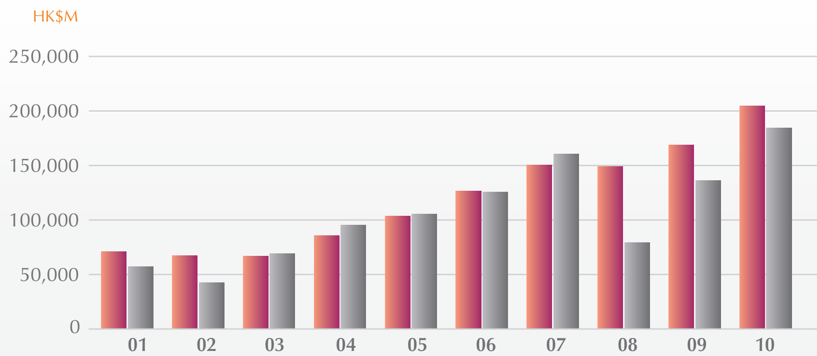
NET ASSETS EMPLOYED



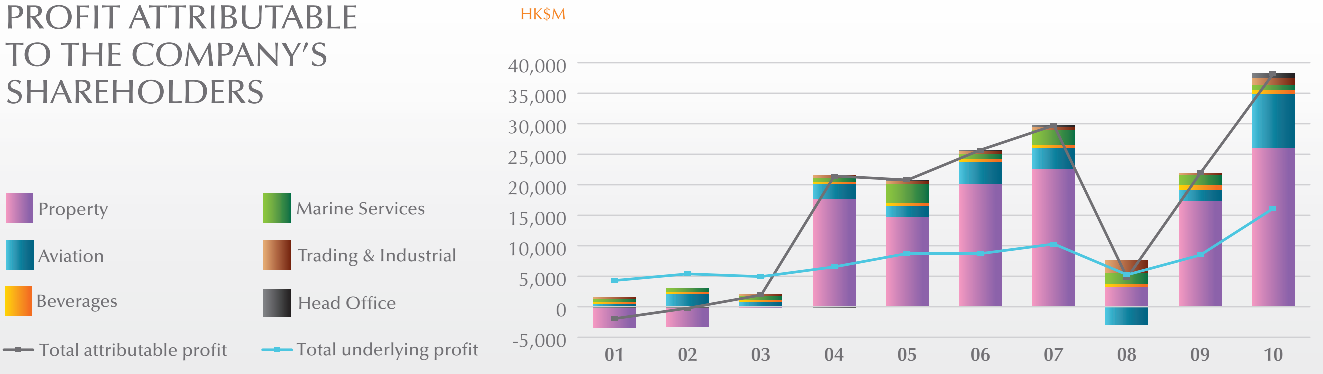
EARNINGS AND DIVIDENDS PER 'A' SHARE



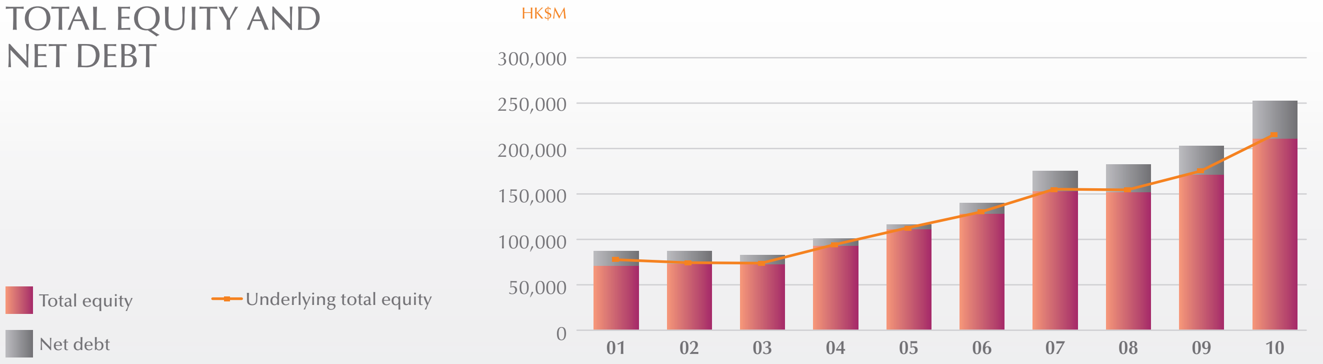
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS AND MARKET CAPITALISATION AT YEAR-END



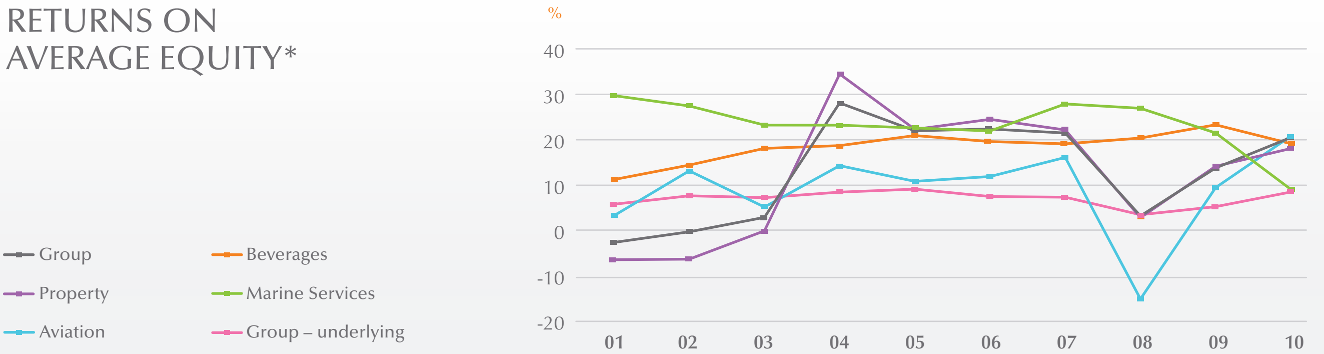
PROFIT ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS



TOTAL EQUITY AND NET DEBT

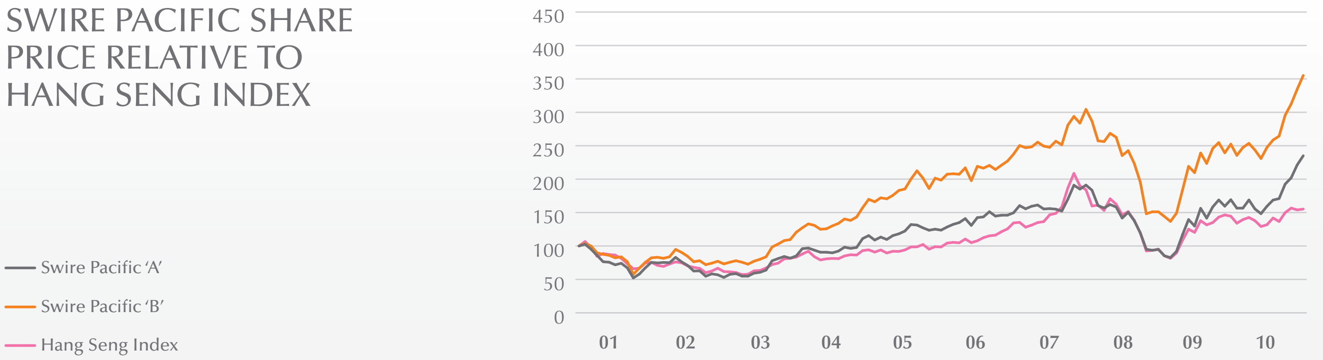


RETURNS ON AVERAGE EQUITY*



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

SWIRE PACIFIC SHARE PRICE RELATIVE TO HANG SENG INDEX



CHAIRMAN'S STATEMENT

The profit attributable to shareholders for 2010 was HK$38,252 million, compared to HK$21,893 million in 2009. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$7,668 million to HK$16,143 million. Excluding the effect of non-recurring items, underlying profit attributable to shareholders increased by HK$2,743 million to HK$11,099 million.

The 2010 results benefited from a very strong performance from the Cathay Pacific group and continued growth in profits from the Property Division. Profits also increased in the Trading & Industrial Division. Profits fell in the Beverages and Marine Services Divisions and were little changed at Hong Kong Aircraft Engineering Company Limited ("HAECO").

Key Developments

In May, Swire Aviation Limited, a 66.7%-owned subsidiary of Swire Pacific, sold its 30% interest in Hong Kong Air Cargo Terminals Limited ("Hactl") for a consideration of HK$1,341 million. The sale generated a profit of HK$1,238 million, of which HK$825 million is attributable to the Group. At the same time, Cathay Pacific disposed of its 10% interest in Hactl. The sale of these interests followed an undertaking given by Cathay Pacific to the Airport Authority of Hong Kong in 2008 that it would dispose of its entire interest in Hactl following the award to it of a franchise to operate a new air cargo terminal at Hong Kong International Airport.

In June, the Group acquired Cathay Pacific's 15% interest in HAECO for a consideration of HK$2,620 million. The Group subsequently increased its interest in HAECO to 74.99% at a net cost of HK$2,452 million. The Group recognised a gain of HK$2,547 million on remeasurement of its previously held interest in HAECO to fair value.

In August, Cathay Pacific announced orders of 30 Airbus A350-900 aircraft and six Boeing 777-300ER aircraft. Together, these represent Cathay Pacific's largest single acquisition of aircraft. In December, a further two Airbus A350-900s were ordered. In March 2011, Cathay Pacific announced the acquisition of 15 new Airbus A330-300 aircraft and ten new Boeing 777-300ER aircraft. With these additional aircraft, Cathay Pacific has 91 aircraft on order. Cathay Pacific is also in discussions which, if successfully concluded, will result in the acquisition of 14 further aircraft.

In September, the Group sold its interest in CROWN Beverage Cans to CROWN Holdings Inc. for a consideration of HK$1,165 million. The sale resulted in a net gain of HK$771 million.

In September, Swire Properties acquired the 80% interest it did not already own in the PCCW Tower office development in TaiKoo Place. In November, a 50% interest in PCCW Tower was sold to Grosvenor Asia Pacific Limited, resulting in a net gain of HK$342 million, including a gain of HK$17 million on remeasurement of the previously held interest in PCCW Tower.

In November, the Group acquired an additional 1% interest in Cathay Pacific for a total cost of HK$826 million, increasing its stake to 42.97%.

In December, Swire Properties acquired an effective 50% interest in a 762,251 square foot site at Daci Temple in Chengdu, Mainland China. The acquisition was made in joint venture with Sino-Ocean Land Holdings Limited.

Since the year end Swire Pacific Offshore ("SPO") has agreed to acquire four anchor handling tug vessels for delivery in 2011 and 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 to tonnage designed to operate in deeper water, where future growth in demand for offshore services is expected to be strongest, and to the development of alternative energy sources.

Operating Performance

Underlying profit from the Property Division was HK$4,862 million, a 23% increase from HK$3,966 million in 2009. Underlying profit included profits of HK$918 million arising primarily in connection with the disposal of two investment properties in Hong Kong. Excluding the effect of non-recurring items, underlying profit was HK$3,944 million, an increase of 1% over 2009. Gross rental income rose by 6%, reflecting strong demand in Hong Kong as the office and retail markets continued to recover. The hotel business benefited from the improvement in economic conditions and the first full year of operations at two Hong Kong hotels, EAST and The Upper House. There was also an improved performance from the trading portfolio, resulting in an increased profit on trading of HK$131 million from 2009. The positive effect of these favourable factors was offset in part by higher operating expenses and higher net finance charges on increased borrowings.

On an attributable basis, the Property Division's net investment property valuation gain, before deferred tax in Mainland China, in 2010 was HK$22,274 million, compared to a net gain in 2009 of HK$14,483 million.

The Group's share of the profit of the Cathay Pacific group was HK$5,079 million in 2010, compared to HK$1,349 million in 2009. The Cathay Pacific group's business began to recover from the global economic downturn in the latter part of 2009. Momentum was sustained throughout 2010. The passenger and cargo businesses both performed very well, with consistently strong loads and significant increases in revenues, particularly from traffic originating in Hong Kong. Cathay Pacific also benefited significantly from the very strong profits earned by its associated company, Air China. However, the 2010 results were adversely affected by exceptional charges relating to anti-trust investigations and proceedings and by increased fuel costs.

2010 was a mixed and challenging year for the HAECO group. The results of Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") were adversely affected by reductions in demand for airframe heavy maintenance and for Boeing 747 passenger to freighter conversions. The new joint ventures in Mainland China suffered from start-up losses as expected. On the other hand, demand for line and heavy maintenance services in Hong Kong was strong, reflecting the general recovery in the aviation business. The results of the engine overhaul associates benefited from a stronger than expected recovery in demand, especially in the second half of the year.

The Beverages Division recorded a 7% decrease in attributable profit (to HK$699 million) from 2009. The decrease principally reflected a weaker performance in Mainland China. Overall sales volume grew by 2% to 923 million unit cases, compared with 13% growth in 2009. A significant increase in sugar prices, especially in Mainland China, adversely affected raw material costs. Competitive pressures resulted in more promotional activity and made it difficult to recover higher costs by raising prices.

The Marine Services Division recorded an attributable profit of HK$791 million, a 52% decrease from 2009. The offshore market in all regions where SPO operates was very challenging in 2010. Despite recovery in demand as oil prices and offshore activity increased, charter hire rates and vessel utilisation remained under pressure. This primarily reflected the large number of new vessels, ordered when demand was at its previous peak, which entered the market.

Disregarding non-recurring items, the attributable profit from the Trading & Industrial Division increased by 22% in 2010 to HK$427 million. Swire Resources and Taikoo Motors recorded significant increases in profits. The contribution from jointly controlled interests was lower. The principal non-recurring item in 2010 was a profit of HK$771 million on disposal of the interest in CROWN Beverage Cans.

Finance

Net debt at 31st December 2010 was HK$41,181 million, compared with HK$31,681 million at 31st December 2009. The increase principally reflects the acquisition of additional interests in HAECO and Cathay Pacific, and investments in property projects and new vessels. Gearing increased by one percentage point from 18.7% to 19.7%. Cash and undrawn committed facilities totalled HK$16,323 million at 31st December 2010, compared with HK$14,916 million at 31st December 2009.

Sustainable Development

Swire Pacific recognises the importance of acting responsibly towards its stakeholders, including employees and the communities in which it is involved and towards the natural environment in which it operates. In 2010, Swire Pacific and Cathay Pacific joined almost 400 global companies in signing the Cancun Communiqué on Climate Change, supporting an ambitious, robust and equitable global deal on climate change.

Further information about the Group's activities in this area is on pages 100 to 102.

Prospects

Against a background of continuing economic growth in Mainland China and Hong Kong, the trading environment for the Group's principal retail and office developments remains strong.

Two new mixed use developments will open in 2011, the TaiKoo Hui development in Guangzhou and the INDIGO development in Beijing. Pre-letting of space at both developments is encouraging.

The expected opening of the Dazhongli development in Shanghai has been deferred to 2015 due primarily to the construction of a metro station adjacent to the site. Further delays may occur if approval to start construction is not obtained before the start of the excavation works for the metro station.

Completion of the redevelopment of the recently acquired site at Daci Temple in Chengdu is expected from 2014.

On completion of current developments, Swire Properties will have a portfolio of 15.3 million square feet in Hong Kong and 8.6 million square feet in Mainland China, as well as property interests in the USA and the UK.

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

Assuming continued strength in the aviation industry generally, demand for HAECO's heavy and line maintenance services in Hong Kong is expected to remain strong in 2011. The engine overhaul business is also expected to perform well. TAECO's base maintenance operations should recover modestly.

Swire Beverages' prospects in Mainland China may be affected by pressure on discretionary consumer spending caused by food price inflation. The US operations are likely to be little changed. The Hong Kong and Taiwan markets have potential for growth. Raw material costs are expected to be higher. It is intended to take pricing and other measures designed to enhance revenues.

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

The Trading & Industrial Division expects continued growth in sales for Swire Resources and Taikoo Motors, with the effect of this at Swire Resources likely to be offset by the costs of expanding its distribution network and the portfolio of brands which it distributes. Taikoo Sugar and the paints business expect strong growth in sales in Mainland China, but the effect of this is likely to be offset by the costs of network expansion.

Dividends

The Directors have recommended final dividends of HK¢250.0 per 'A' share and HK¢50.0 per 'B' share, which, together with the interim dividends paid in October 2010, amount to full year dividends of HK¢350.0 per 'A' share and HK¢70.0 per 'B' share, compared to full year dividends of HK¢280.0 per 'A' share and HK¢56.0 per 'B' share in respect of 2009.

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

Christopher Pratt
Chairman
Hong Kong, 10th March 2011

FINANCIAL HIGHLIGHTS

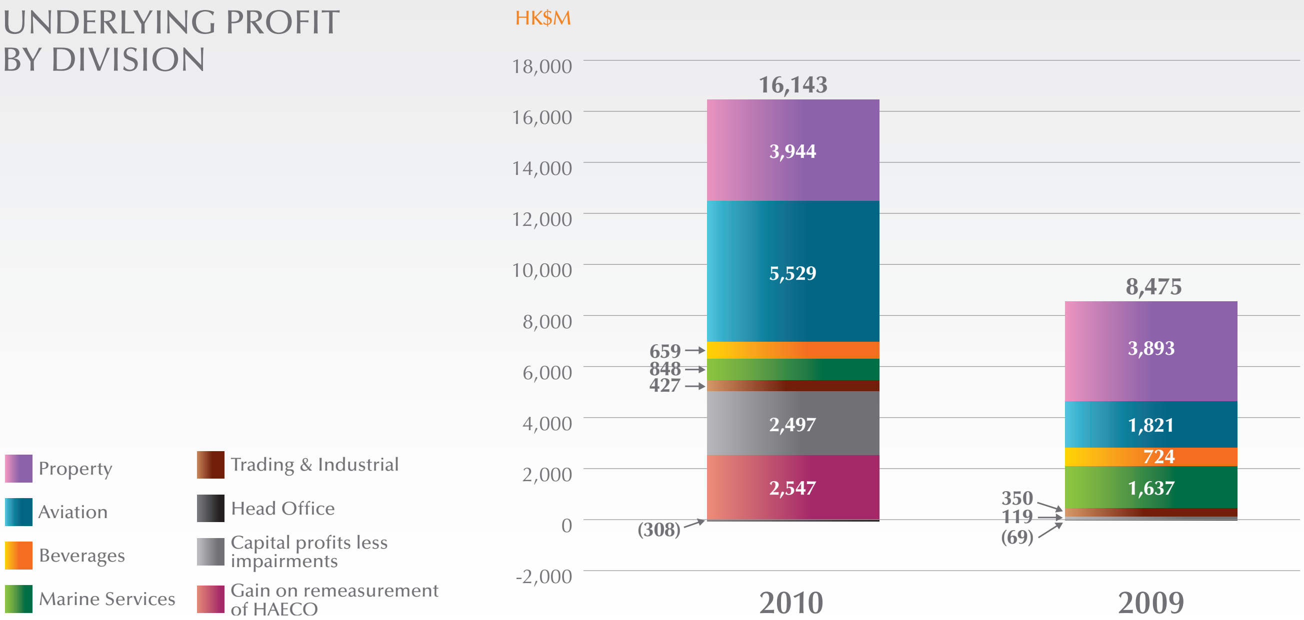
	Note	2010 HK$M	2009 HK$M (Restated)	Change %
Turnover		**29,201**	24,909	**+17.2**
Operating profit		**33,971**	21,733	**+56.3**
Profit attributable to the Company's shareholders		**38,252**	21,893	**+74.7**
Cash generated from operations		**7,627**	8,740	**-12.7**
Net cash (outflow)/inflow before financing		**(3,001)**	2,053	**-246.2**
Total equity (including non-controlling interests)		**209,051**	169,725	**+23.2**
Net debt		**41,181**	31,681	**+30.0**
		HK$	HK$	
Earnings per share	(a)			
'A' shares		**25.42**	14.55	**+74.7**
'B' shares		**5.08**	2.91	
Dividends per share				
'A' shares		**3.500**	2.800	**+25.0**
'B' shares		**0.700**	0.560	
Equity attributable to the Company's shareholders per share				
'A' shares		**135.88**	112.24	**+21.1**
'B' shares		**27.18**	22.45	

UNDERLYING PROFIT AND EQUITY

	Note	HK$M	HK$M	%
Underlying profit attributable to the Company's shareholders	(b)	**16,143**	8,475	**+90.5**
		HK$	HK$	
Underlying earnings per share	(a)			
'A' shares		**10.73**	5.63	**+90.6**
'B' shares		**2.15**	1.13	
Underlying equity attributable to the Company's shareholders per share	(b)			
'A' shares		**138.67**	114.86	**+20.7**
'B' shares		**27.73**	22.97	

Notes:
(a) Refer to note 14 in the accounts for the weighted average number of shares.
(b) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 62.

UNDERLYING PROFIT BY DIVISION




SWIRE
adidas

BUILDING FUTURE COMMUNITIES

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

PROPERTY DIVISION

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

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

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

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

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

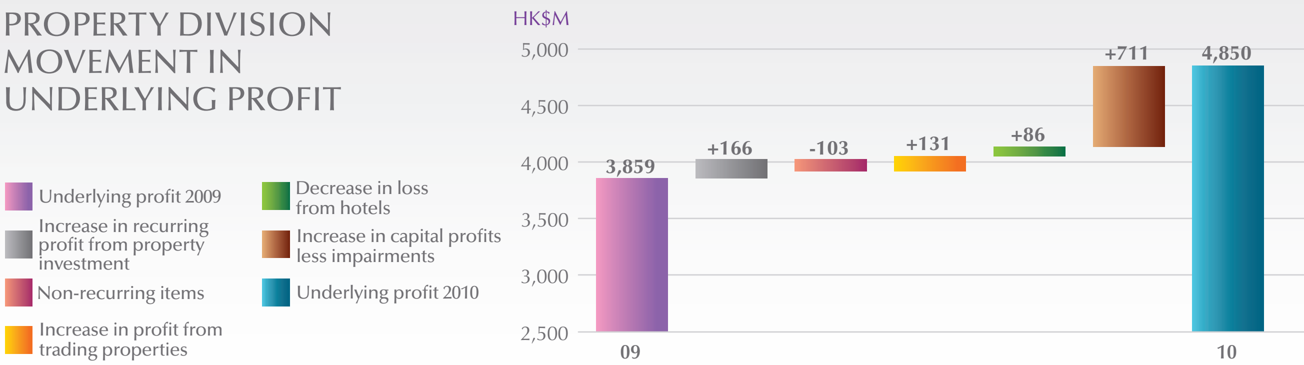
* Other revenue is mainly estate management fees.

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

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

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

PROPERTY DIVISION MOVEMENT IN UNDERLYING PROFIT



2010 Results Summary

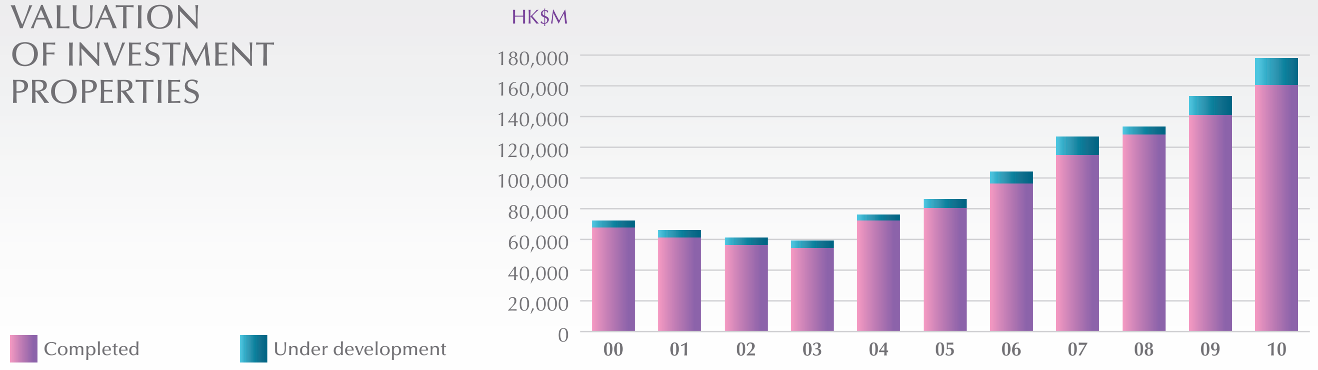
Attributable profit from the Property Division for the year was HK$26,008 million compared to a restated HK$17,361 million in 2009. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$22,274 million and HK$14,483 million in 2010 and 2009 respectively and net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

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

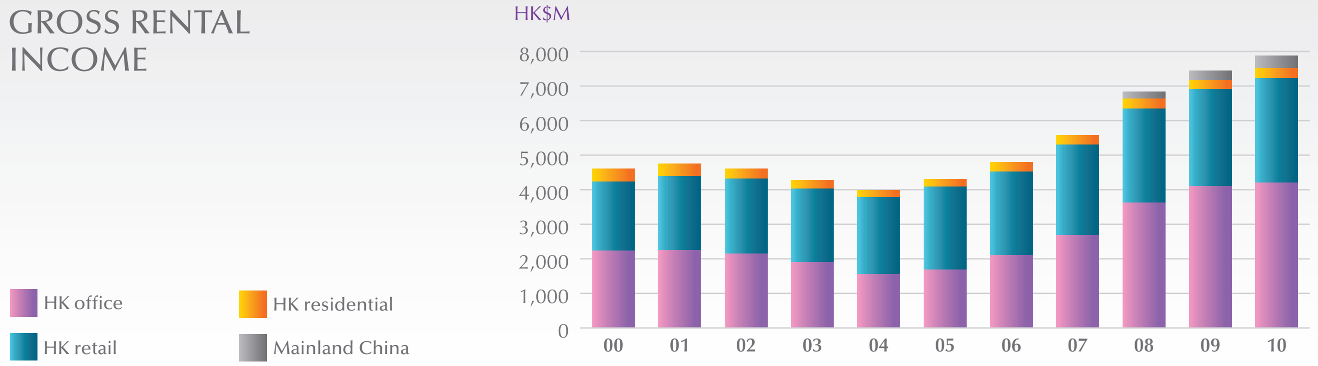
Gross rental income amounted to HK$7,875 million in 2010, compared with HK$7,443 million in 2009, reflecting a measure of reversionary rental growth and an encouraging increase in retail turnover rent.

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

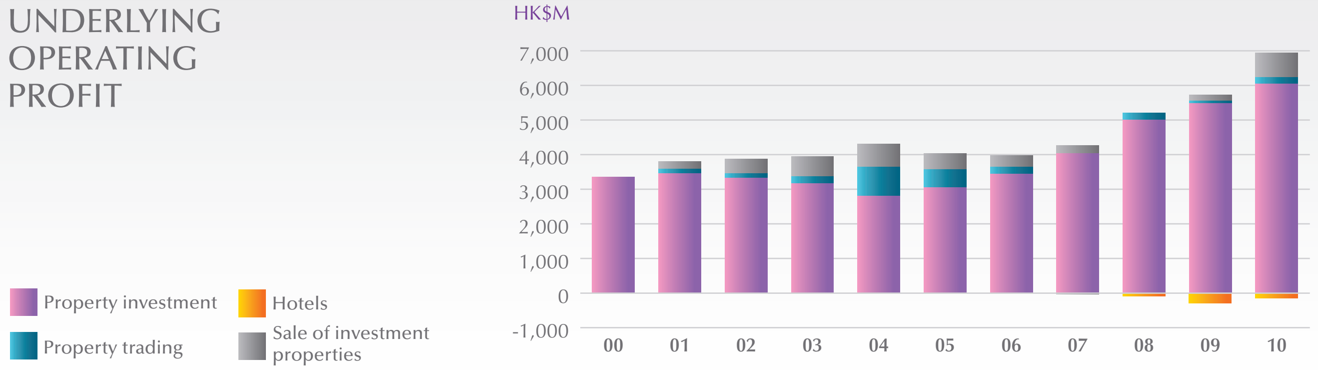
VALUATION OF INVESTMENT PROPERTIES



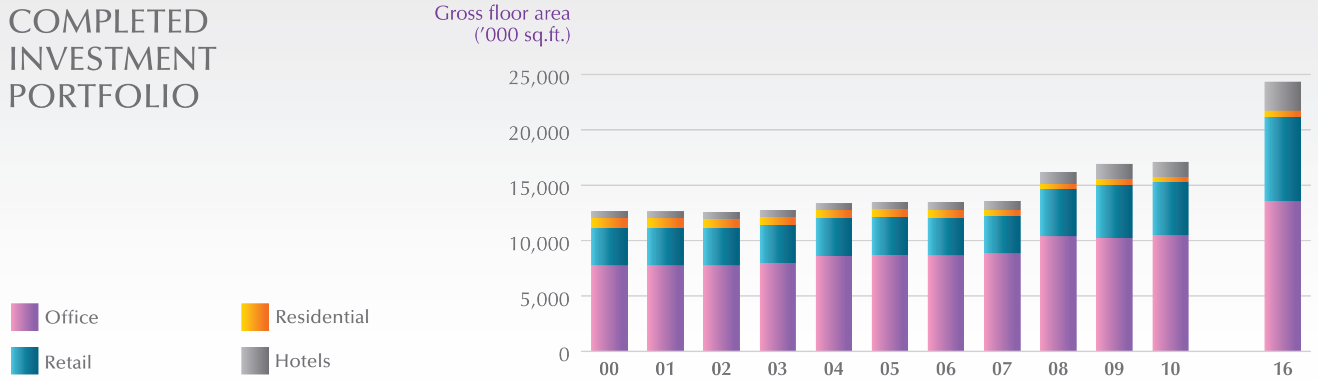
GROSS RENTAL INCOME



UNDERLYING OPERATING PROFIT



COMPLETED INVESTMENT PORTFOLIO



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

Key Changes to the Property Portfolio During 2010

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

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

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

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

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

Investment Properties

Hong Kong

Offices

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

PROPERTY INVESTMENT PORTFOLIO – GROSS FLOOR AREA

('000 SQUARE FEET)

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

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

* Includes 1.8 million square feet of techno-centres.

2010 Results

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

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

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

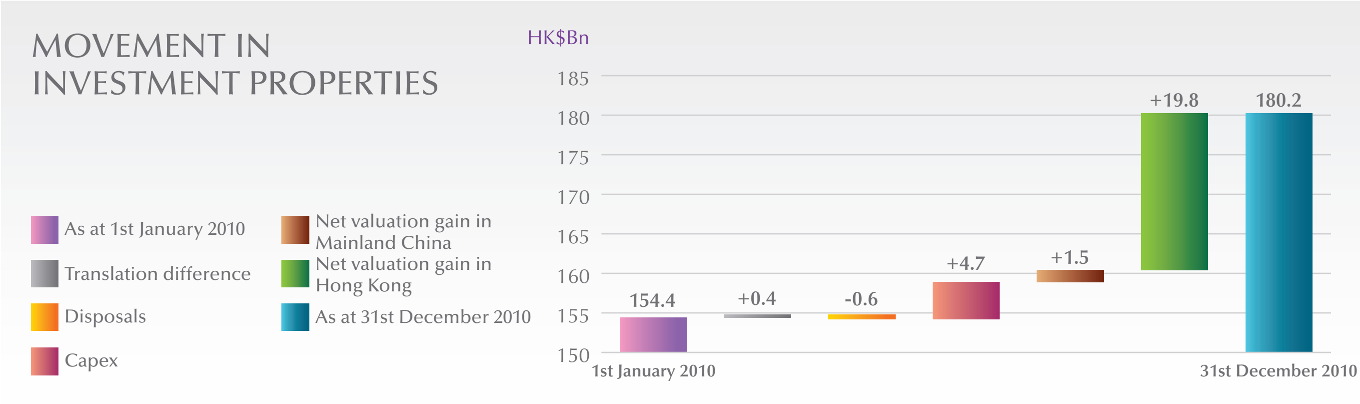
2011 Outlook

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

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

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

One Island East with its dramatic architecture.



Retail

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

2010 Results

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

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

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

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

2011 Outlook

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

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

Residential

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

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

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

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

Investment Properties under Construction

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

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

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

Mainland China

Retail

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

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

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

2010 Results

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

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

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

2011 Outlook

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

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

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

AUDITED FINANCIAL INFORMATION

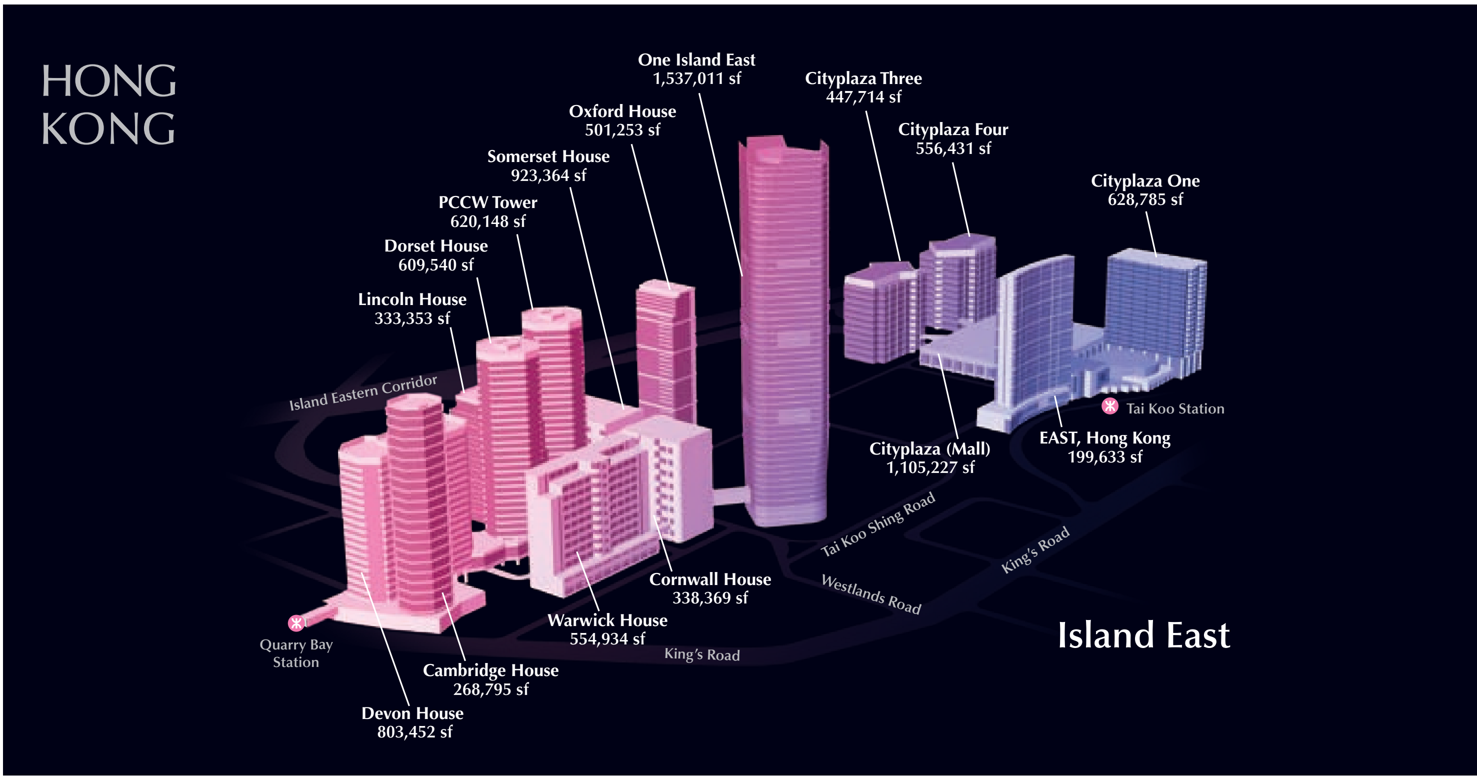
Investment Properties

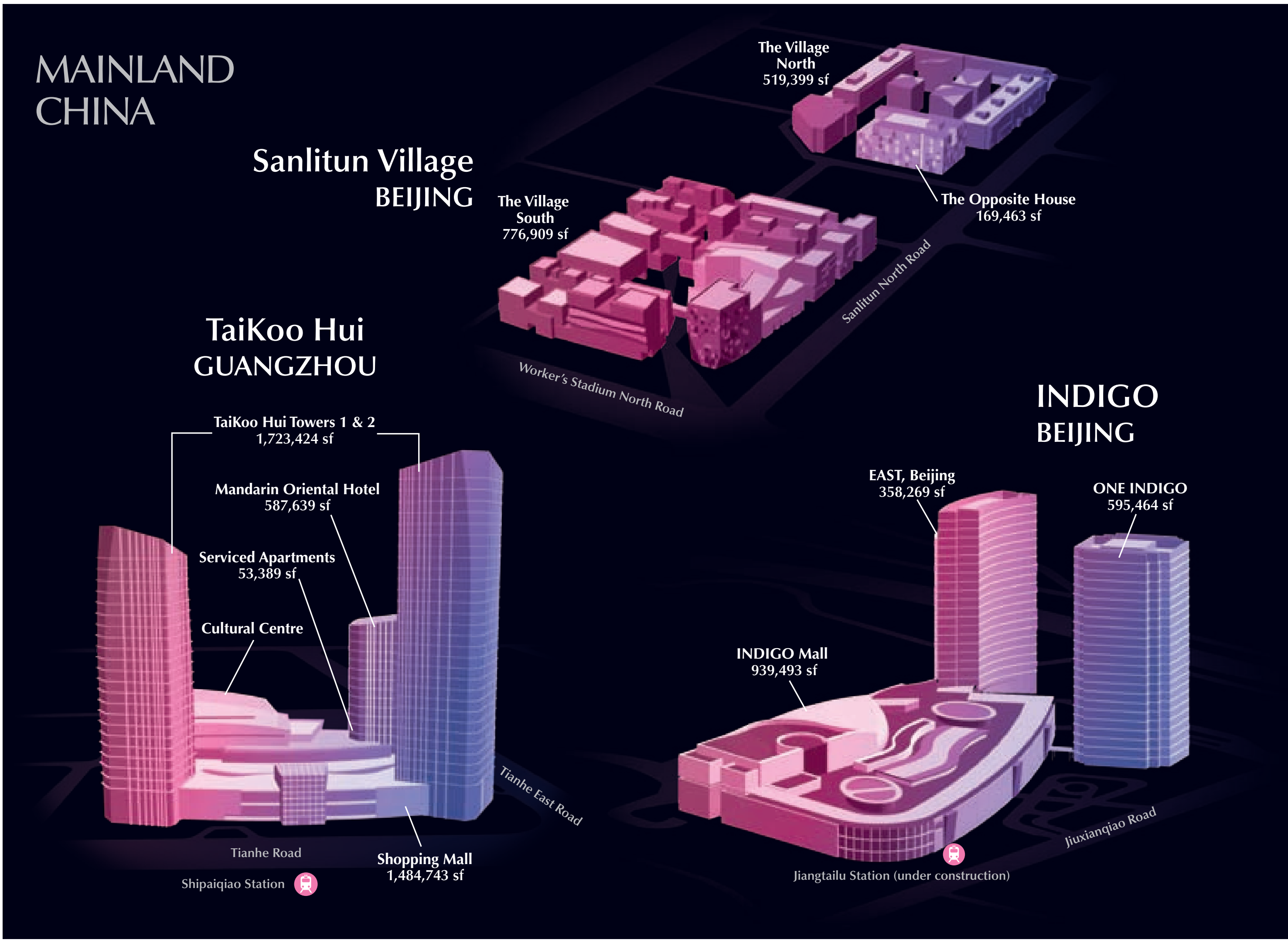
	Group			Company
	Completed HK$M	Under Construction HK$M	Total HK$M	Total HK$M
At 1st January 2010	**141,129**	**13,279**	**154,408**	**1,195**
Translation differences	**287**	**245**	**532**	**–**
Change in composition of Group	**–**	**189**	**189**	**–**
Additions	**578**	**3,937**	**4,515**	**213**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

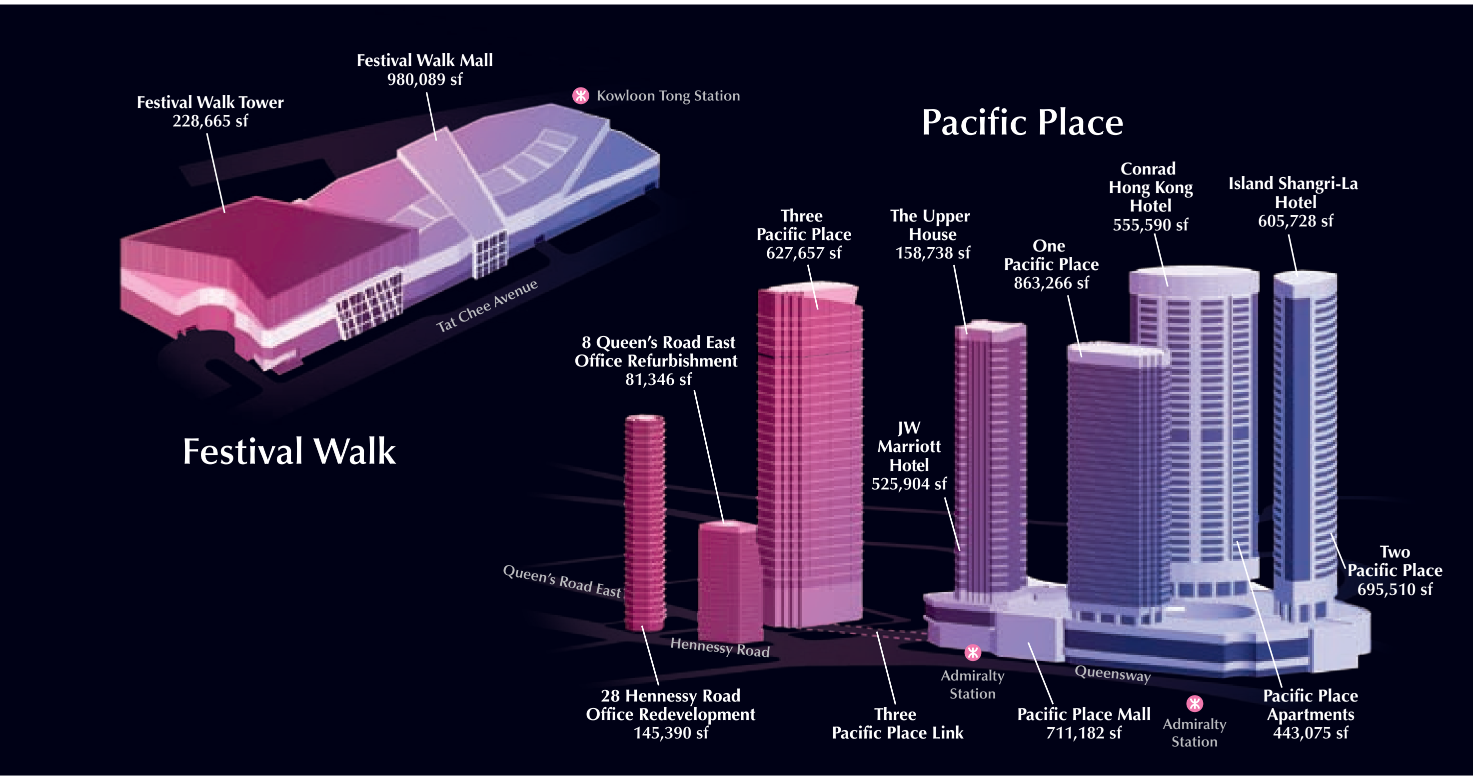
Geographical Analysis of Investment Properties

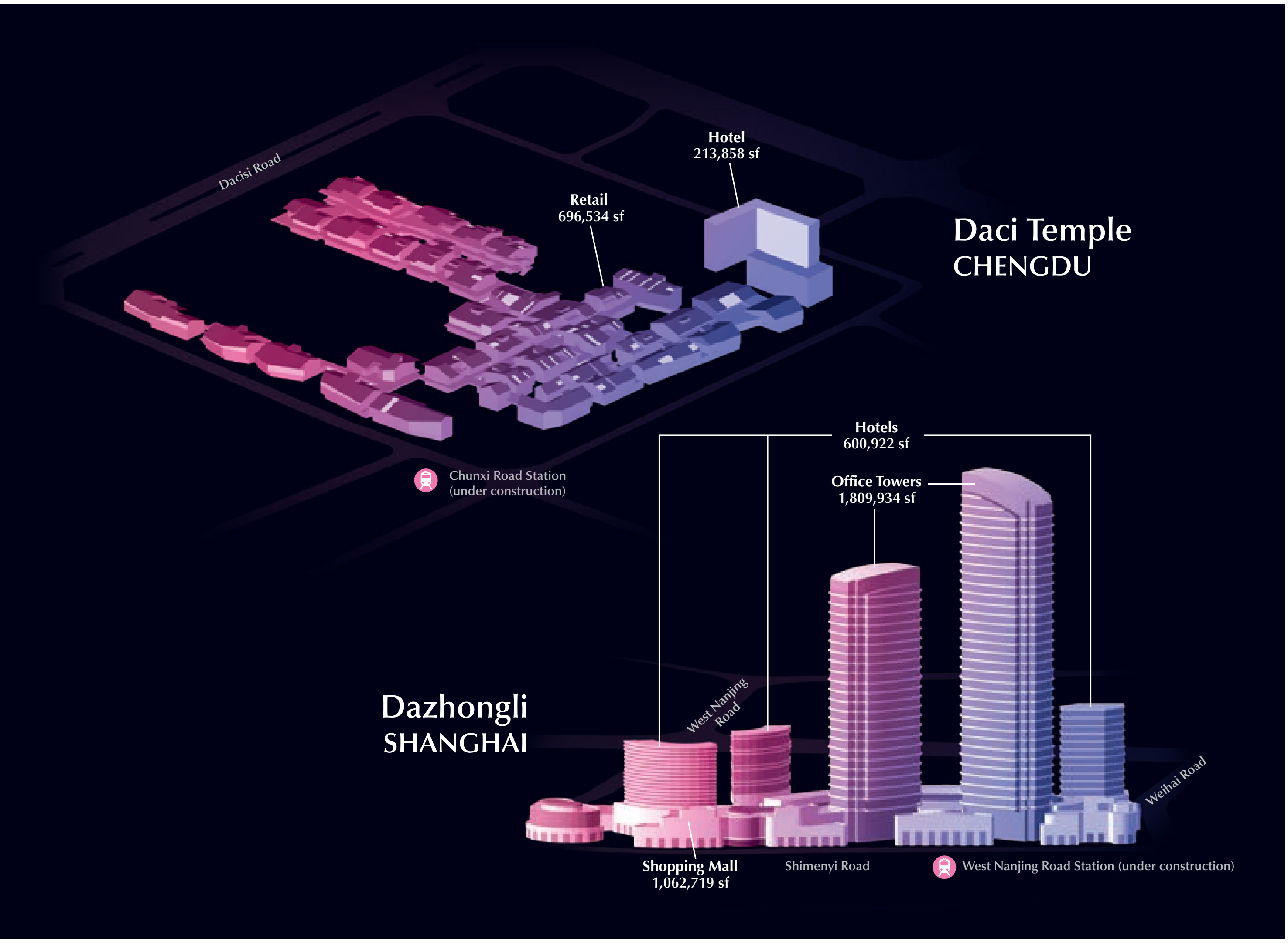
	Group		Company	
	2010 HK$M	2009 HK$M	**2010 HK$M**	2009 HK$M
Held in Hong Kong:				
On medium-term leases (10 to 50 years)	**39,154**	34,534	**–**	–
On long-term leases (over 50 years)	**123,827**	106,061	**2,295**	1,195
	162,981	140,595	**2,295**	1,195
Held in Mainland China				
On medium-term leases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

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


HONG KONG
One Island East
1,537,011 sf
Cityplaza Three
447,714 sf
Oxford House
501,253 sf
Cityplaza Four
556,431 sf
Somerset House
923,364 sf
Cityplaza One
628,785 sf
PCCW Tower
620,148 sf
Dorset House
609,540 sf
Lincoln House
333,353 sf
Island Eastern Corridor
Tai Koo Station
Cityplaza (Mall)
1,105,227 sf
EAST, Hong Kong
199,633 sf
Tai Koo Shing Road
King's Road
Westlands Road
Cornwall House
338,369 sf
Warwick House
554,934 sf
Quarry Bay
Station
King's Road
Island East
Cambridge House
268,795 sf
Devon House
803,452 sf


MAINLAND
CHINA
The Village
North
519,399 sf
Sanlitun Village
BEIJING
The Village
South
776,909 sf
The Opposite House
169,463 sf
Sanlitun North Road
TaiKoo Hui
GUANGZHOU
Worker's Stadium North Road
INDIGO
BEIJING
TaiKoo Hui Towers 1 & 2
1,723,424 sf
Mandarin Oriental Hotel
587,639 sf
EAST, Beijing
358,269 sf
ONE INDIGO
595,464 sf
Serviced Apartments
53,389 sf
Cultural Centre
INDIGO Mall
939,493 sf
Tianhe East Road
Jiuxianqiao Road
Tianhe Road
Shopping Mall
1,484,743 sf
Shipaiqiao Station
Jiangtailu Station (under construction)



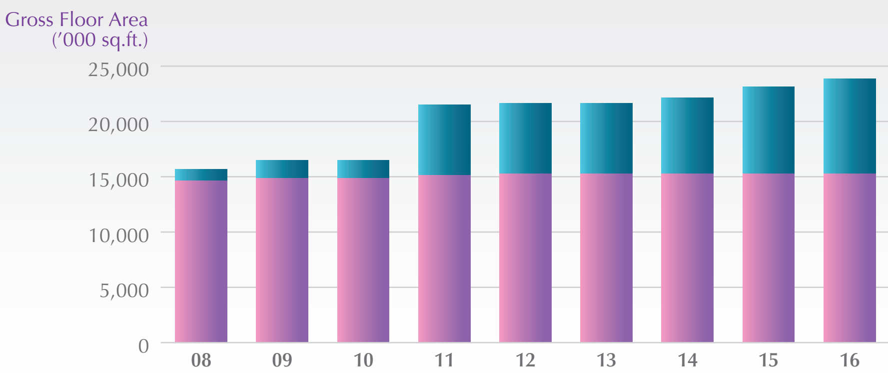


Note: These diagrams are not to scale and are for illustration purposes only. Except for Sanlitun Village, the properties in Mainland China are under and pending construction.

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

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

HONG KONG AND MAINLAND CHINA COMPLETED PROPERTY INVESTMENT PORTFOLIO



Investment Properties under Construction

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

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

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

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

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

Valuation of Investment Properties

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

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

Hotels

Hong Kong

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

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

Mainland China

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

PROFILE OF CAPITAL COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

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

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

USA

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

United Kingdom

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

2011 Outlook

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

Capital Expenditure and Commitments for Investment Properties and Hotels

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

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

Property Trading

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

AUDITED FINANCIAL INFORMATION

Property Trading Portfolio at Cost

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

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

Hong Kong

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

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

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

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

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

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

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

USA

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

Martin Cubbon

CONNECTING WORLDS TOGETHER

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

AVIATION DIVISION

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

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

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

Turnover of associated companies at entity level is:

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

KEY OPERATING HIGHLIGHTS

Cathay Pacific and Dragonair

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

HAECO group

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

* Refer to Glossary on page 196 for definitions.

2010 Overview

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

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

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

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

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


NETWORK
COVERAGE
HONG
KONG


Cathay Pacific
Cathay Pacific Freighter
Dragonair
Air Hong Kong

Cathay Pacific Group

2010 Results Summary

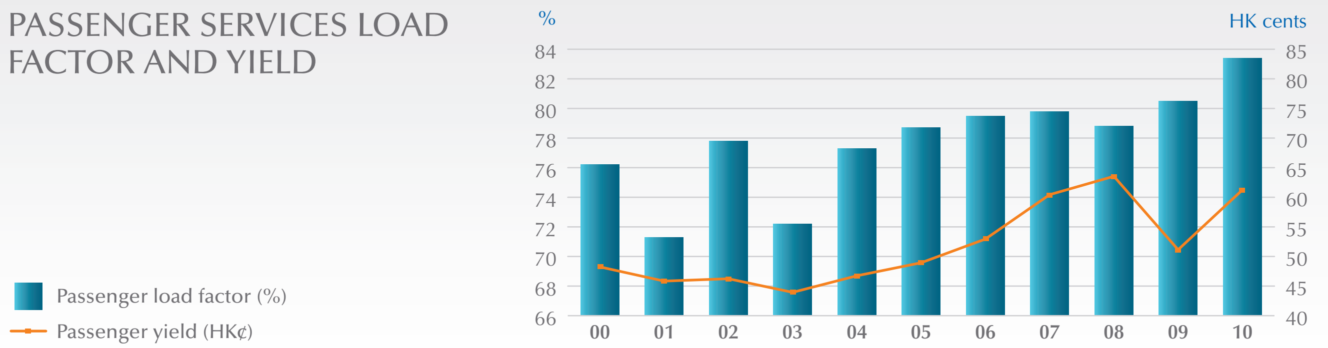
The Cathay Pacific group's attributable profit was HK$14,048 million in 2010, compared to a profit of HK$4,694 million in 2009. Turnover for the year rose by 34% to HK$89,524 million.

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

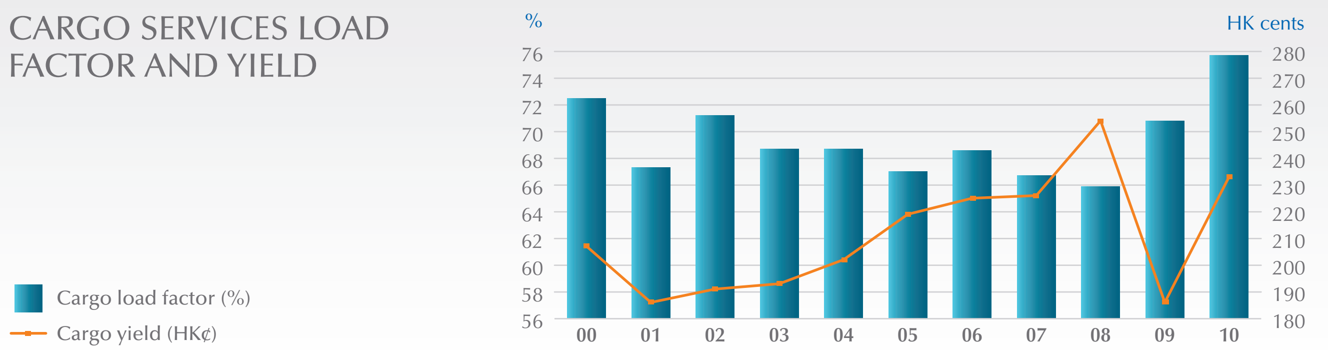
The 2010 results were adversely affected by exceptional charges relating to anti-trust investigations and proceedings. These charges include a specific provision of HK$618 million in respect of a decision by the European Commission, which is being appealed, to impose a fine on Cathay Pacific. The total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

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

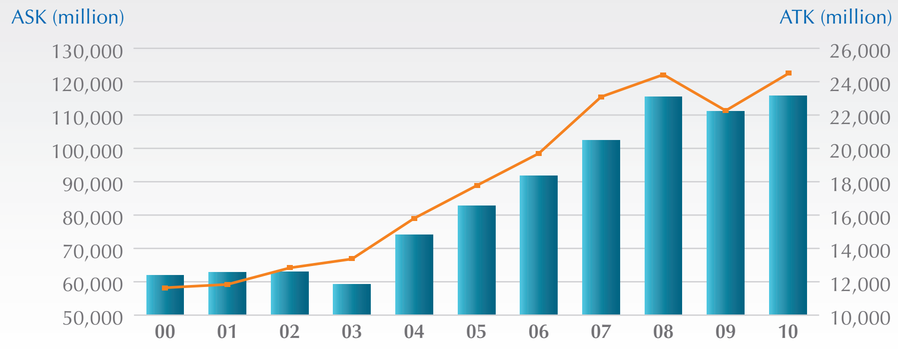
PASSENGER SERVICES LOAD FACTOR AND YIELD



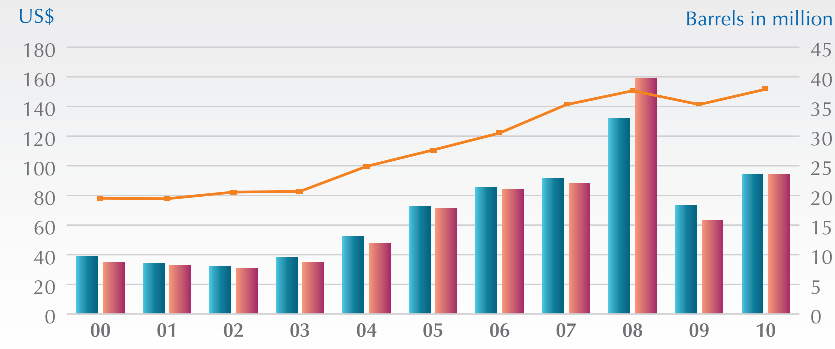
CARGO SERVICES LOAD FACTOR AND YIELD



CAPACITY – AVAILABLE SEAT KILOMETRES AND AVAILABLE TONNE KILOMETRES



FUEL PRICE AND CATHAY PACIFIC GROUP CONSUMPTION



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

Passenger Services

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

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

Cargo

Cathay Pacific and Dragonair

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

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

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

FLEET PROFILE*

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

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

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

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

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

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

Fleet size

Cathay Pacific and Dragonair
The total fleet size increased by four to 159 at 31st December 2010.

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

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

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

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

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

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

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

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

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

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

2011 Outlook

Cathay Pacific and Dragonair

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

Air China

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

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

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

Other Operations

Cathay Pacific Catering Services group ("CPCS")

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

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

Hong Kong Airport Services ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at HKIA.

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

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

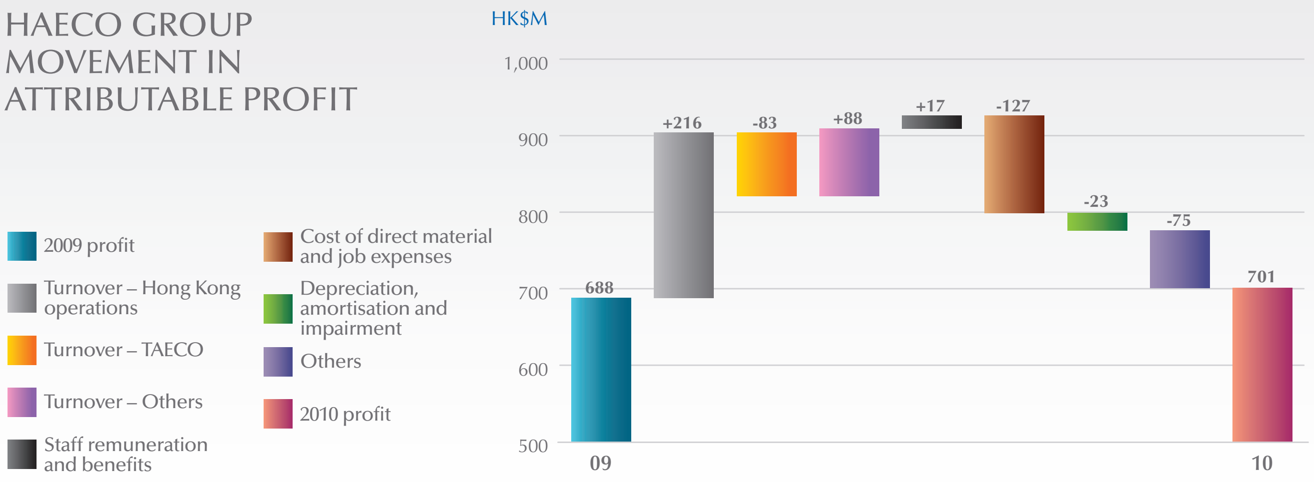
Tony Tyler
John R Slosar

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

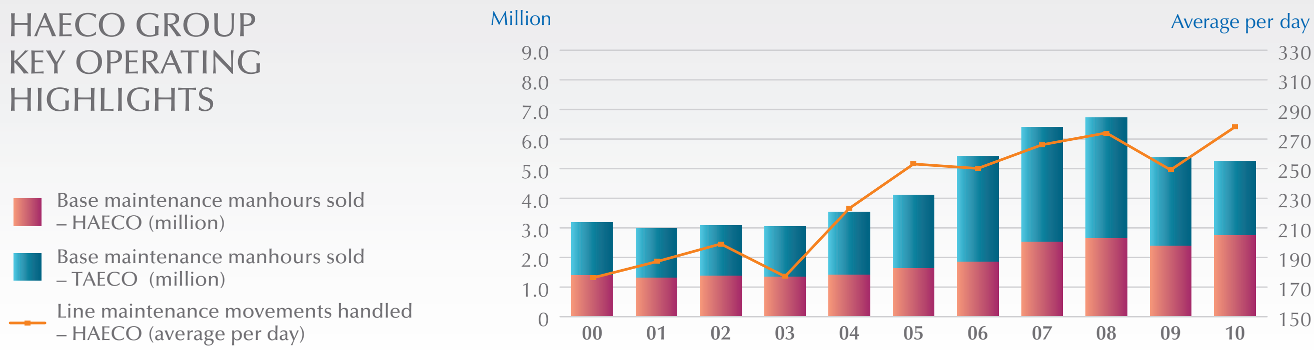
HAECO GROUP FINANCIAL HIGHLIGHTS

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

HAECO GROUP MOVEMENT IN ATTRIBUTABLE PROFIT



HAECO GROUP KEY OPERATING HIGHLIGHTS



Hong Kong Aircraft Engineering Company ("HAECO")

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

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

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

2010 Results Summary

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

HAECO

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

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

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

TAECO provides extensive technical training to staff.

TAECO

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

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

HAESL and SAESL

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

Significant Developments

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

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

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

2011 Outlook

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

Augustus Tang

Bonaqua
Minute Maid
美粒果
果粒橙
啖啖陽光果肉
450mL

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

DELIVERING ENJOYMENT TO MORE PEOPLE

BEVERAGES DIVISION

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

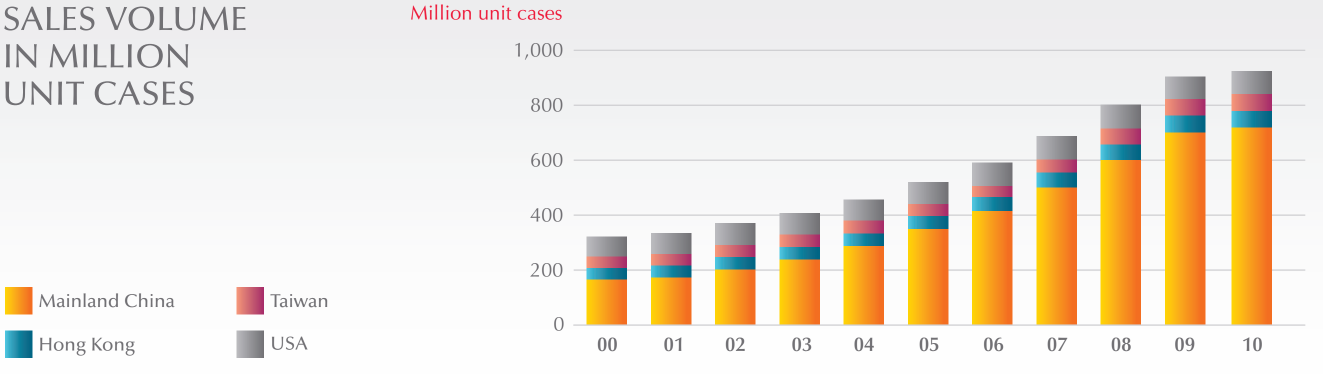
	2010 HK$M	2009 HK$M
Turnover	**8,553**	8,399
Operating profit	**618**	619
Share of post-tax profits from jointly controlled and associated companies	**334**	381
Attributable profit	**699**	753

Segment information

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

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

SALES VOLUME IN MILLION UNIT CASES



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

2010 Results Summary

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

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

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

Mainland China

2010 Results

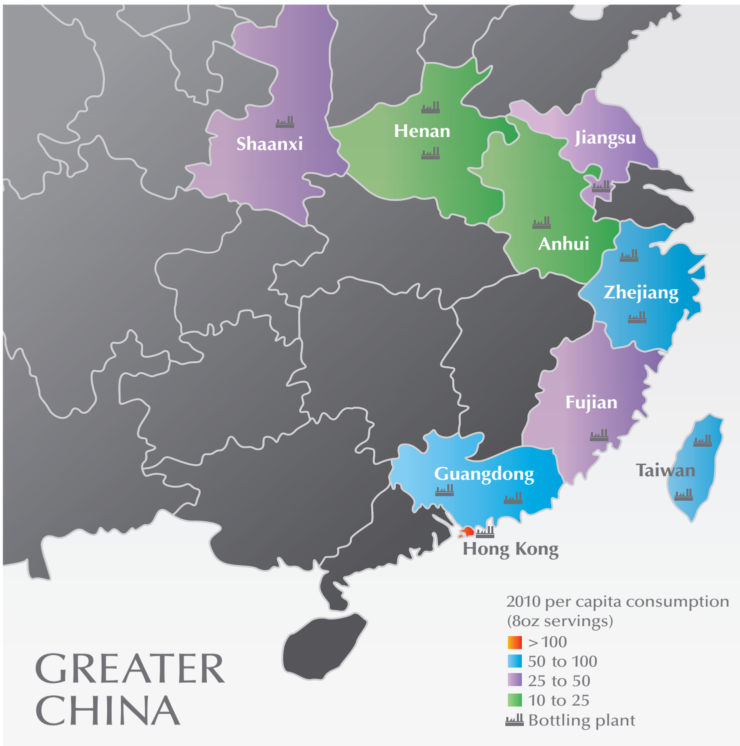
Attributable profit from the Mainland China operations was HK$203 million, a 26% decrease from 2009. Overall sales volume grew by 3%, with sales of still beverages growing strongly and those of sparkling beverages declining. Sales growth continued to be stronger in the inland provinces, primarily Anhui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

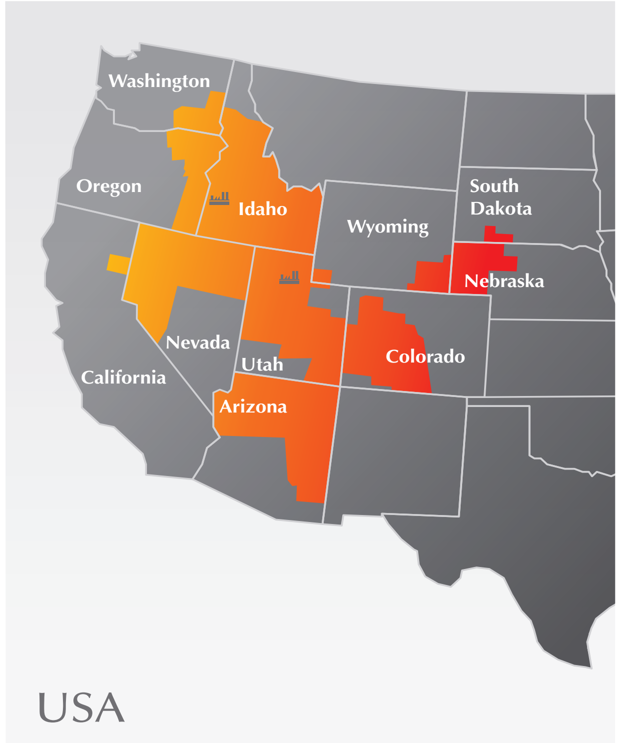
Sales of sparkling beverages declined by 5% by volume. Sales of large bottles in particular were adversely affected by increased competition. Sales of still beverages increased by 16% by volume. As in 2009, sales of Minute Maid juices were particularly strong. The Minute Maid Pulpy Super Milky brand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

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

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

FRANCHISE TERRITORIES

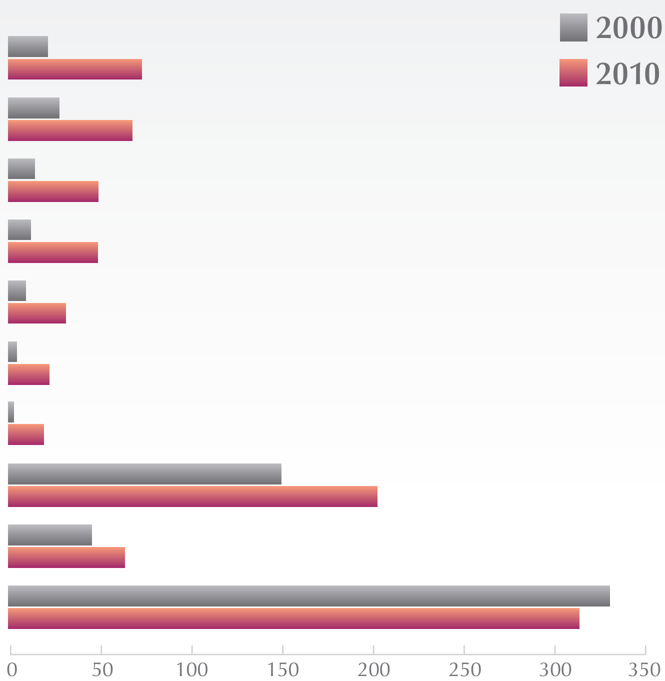




PER CAPITA CONSUMPTION IN FRANCHISE TERRITORIES

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

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



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

Hong Kong

2010 Results

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

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

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

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

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

Taiwan

2010 Results

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

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

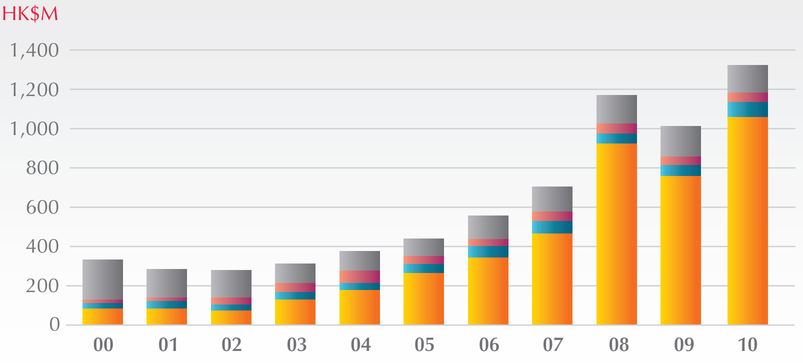
Swire Beverages bottles and distributes a variety of Coca-Cola products.

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

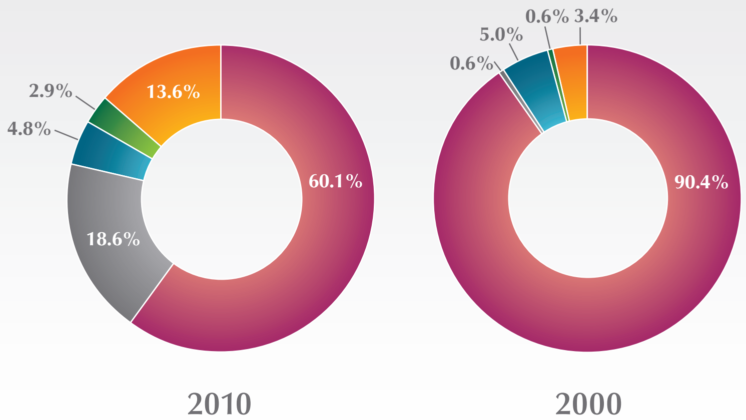
Sales of Bonaqua water increased by 67% by volume. This reflected aggressive promotion and pricing of the new light-weight "twist" bottles in supermarkets.

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

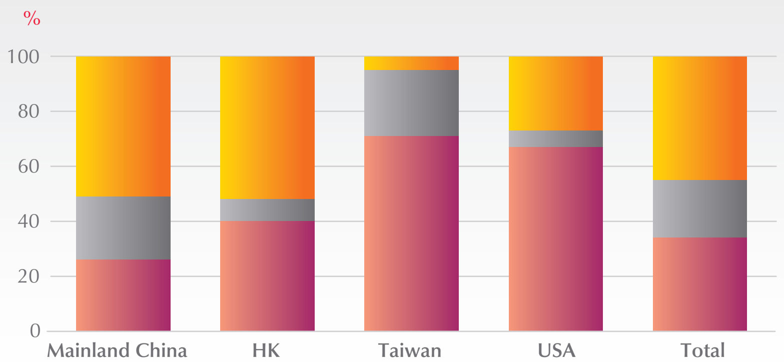
CAPITAL EXPENDITURE BY OPERATION



BREAKDOWN OF TOTAL VOLUME BY CATEGORY



BREAKDOWN OF VOLUME BY CHANNEL



* Please refer to Glossary on page 196 for definition.

USA

2010 Results

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

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

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

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

2011 Outlook

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

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

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

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

Geoff L Cundle

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

ADVANCING SERVICES AT SEA

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

Photographer – Capt. John Silberberg

MARINE SERVICES DIVISION

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

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

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

2010 Results Summary

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

Swire Pacific Offshore group

2010 Results

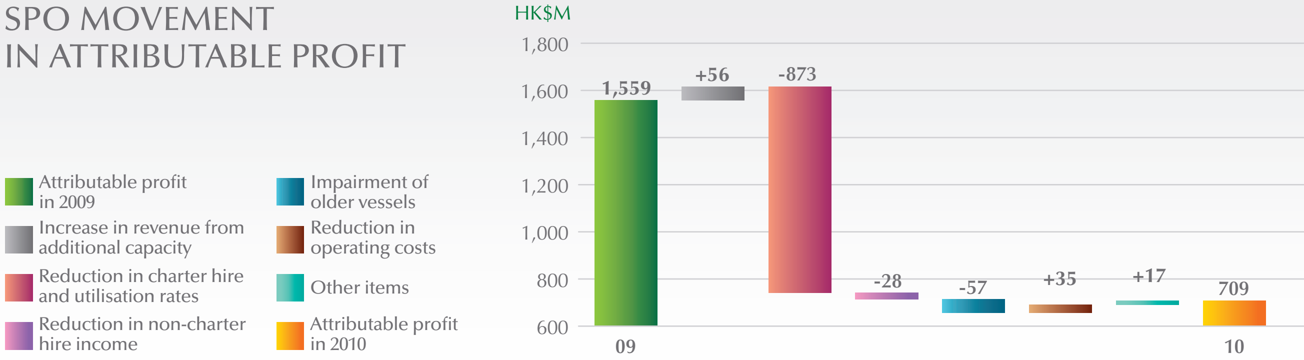
SPO reported an attributable profit of HK$709 million, a decrease of 55% compared to 2009.

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

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

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

SPO MOVEMENT IN ATTRIBUTABLE PROFIT



SPO FLEET SIZE GROWTH

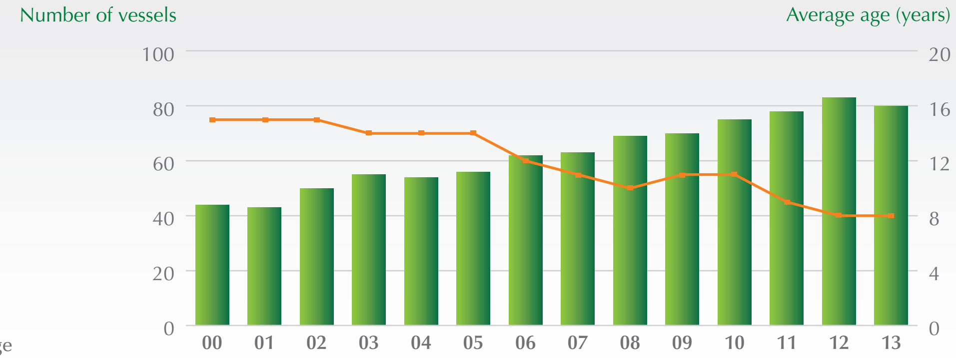
Vessel class	Brake horse power	2009	Vessels in operation 2010 Additions	Disposals	Year-end	Vessels on order expected to be received in: 2011	2012	2013
Anchor Handling Tug Supply Vessels								
J-class	2,600-4,200	11	–	–	11	–	–	–
T-class	3,600	4	–	–	4	–	–	–
P-class	4,800	8	3	–	11	5	–	–
S-class	5,440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

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

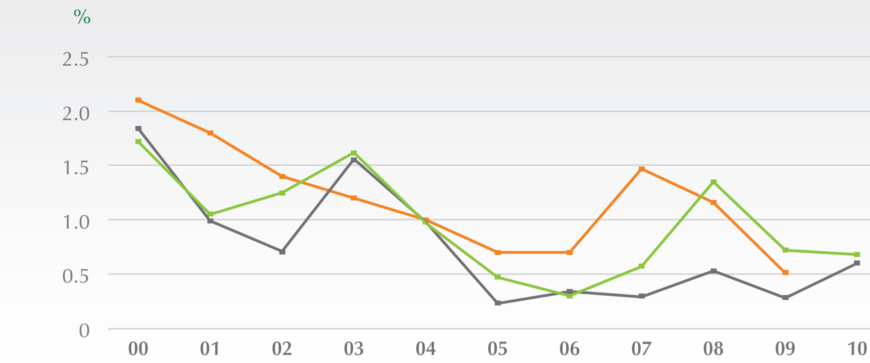
SPO PROFILE OF CAPITAL COMMITMENTS

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

SPO FLEET SIZE AND AVERAGE AGE OF VESSELS



SPO LOST TIME INJURY RATES



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

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

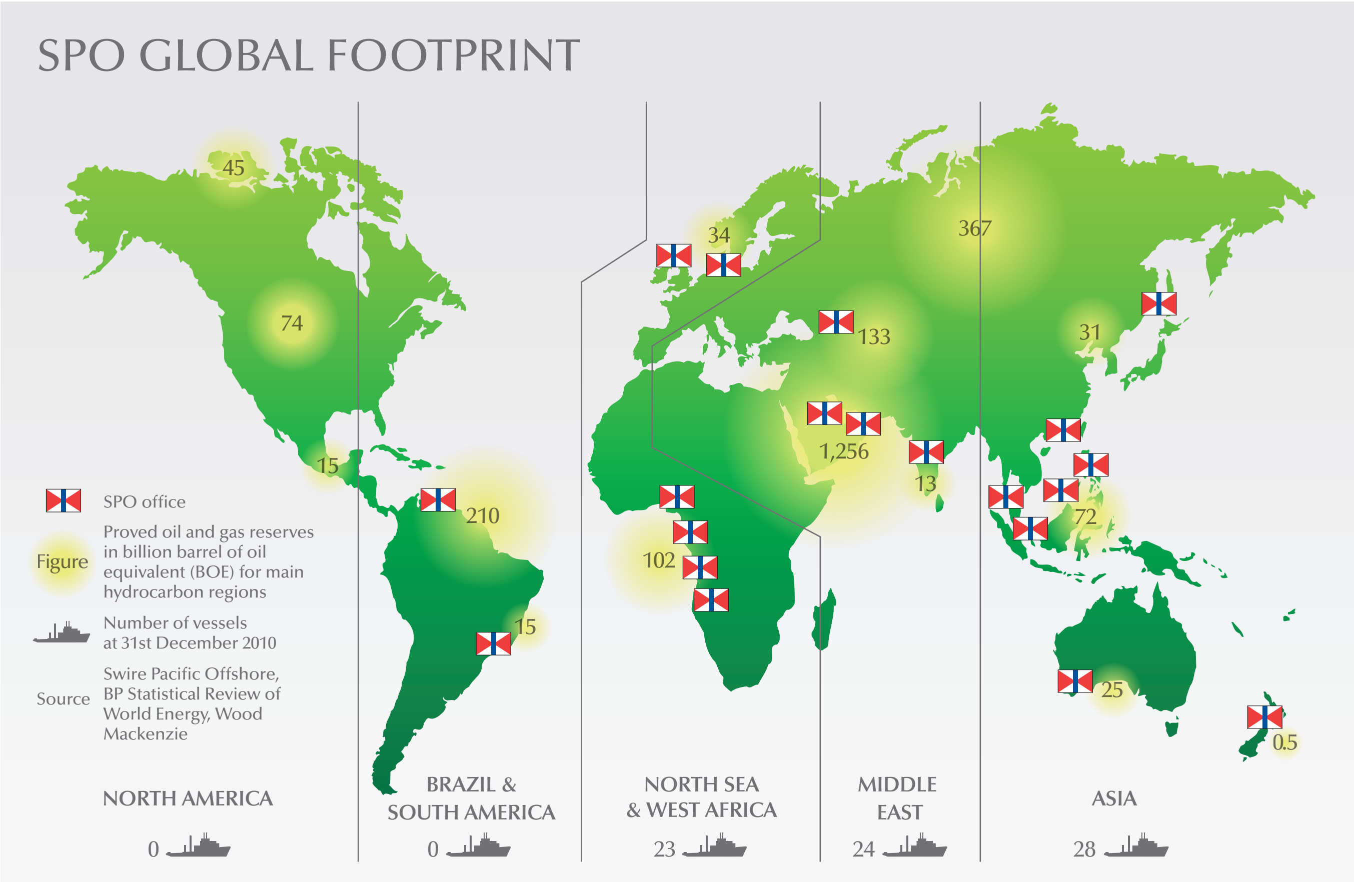
Total operating costs fell by HK$35 million. However, an impairment charge of HK$57 million was recognised on the write-down in the value of a number of older vessels at 31st December 2010.

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

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

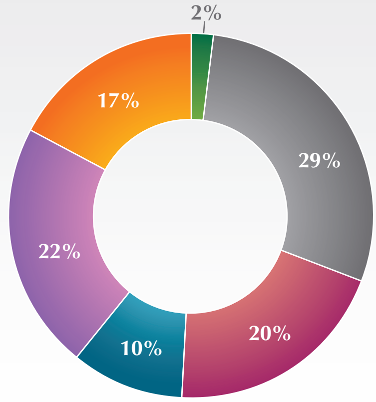
In February 2010, SPO acquired Blue Ocean Ships A/S, a Danish company specialising in providing services to the offshore wind farm industry, which has been renamed Swire Blue Ocean A/S. Later in the year, the company placed its first order for a wind farm installation vessel, to be delivered in mid 2012.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

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

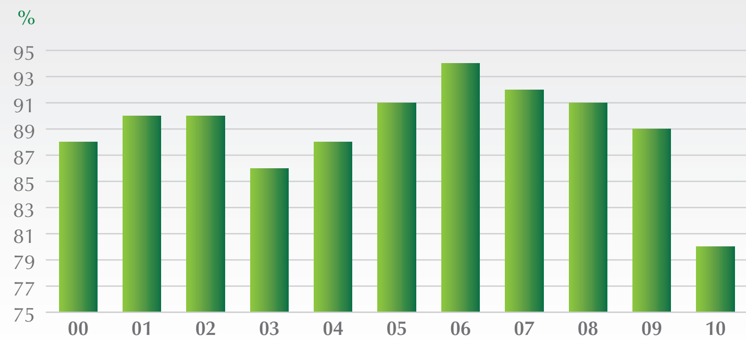


Pacific Rover, an anchor handling tug supply (AHTS) vessel.

SPO TURNOVER BY REGION



SPO AVERAGE UTILISATION RATES



2011 Outlook

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

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

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

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

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

Hongkong United Dockyards ("HUD") Group

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

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

2010 Results

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

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

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

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

2011 Outlook

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

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

J B Rae-Smith

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

EXTENDING OUR REACH

Photo – courtesy of Columbia Sportswear Company

TRADING & INDUSTRIAL DIVISION

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

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

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

KEY OPERATING HIGHLIGHTS

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

2010 Results Summary

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

Swire Resources group

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

2010 Results

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

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

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

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

d2r at Pacific Place specialises in retailing premium sports and lifestyle fashion brands.

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

2011 Outlook

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

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

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

Taikoo Motors group

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

2010 Results

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

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

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

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

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

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

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

2011 Outlook

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

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

Taikoo Sugar

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

2010 Results

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

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

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

Akzo Nobel Swire Paints manufactures and distributes Dulux decorative paint.

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

2011 Outlook

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

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

Akzo Nobel Swire Paints

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

2010 Results

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

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

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

2011 Outlook

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

CROWN Beverage Cans group

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

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

J B Rae-Smith

FINANCIAL REVIEW

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally reverse the impact of HKAS 40 on investment properties and the amended HKAS 12 on deferred tax. Further analysis compares the impact of other significant items in the current and prior years.

Underlying profit	Note	2010 HK$M	2009 HK$M (Restated)
Profit attributable to the Company's shareholders per accounts		38,252	21,893
Adjustments re investment properties:			
Revaluation of investment properties	(a)	(23,237)	(14,506)
Deferred tax on revaluation movements	(b)	852	818
Realised profit on sale of investment properties	(c)	211	32
Depreciation of investment properties occupied by the Group	(d)	23	13
Non-controlling interests' share of revaluation movements less deferred tax		42	88
Impairment of hotels held as part of mixed-use developments less deferred tax	(e)	–	137
Underlying profit attributable to the Company's shareholders		**16,143**	8,475
Other significant items:			
Gain on remeasurement of previously held interest in HAECO		(2,547)	–
Profit on sale of interest in Hactl		(825)	–
Profit on sale of interest in CROWN Beverage Cans group		(771)	–
Gains on remeasurement and profit on sale of shareholdings in PCCW Tower		(342)	–
Profit on sale of shareholdings in other investments		(40)	(46)
Profit on sale of investment properties		(576)	(53)
Profit on sale of properties previously occupied by the Group		–	(110)
Impairment of vessels		57	–
Impairment of stand-alone hotels less deferred tax		–	61
Impairment of properties held for development		–	29
Adjusted profit		**11,099**	8,356

Underlying equity	Note	2010 HK$M	2009 HK$M (Restated)
Equity attributable to the Company's shareholders per accounts		204,452	168,876
Deferred tax on revaluation of investment properties		2,766	1,927
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	535	512
Revaluation of investment properties occupied by the Group		833	1,421
Cumulative depreciation of investment properties occupied by the Group		63	84
Underlying equity attributable to the Company's shareholders		**208,649**	172,820
Underlying non-controlling interests		4,637	877
Underlying equity		**213,286**	173,697

Notes:

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

(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies. As a result of the early adoption of the amended HKAS 12, deferred tax is no longer provided on net revaluation movements in respect of investment properties in Hong Kong. However, deferred tax continues to be provided on net revaluation movements in respect of investment properties in Mainland China at the corporate income tax rate of 25%.

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

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

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

FINANCIAL RESULTS REVIEW

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

References are to "Notes to the Accounts" on pages 111 to 159.

Consolidated Income Statement

	2010 HK$M	2009 HK$M (Restated)	Reference
Turnover	**29,201**	24,909	Notes 4 and 8

The increase in turnover of HK$4,292 million compared to 2009 was principally due to the inclusion of the turnover of the HAECO group of HK$2,574 million (from its becoming a subsidiary company of the Group in June 2010). The increase also reflects increased turnover from the Property Division (HK$521 million), the Beverages Division (HK$154 million) and the Trading & Industrial Division (HK$1,892 million), which more than offset a decrease in turnover from the Marine Services Division of HK$846 million.

In the Property Division, gross rental income from property investment increased by HK$432 million, principally reflecting rental reversions in Hong Kong and higher retail turnover rent. Turnover from property trading, which comprised the sale of completed apartments at 5 Star Street, Island Lodge and at the ASIA development in Miami, Florida, decreased by HK$245 million compared to 2009. The hotels in Hong Kong and Mainland China increased turnover by HK$346 million in 2010. In the Beverages Division, turnover increased in Mainland China (HK$77 million), Taiwan (HK$72 million) and the USA (HK$27 million) as a result of growth in sales of still beverages. Turnover in Hong Kong decreased marginally (HK$21 million) principally due to depressed sales through supermarkets in the first half of the year. At the Swire Pacific Offshore group ("SPO"), the additional revenue from new vessels delivered in 2010 was more than offset by the effect of lower charter hire rates and lower average fleet utilisation during the year. In the Trading & Industrial Division, the overall turnover from the Swire Resources group increased by HK$300 million, with buoyant retail sales in Hong Kong benefiting from strong demand from Mainland China tourists. Turnover in Mainland China grew by 30% over 2009 because of strong sales of Columbia products. The Taikoo Motors group's turnover in Taiwan rose by HK$1,430 million, reflecting a general improvement in the Taiwanese economy.

Consolidated Income Statement (continued)

	2010 HK$M	2009 HK$M (Restated)	Reference
Operating Profit	**33,971**	21,733	Notes 5, 6 and 8

The increase in operating profit of HK$12,238 million compared to 2009 was principally derived from the Property Division (HK$7,351 million), the Aviation Division (HK$3,984 million) the Trading & Industrial Division (HK$944 million) and Head Office (HK$822 million), which more than offset a decrease in operating profit from the Marine Services Division (HK$862 million).

In the Property Division, net valuation gains on investment properties were HK$5,998 million higher than in 2009. Income from property investment rose by HK$946 million, including profits of HK$544 million on the sale of investment properties. Property trading profit improved marginally. The hotel business incurred reduced losses in 2010 due to the absence of the previous year's pre-operating costs and impairment losses and an improved performance for the hotels in Hong Kong and Mainland China. The Aviation Division's operating profit in 2010 includes HAECO's operating profit since it became a subsidiary in June 2010, a remeasurement gain on the previously held interest in HAECO (HK$2,547 million) and the profit on the sale of the Group's interest in Hactl (HK$1,238 million). The operating profit of the Beverages Division was lower than 2009 by HK$17 million (disregarding profit on disposal of long-term investments), reflecting higher raw material costs especially of sugar. The fall in operating profit for SPO reflects the effect of lower charter hire rates and average fleet utilisation offset in part by the additional profit generated by the new vessels delivered during the year. The operating profit of the Trading & Industrial Division increased by HK$173 million, excluding the profit on disposal of its interests in CROWN Beverage Cans of HK$771 million in 2010. This increase reflected growth in turnover and margins at Swire Resources and Taikoo Motors. In the Head Office, valuation gains on investment properties were HK$940 million higher than in 2009. This was mainly attributable to the valuation gain on 53 Stubbs Road in Hong Kong.

	2010 HK$M	2009 HK$M (Restated)	Reference
Net Finance Charges	**1,259**	940	Notes 8 and 10

The increase reflects the higher borrowings. These were principally incurred to finance the acquisition of additional interests in HAECO and Cathay Pacific and capital expenditure in the Properties and Marine Services Divisions. The fair value gain on a put option in relation to the non-controlling interest in Sanlitun Village was HK$95 million lower than in 2009.

	2010 HK$M	2009 HK$M (Restated)	Reference
Share of Profits Less Losses of Jointly Controlled Companies	**2,263**	637	Notes 8 and 21

In the Property Division, valuation gains recorded on investment properties held by jointly controlled companies increased by HK$1,415 million compared to 2009, there was a contribution of HK$63 million from the interest in PCCW Tower on its being reclassified as a jointly controlled company and there was a lower loss from the Mandarin Oriental Hotel in Miami. In the Aviation Division, the first year's contribution from jointly controlled companies of the HAECO group amounted to HK$243 million. Contributions from jointly controlled companies in the Beverages Division decreased due to a less favourable sales mix and higher raw material costs in Mainland China. In the Trading & Industrial Division, the share of profits from jointly controlled companies fell as a result of lower profit from Akzo Nobel Swire Paints and the absence of a contribution from the CROWN Beverage Cans group following the sale of the interests in this group in September 2010.

Consolidated Income Statement (continued)

	2010 HK$M	2009 HK$M (Restated)	Reference
Share of Profits Less Losses of Associated Companies The Cathay Pacific group contributed a profit of HK$5,079 million in 2010 compared to a profit of HK$1,349 million in 2009. The increase reflected strong demand for its passenger and cargo services and a substantial increase in profits earned by Cathay Pacific's associated company, Air China, partially offset by exceptional charges related to anti-trust investigations and proceedings and by increased fuel costs. The share of profit from HAECO and Hactl fell by HK$370 million, reflecting HAECO's becoming a subsidiary of the Company in June 2010 and the disposal of the interest in Hactl in May 2010. In the Property Division, the three associate hotels at Pacific Place performed strongly in 2010 and contributed higher profits to the Group. There were small decreases in profits from associated companies in the Beverages and Trading & Industrial Divisions.	**5,552**	2,164	Notes 8 and 22
Taxation The increase in taxation primarily reflects the higher operating profits earned by the Property and Trading & Industrial Divisions and the inclusion of taxation payable by the HAECO group with effect from HAECO becoming a subsidiary of the Company in June 2010.	**1,638**	1,453	Notes 8 and 11
Profit Attributable to the Company's Shareholders The increase in profit attributable to the Company's shareholders is mainly due to increased valuation gains on investment properties, the gain on remeasurement of the previously held interest in HAECO and the significant increase in contribution from the Cathay Pacific group. The increase also reflects capital profits from the sale of interests in Hactl and the CROWN Beverage Cans group.	**38,252**	21,893	Notes 8

Consolidated Statement of Financial Position

	2010 HK$M	2009 HK$M (Restated)	Reference
Property, Plant and Equipment The increase in property, plant and equipment is mainly due to the inclusion of the property, plant and equipment of the HAECO group when HAECO became a subsidiary of the Company in June 2010.	**24,125**	16,731	Note 15
Investment Properties The increase in investment properties mainly reflects net valuation gains of HK$21,344 million during the year, the acquisition of new investment properties, construction costs incurred on new investment properties, renovation costs incurred on existing investment properties and the reclassification of certain property from owner occupied property to investment property, offset in part by the reclassification of certain investment properties as properties held for sale and the disposal of certain investment properties.	**180,418**	154,493	Note 16
Leasehold Land and Land Use Rights The increase in leasehold land and land use rights principally represents the inclusion of leasehold land and land use rights belonging to the HAECO group when HAECO became a subsidiary of the Company in June 2010.	**928**	52	Note 17

Consolidated Statement of Financial Position (continued)

	2010 HK$M	2009 HK$M (Restated)	Reference
Intangible Assets The increase in intangible assets principally represents the goodwill of HK$3,479 million which arose from the business combination which occurred when HAECO became a subsidiary of the Company in June 2010.	**4,435**	376	Note 18
Investments in Jointly Controlled Companies The increase in jointly controlled companies primarily reflects the inclusion of jointly controlled companies of the HAECO group when HAECO became a subsidiary of the Company in June 2010 (HK$3,860 million), and the reclassification of the interest in PCCW Tower as an investment in a jointly controlled company at its fair value (HK$1,353 million). It also reflects the acquisition of 50% interests in the Argyle Street (Hong Kong) and Daci Temple (Chengdu) property projects.	**16,567**	9,125	Note 21
Investment in Associated Companies The increase in investment in associated companies principally reflects the cost of acquiring an additional 1% interest in Cathay Pacific (HK$826 million) and an increase in the retained profits of the Cathay Pacific group, offset in part by the disposal of the Group's interest in Hactl and the effect of HAECO becoming a subsidiary of the Company instead of an associated company.	**25,486**	23,545	Note 22
Properties for Sale The increase in properties for sale is principally due to the reclassification of certain investment properties as properties for sale and the acquisition of certain properties for sale, offset in part by disposals of certain properties for sale.	**5,517**	3,272	Note 26
Cash and Cash Equivalents The increase in cash and cash equivalents is primarily attributable to the inclusion of the cash and cash equivalents of the HAECO group when HAECO became a subsidiary of the Company in June 2010.	**3,809**	2,322	Note 29
Trade and Other Payables The increase in trade and other payables is due to the inclusion of the trade and other payables of the HAECO group when HAECO became a subsidiary of the Company in June 2010 and to increases in rental deposits in the Property Division and in other accruals.	**10,156**	8,837	Note 30
Bank Overdrafts and Short-term Loans The increase in bank overdrafts and short-term loans principally reflects the incurring of a short-term loan in order to finance the acquisition of additional shares in HAECO. The original amount drawn of this loan was HK$5,218 million. Its amount, net of unamortised loan fees, was reduced to HK$3,893 million at the year end.	**5,283**	1,083	Note 33
Long-term Loans and Bonds (including due within one year) The increase in long-term loans and bonds reflects additional borrowings to finance the Group's property developments, the purchase of new vessels and other fixed assets and the acquisition of additional shares in Cathay Pacific.	**37,839**	31,093	Note 33
Deferred Tax Liabilities The increase in deferred tax liabilities is principally attributable to higher deferred tax calculated on the valuation gains on investment properties held by the Group in Mainland China and the inclusion of the deferred tax liabilities of the HAECO group when HAECO became a subsidiary of the Company in June 2010.	**4,605**	3,600	Note 34

Consolidated Statement of Financial Position (continued)

	2010 HK$M	2009 HK$M (Restated)	Reference
Equity Attributable to the Company's Shareholders In each year, the increase in equity attributable to the Company's shareholders represents the total comprehensive income for the year attributable to the Company's shareholders (HK$40,431 million in 2010) less the dividends paid to shareholders.	**204,452**	168,876	Notes 36 and 37
Non-controlling Interests The increase in non-controlling interests principally reflects the inclusion of the non-controlling interests in the HAECO group when HAECO became a subsidiary of the Company in June 2010.	**4,599**	849	Note 38

Consolidated Statement of Cash Flows

	2010 HK$M	2009 HK$M	Reference
Cash Generated from Operations The decrease in cash generated from operations mainly reflects purchases of property for sale close to current development projects (HK$1.1 billion), reduced sales of properties held for sale and reduced operating cash flows from SPO, offset in part by increased net rental income from the Property Division.	**7,627**	8,740	Note 44(a)
Interest Paid The increase in interest paid is attributable to the borrowings incurred to finance the acquisition of additional shares in HAECO and Cathay Pacific and capital expenditure. The effect of this was partially offset by the proceeds received during the year from the disposal of interests in Hactl and CROWN Beverage Cans.	**1,491**	1,449	
Dividends Received from Jointly Controlled and Associated Companies and Available-for-sale Assets The increase in dividends received from jointly controlled and associated companies principally reflects the receipt of dividends from Cathay Pacific in 2010. No dividends were received from Cathay Pacific in 2009.	**1,705**	890	
Purchase of Property, Plant and Equipment The purchases of property, plant and equipment in 2010 mainly represent the construction costs of the hotel at the TaiKoo Hui project in Guangzhou, the costs of renovating hotels in the UK and the acquisition of vessels by SPO and of plant and equipment by the Beverages Division.	**2,586**	2,228	Note 44(b)
Additions of Investment Properties The additions of investment properties in 2010 include the construction costs of the non-hotel elements of the TaiKoo Hui project, and of The Village North at Sanlitun in Beijing and 53 Stubbs Road in Hong Kong and the renovation costs incurred at The Mall at Pacific Place. They also include the costs of acquiring miscellaneous investment properties for future development.	**4,366**	2,300	
Proceeds from Disposals of Investment Properties In 2010, these proceeds represent the cash inflows from the disposal of investment properties in Hong Kong.	**1,194**	80	
Purchase of Shares in Jointly Controlled Companies In 2010, these purchases were of interests in the Argyle Street (Hong Kong) and Daci Temple (Chengdu) property projects and of additional interests in the Akzo Nobel paint joint venture.	**306**	282	

Consolidated Statement of Cash Flows (continued)

	2010 HK$M	2009 HK$M	Reference
Purchase of Shares in Associated Companies In 2010, these purchases were of an additional 1% interest in Cathay Pacific (for HK$826 million) and of an additional interest in a beverage manufacturing plant in Mainland China (for HK$168 million).	**994**	1,161	
Loans to Jointly Controlled Companies In 2010, these loans were principally advanced for the purposes of financing the Property Division's joint venture projects at Daci Temple (Chengdu) and Dazhongli (Shanghai). The amounts advanced for the purposes of the Dazhongli project were higher in 2010 than in 2009.	**1,055**	741	
Proceeds from Disposal of Interests in Jointly Controlled Companies These proceeds are primarily from the sale of the Group's interest in the CROWN Beverage Cans group.	**1,175**	–	
Repayment of Loans by Jointly Controlled Companies In 2010, the repayment was mainly from jointly controlled companies in the Property Division. In 2009, HK$3,475 million of the repayment was of a loan to a jointly controlled company in relation to a completed property for sale in Hong Kong. Also in 2009 a shareholder loan of HK$500 million to the HUD group was repaid.	**431**	4,184	
Loans Drawn and Refinancing In 2010, loans drawn and refinancing comprised new financing under the Medium-Term Note Programme and from banks by way of new loans and the drawdowns of existing financing. Refer to the Financing section on page 71 for further details.	**13,302**	8,263	

Investment Appraisal and Performance Review

	Net assets employed 2010 HK$M	Net assets employed 2009 HK$M (Restated)	Capital commitments* 2010 HK$M	Capital commitments* 2009 HK$M
Property investment				
– at cost	**73,506**	65,761	**10,995**	10,326
– valuation surplus	**118,006**	96,001	**–**	–
– deferred taxation	**(4,273)**	(3,246)	**–**	–
– other net liabilities	**(4,679)**	(2,393)	**–**	–
	182,560	156,123	**10,995**	10,326
Property trading	**6,295**	3,808	**–**	–
Hotels	**5,797**	5,471	**1,005**	1,044
Property – overall	**194,652**	165,402	**12,000**	11,370
Aviation	**38,003**	21,654	**1,006**	–
Beverages	**4,978**	4,570	**507**	251
Marine Services	**8,901**	7,882	**3,727**	2,803
Trading & Industrial	**1,034**	1,527	**–**	48
Head Office	**2,664**	371	**–**	–
Total net assets employed	**250,232**	201,406	**17,240**	14,472
Less net debt	**(41,181)**	(31,681)		
Less non-controlling interests	**(4,599)**	(849)		
Equity attributable to the Company's shareholders	**204,452**	168,876		

	Equity attributable to the Company's shareholders** 2010 HK$M	Equity attributable to the Company's shareholders** 2009 HK$M (Restated)	Return on average equity attributable to the Company's shareholders** 2010	Return on average equity attributable to the Company's shareholders** 2009 (Restated)
Property investment	**150,415**	124,960	**18.9%**	15.0%
Property trading	**1,783**	1,420	**9.7%**	1.5%
Hotels	**5,268**	4,131	**-2.3%**	-9.8%
Property – overall	**157,466**	130,511	**18.1%**	14.1%
Aviation	**31,549**	21,617	**20.8%#**	9.4%
– including gain on remeasurement of previously held interest in HAECO on acquiring control	**2,547**	–		
Beverages	**3,798**	3,511	**19.1%**	23.3%
Marine Services	**9,073**	8,421	**9.0%**	21.5%
Trading & Industrial	**1,690**	1,948	**23.5%#**	18.3%
Head Office	**(1,671)**	2,868		
Total	**204,452**	168,876	**20.5%**	13.8%

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

** Refer to Glossary on page 196 for definition.

\# Excluding the gain on remeasurement of previously held interest in HAECO and the profit on sale of Hactl in the Aviation Division and the profit on sale of CROWN Beverage Cans in the Trading & Industrial Division.

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

The tables on page 69 show where the Group's net assets are employed, capital commitments by division and changes in returns on equity attributable to the Company's shareholders.

Property Division

Net assets employed in property investment increased by HK$26,437 million (16.9%) during the year, principally due to continued investment in property projects in Mainland China and capital expenditure on the Sincere Insurance Building, and the Pacific Place design improvement project in Hong Kong.

Capital commitments at the year-end include the Group's share of the capital commitments of the property projects in Mainland China.

The increase in the return on average equity from property investment from 15.0% in 2009 to 18.9% in 2010 principally reflects the fact that the property revaluation gains included in attributable profit were higher in 2010 than in 2009.

The increase in net assets employed in property trading was principally due to the reclassification of certain investment properties as properties for sale, the effect of which was partly offset by unit closings, mostly at 5 Star Street in Hong Kong.

Aviation Division

Net assets employed in the aviation division increased by HK$16,349 million. The increase principally reflected the inclusion of the net assets of the HAECO group when HAECO became a subsidiary of the Company in June 2010, the acquisition of an additional 1% interest in Cathay Pacific and an increase in the retained profit of the Cathay Pacific group.

Excluding the gain on remeasurement of the previously held interest in HAECO and the profit on disposal of Hactl, the return on average equity increased from 9.4% in 2009 to 20.8% in 2010. The increase reflected the higher profits of the Cathay Pacific group.

Beverages Division

Net assets employed increased by HK$408 million (8.9%), principally as a result of an investment in Coca-Cola Bottlers Manufacturing Holdings.

The return on average equity decreased from 23.3% to 19.1%, reflecting the 7% decrease in attributable profit.

Marine Services Division

Net assets employed increased by HK$1,019 million (12.9%) following the net increase in 2010 of five new vessels to SPO.

The return on average equity fell from 21.5% in 2009 to 9.0% in 2010 reflecting the 52% reduction in attributable profit during the year.

Trading & Industrial Division

Net assets employed fell by HK$493 million primarily as a result of the sale of the Group's interests in the CROWN Beverage Cans group in September 2010.

The return on average equity, excluding the effect of the profit on disposal of CROWN Beverage Cans, increased from 18.3% in 2009 to 23.5% in 2010 as a result of the 22% increase in attributable profit.

FINANCING

Capital Structure

The Group aims to maintain a capital structure that is appropriate for long-term credit ratings of A3 to A1 on Moody's scale, A- to A+ on Standard & Poor's scale, and A- to A+ on Fitch's scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 31st December 2010 the Company's long-term credit ratings were A3 from Moody's, A- from Standard & Poor's, and A from Fitch.

Changes in Financing

Analysis of changes in financing during the year

AUDITED FINANCIAL INFORMATION

	2010 HK$M	2009 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**34,502**	35,272
Loans drawn and refinancing	**13,302**	8,263
Repayment of loans and bonds	**(3,717)**	(9,077)
Changes in composition of Group	**1,324**	–
Other non-cash movements	**24**	44
	45,435	34,502
Overdrafts	**19**	–
At 31st December	**45,454**	34,502

During the year, the Group raised HK$17,175 million. This included:

- the issue of a twenty-year medium-term note of HK$500 million
- a one-year bilateral term loan facility of HK$9,437 million, which was arranged specifically to finance the acquisition of additional shares in HAECO. HK$4,219 million of this facility was cancelled following the closing of the general offer for HAECO
- a two-and-a-half-year bilateral revolving credit facility of HK$1,000 million
- five three-year bilateral revolving credit facilities totalling HK$2,800 million
- four five-year bilateral revolving credit facilities totalling HK$2,500 million
- a RMB650 million increase of an existing five-year bilateral term loan facility to RMB2,650 million
- a US$22 million increase of an existing two-year bilateral revolving credit facility to US$60 million

Significant debt repayments during the year included the prepayment of a HK$1,318 million bilateral term loan facility.

Sources of Finance

At 31st December 2010, committed loan facilities and debt securities amounted to HK$56,446 million, of which HK$12,313 million (22%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$5,303 million. Sources of funds at 31st December 2010 comprised:

AUDITED FINANCIAL INFORMATION

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	17,247	17,247	–	–
Bank loans, overdrafts and other loans	36,867	24,554	1,718	10,595
Perpetual capital securities	2,332	2,332	–	–
Total committed facilities	56,446	44,133	1,718	10,595
Uncommitted facilities				
Bank loans, overdrafts and other loans	6,799	1,496	5,075	228
Total	63,245	45,629	6,793	10,823

i) Loans and Bonds

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

AUDITED FINANCIAL INFORMATION

	2010			2009		
Group	**Drawn, before unamortised loan fees HK$M**	**Unamortised loan fees HK$M**	**Carrying value HK$M**	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M
Bank overdrafts and short-term loans – unsecured	**5,290**	**(7)**	**5,283**	1,083	–	1,083
Long-term loans and bonds at amortised cost	**38,007**	**(168)**	**37,839**	31,190	(97)	31,093
Less: amount due within one year included under current liabilities	**(9,106)**	**5**	**(9,101)**	(1,469)	–	(1,469)
	28,901	**(163)**	**28,738**	29,721	(97)	29,624

	2010			2009		
Company	**Drawn, before unamortised loan fees HK$M**	**Unamortised loan fees HK$M**	**Carrying value HK$M**	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M
Bank overdrafts and short-term loans – unsecured	**3,900**	**(7)**	**3,893**	–	–	–

ii) Perpetual Capital Securities

AUDITED FINANCIAL INFORMATION

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

The perpetual capital securities are recorded in the statement of financial position at amortised cost. At 31st December 2010 the fair value was HK$2,565 million (2009: HK$2,327 million). The perpetual capital securities are listed on the Luxembourg Stock Exchange.

iii) Bank Balances and Short-term Deposits

The Group had bank balances and short-term deposits of HK$4,010 million at 31st December 2010, excluding security deposits, compared to HK$2,395 million at 31st December 2009.

Maturity Profile and Refinancing

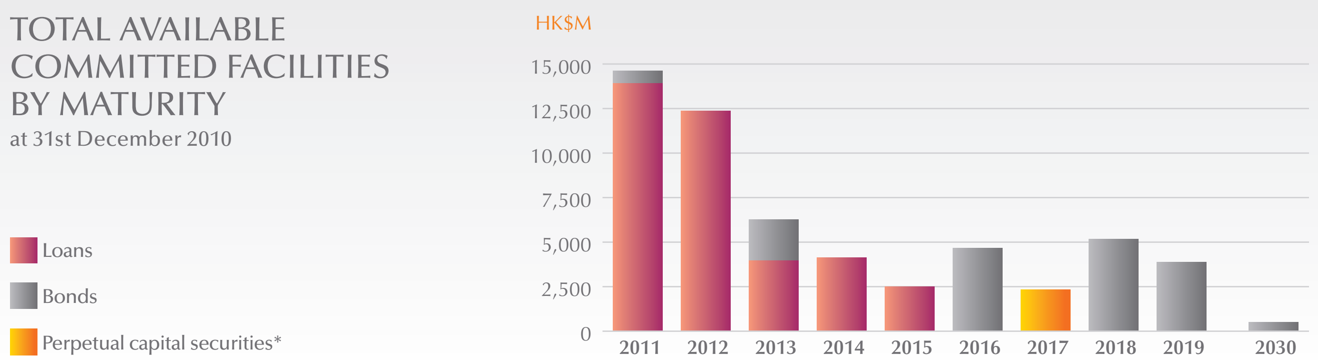
Bank loans and other borrowings are repayable on various dates up to 2030 (2009: up to 2019).

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

	2010	2009
Weighted average term of debt	**3.4 years**	4.3 years
Weighted average term of debt (excluding perpetuals)	**3.3 years**	4.1 years
Weighted average cost of debt	**4.0%**	4.1%
Weighted average cost of debt (excluding perpetuals)	**3.7%**	3.8%

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

TOTAL AVAILABLE COMMITTED FACILITIES BY MATURITY
at 31st December 2010



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

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

AUDITED FINANCIAL INFORMATION

	2010 HK$M	2009 HK$M
Bank loans (secured):		
Repayable within one year	**170**	169
Repayable between one and two years	**42**	169
Repayable between two and five years	**–**	42
Bank loans (unsecured):		
Repayable within one year	**8,218**	1,300
Repayable between one and two years	**8,897**	5,290
Repayable between two and five years	**3,315**	7,445
Other borrowings (unsecured):		
Repayable within one year	**713**	–
Repayable between one and two years	**–**	725
Repayable between two and five years	**2,298**	2,297
Repayable after five years	**14,186**	13,656
	37,839	31,093
Amount due within one year included under current liabilities	**(9,101)**	(1,469)
	28,738	29,624

Currency Profile

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

AUDITED FINANCIAL INFORMATION

	2010 HK$M		2009 HK$M	
Currency				
Hong Kong dollar	**37,481**	**82%**	28,983	84%
United States dollar	**2,268**	**5%**	1,238	3%
Renminbi	**5,521**	**12%**	4,107	12%
New Taiwan dollar	**124**	**1%**	111	1%
Others	**60**	**–**	63	–
Total	**45,454**	**100%**	34,502	100%

Finance Charges

At 31st December 2010, 56% of the Group's gross borrowings were on a fixed rate basis and 44% were on a floating rate basis (2009: 68% and 32% respectively).

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

AUDITED FINANCIAL INFORMATION

		Fixed interest rate maturing in:			
	Floating interest rate HK$M	1 year or less HK$M	1 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31st December 2010	**20,138**	**1,269**	**7,529**	**14,186**	**43,122**
At 31st December 2009	10,953	169	7,397	13,657	32,176

Interest charged and earned during the year was as follows:

AUDITED FINANCIAL INFORMATION

	2010		2009	
	HK$M	HK$M	HK$M	HK$M
Interest charged on:				
Bank loans and overdrafts		(392)		(340)
Other loans and bonds:				
Wholly repayable within five years	(134)		(144)	
Not wholly repayable within five years	(985)		(846)	
		(1,119)		(990)
Fair value (losses)/gains on derivative instruments:				
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	(12)		(20)	
Interest rate swaps: fair value hedges	5		15	
		(7)		(5)
Adjustments to financial liabilities – fair value hedges		13		–
Amortised loan fees – loans at amortised cost		(56)		(26)
Other financing costs		(55)		(45)
Deferred into properties under development for sale		101		32
Capitalised on:				
Investment properties	180		190	
Hotel and other properties	18		43	
Vessels	–		5	
		198		238
		(1,317)		(1,136)
Interest income on:				
Short-term deposits and bank balances	22		11	
Other loans	24		78	
Fair value gain on put option over non-controlling interest in Sanlitun Village	12		107	
		58		196
Net finance charges		(1,259)		(940)

The capitalised interest rates used on funds both borrowed generally and used for the development of investment properties and properties for sale were between 3.68% and 5.60% per annum (2009: 3.38% and 5.15% per annum).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$1,505 million (2009: HK$1,335 million).

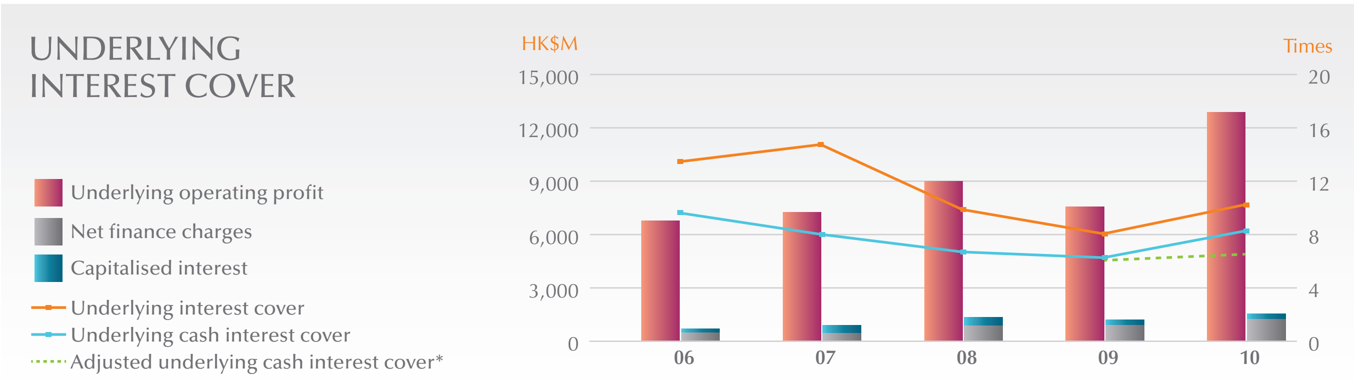
The interest rates per annum, before swaps, at the year-end date were as follows:

AUDITED FINANCIAL INFORMATION

	2010				2009			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Bank overdrafts and short-term loans	**0.60-2.66**	**1.24-3.31**	**3.02-5.10**	**0.56-0.65**	–	–	3.11-6.11	0.90
Long-term loans and bonds	**0.49-5.05**	**1.11-6.25**	**4.37-5.94**	**1.89**	0.22-5.05	2.55-6.25	4.86-5.94	1.41
Perpetual capital securities	**–**	**8.84**	**–**	**–**	–	8.84	–	–

Interest Cover and Gearing Ratios

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



* Calculated using adjusted underlying operating profit which excludes the effect of the large non-cash item in 2010, namely the remeasurement gain on the previously held interest in HAECO (HK$2,547 million).

	2010	2009 (Restated)
Gearing ratio*		
Per accounts	**19.7%**	18.7%
Underlying	**19.3%**	18.2%
Interest cover – times*		
Per accounts	**27.0**	23.1
Underlying	**10.2**	8.0
Cash interest cover – times*		
Per accounts	**21.8**	18.0
Underlying	**8.3**	6.3

* Refer to Glossary on page 196 for definition.

Covenants and Credit Triggers

AUDITED FINANCIAL INFORMATION

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

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

	Covenant limits	**2010**	2009 (Restated)
Gearing			
Consolidated borrowed money*/adjusted consolidated net worth*	≤ 200%	**19.7%**	18.7%
Secured consolidated borrowed money/adjusted consolidated net worth	≤ 100%	**0.1%**	0.2%
	HK$M	**HK$M**	HK$M
Maintenance of minimum adjusted consolidated tangible net worth			
Adjusted consolidated tangible net worth*	≥ 20,000	**204,616**	169,349

* Refer to Glossary on page 196 for definition.

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

To date, none of the covenants have been breached.

Capital Management

AUDITED FINANCIAL INFORMATION

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

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

In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2010 and 31st December 2009 were as follows:

	2010 HK$M	2009 HK$M (Restated)
Perpetual capital securities	**2,332**	2,326
Borrowings net of security deposits	**42,910**	31,796
Total borrowings	**45,242**	34,122
Less:		
Short-term deposits and bank balances (excluding security deposits)	**(4,010)**	(2,395)
Certain available-for-sale investments	**(51)**	(46)
	(4,061)	(2,441)
Net debt	**41,181**	31,681
Total equity	**209,051**	169,725
Gearing ratio	**19.7%**	18.7%

The increase in the gearing ratio during 2010 principally reflects the effect of the increase in net debt which more than offset the effects of net investment property valuation gains and non-recurring gains.

Key Credit Ratios

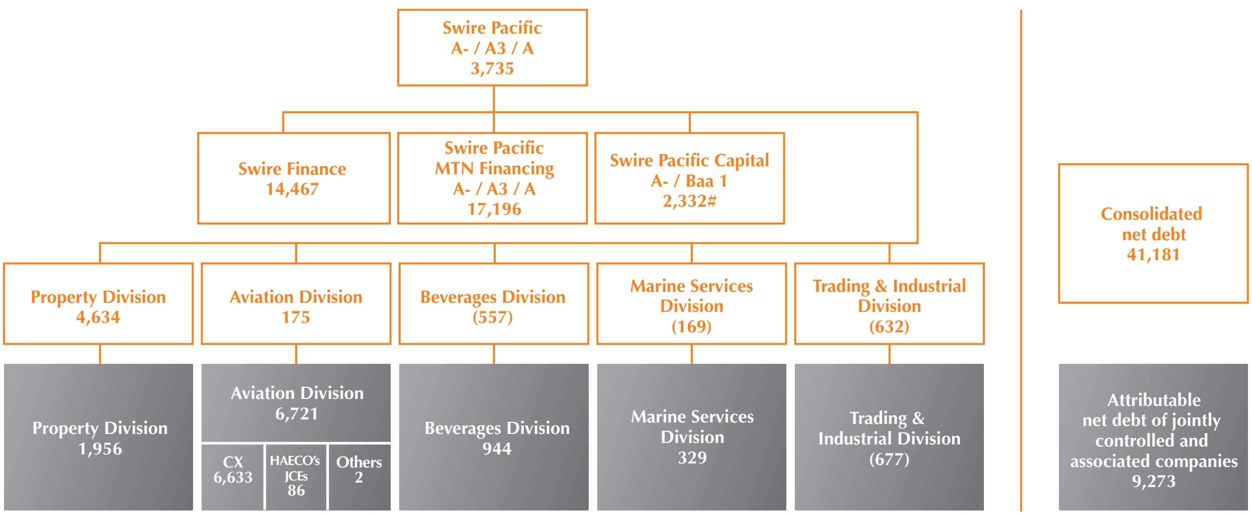
The table below sets out those credit ratios of the Group which are commonly assessed when determining credit ratings:

	Note	2006 (Restated)	2007 (Restated)	2008 (Restated)	2009 (Restated)	**2010**
Operating margin	1,5					
– per accounts		126.2%	126.7%	40.4%	90.9%	**120.9%**
– underlying		38.6%	37.1%	39.7%	34.0%	**48.6%**
EBIT/net interest expenses	2,4,5					
– per accounts		36.8	31.5	8.2	18.7	**22.8**
– underlying		13.1	10.2	8.1	7.0	**9.3**
FFO + net finance charges/net interest expenses	3,4					
– per accounts		12.5	10.0	8.2	7.2	**6.1**
FFO/net debt	3					
– per accounts		69.5%	38.3%	33.2%	24.4%	**19.9%**
Net debt/total equity plus net debt						
– per accounts		8.6%	12.9%	16.8%	15.7%	**16.5%**
Property rental income/net interest expenses	4	5.4	5.0	4.1	5.0	**4.1**

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

Attributable Net Debt

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



Represents US$300 million perpetual capital securities.

Debt in Jointly Controlled and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its jointly controlled and associated companies. These companies had the following net debt positions at the end of 2010 and 2009:

	Total net debt/(cash) of jointly controlled and associated companies		Portion of net debt/(cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2010 HK$M	2009 HK$M	**2010 HK$M**	2009 HK$M	**2010 HK$M**	2009 HK$M
Property Division	**4,332**	4,123	**1,956**	1,181	**481**	486
Aviation Division						
Cathay Pacific group	**15,436**	26,131	**6,633**	10,967	**–**	–
HAECO group	**403**	143	**86**	75	**–**	–
Hactl	**–**	724	**–**	145	**–**	–
Other Aviation Division companies	**5**	7	**2**	4	**–**	–
Beverages Division	**2,521**	1,389	**944**	442	**–**	–
Marine Services Division	**659**	802	**329**	401	**500**	500
Trading & Industrial Division	**(1,792)**	(2,284)	**(677)**	(883)	**–**	–
	21,564	31,035	**9,273**	12,332	**981**	986

If the attributable portion of the net debt in jointly controlled and associated companies were to be added to the Group's net debt, gearing would rise to 24.1% and underlying gearing would rise to 23.7%.

Attributable Profit Correlation

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

	Property Division	Aviation Division	Marine Services Division	Beverages and Trading & Industrial Divisions	Divisions combined, excluding Property Division
Underlying attributable profit 2010* (HK$M)	**4,862**	**5,529**	**791**	**1,126**	**7,446**
Correlation coefficient:					
Property Division	**1.000**	**0.333**	**0.403**	**0.692**	**0.497**
Aviation Division	**0.333**	**1.000**	**-0.370**	**0.283**	**0.959**
Marine Services Division	**0.403**	**-0.370**	**1.000**	**0.540**	**-0.102**
Beverages and Trading & Industrial Divisions	**0.692**	**0.283**	**0.540**	**1.000**	**0.511**
Divisions combined, excluding Property Division	**0.497**	**0.959**	**-0.102**	**0.511**	**1.000**

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

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

CORPORATE GOVERNANCE

Governance Culture

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

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

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

Corporate Governance Statement

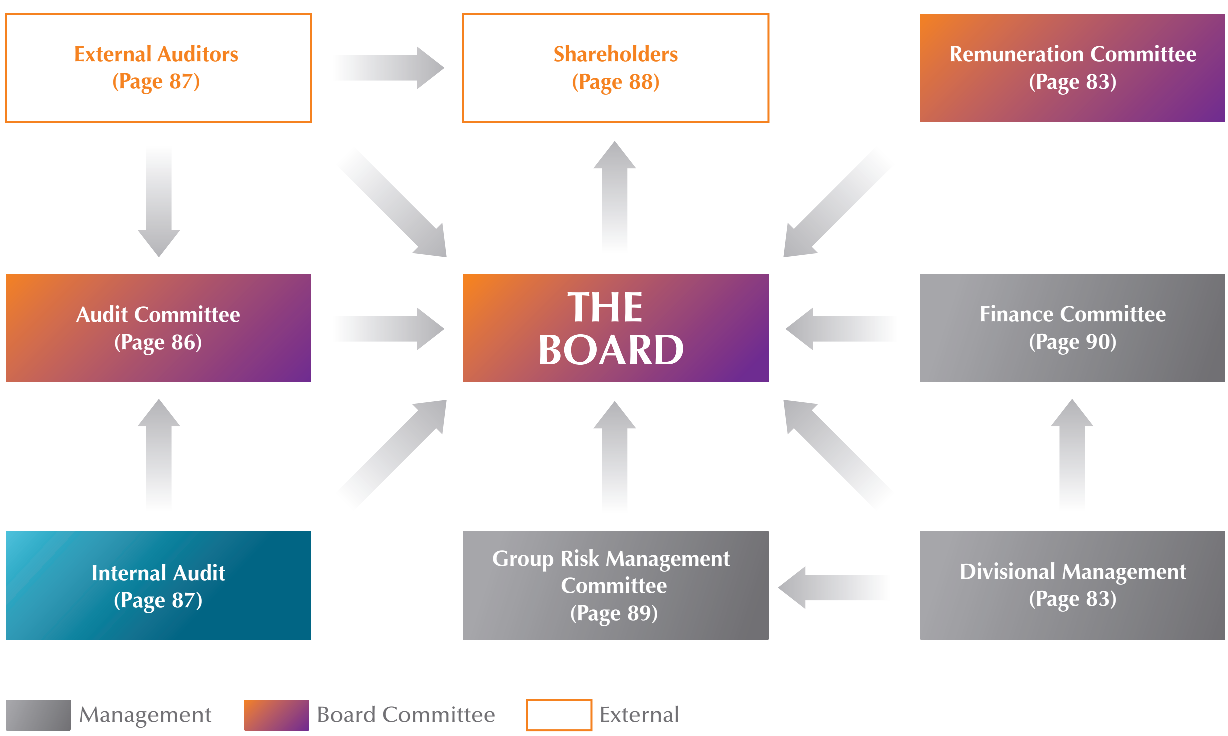
The Code on Corporate Governance Practices (the "CG Code") as published by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:

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

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

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

Governance Structure



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

- **Section C.1.4 of the CG Code, recommending the production of quarterly statements.** The Company has chosen not to comply with this recommended reporting practice because it is its judgement that, as a matter of principle and practice, quarterly reports would not bring net overall benefits to shareholders.

- **Section A.4.4 of the CG Code recommending the establishment of a nomination committee.** The Board has considered the merits of establishing a nomination committee as recommended but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by both the potential Director and the Board as to suitability for the role.

The Board Of Directors

Role of the Board

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

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

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

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see page 86) and the Remuneration Committee (see page 83).

Chairman and Chief Executive

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

The Chairman is responsible for:

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

Each division of the Group has one or more Executive Directors or Officers who are responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's individual businesses (see page 83). These executives are: M Cubbon (Property), A N Tyler, J R Slosar and Augustus Tang (Aviation), G L Cundle (Beverages) and J B Rae-Smith (Marine Services and Trading & Industrial).

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

Board Composition

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

The Board currently comprises the Chairman, six Executive Directors and ten Non-Executive Directors. Their biographical details are set out on pages 92 and 93 of this report and are posted on the Company's website.

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

The Board considers that six of the ten Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. T G Freshwater is a Director of Goldman Sachs (Asia) L.L.C. ("GS"), M Leung and M M T Yang are Directors of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). GS and HSBC (together with Morgan Stanley Asia Limited ("MS")) were engaged by the Company and Swire Properties Limited as joint global coordinators, joint bookrunners and joint sponsors in respect of a proposed spin-off, initial public offering and listing of shares in Swire Properties Limited. As indicated in the Company's announcement dated 6th May 2010, these did not proceed. The engagement of GS, HSBC and MS has terminated. T G Freshwater, M Leung and M M T Yang had no personal involvement in the engagement. In these circumstances, the Board does not consider the fact that T G Freshwater, M Leung and M M T Yang are Directors of companies which were so engaged to be sufficiently material to affect their independence. C Lee has served as a Non-Executive Director for more than nine years. The Directors are of the opinion that he remains independent, notwithstanding his length of tenure. C Lee continues to demonstrate the attributes of an Independent Non-Executive Director noted above and there is no evidence that his tenure has had any impact on his independence. The Board believes that his detailed knowledge and experience of the Group's business and his external experience continue to be of significant benefit to the Company, and that he maintains an independent view of its affairs.

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

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

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

Appointment and Re-election

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

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

Full details of changes in the Board during the year and to the date of this report are provided in the Directors' Report on page 95.

Responsibilities of Directors

On appointment, the Directors receive information about the Group including:
- the role of the Board and the matters reserved for its attention
- the role and terms of Board Committees
- the Group's corporate governance practices and procedures
- the powers delegated to management and
- the latest financial information

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

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

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

Details of Directors' other appointments are shown in their biographies on pages 92 and 93.

Board Processes

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

The dates of the 2010 Board meetings were determined in 2009 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met six times in 2010. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 84. Average attendance at Board meetings was 94%. All Directors attended Board meetings in person during the year.

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

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

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

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

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

A typical Board meeting would consist of:
- review of a report by each Executive Director or Officer on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
- the raising of new initiatives and ideas
- presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for Directors' consideration
- any declarations of interest

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

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. One such meeting was held in 2010.

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

Directors' and Officers' Insurance

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

Conflicts of Interest

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

Delegation by the Board

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

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:
- detailed monthly management accounts consisting of income statements, statements of financial position and cash flows compared to budget and forecast
- the output of internal and external audit reports
- significant controls breakdowns
- feedback from external parties such as customers, business partners, trade associations and service providers

Securities Transactions

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

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

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

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

Directors' interests as at 31st December 2010 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 96 and 97. In addition, one of the Executive Officers of the Company, J B Rae-Smith, is interested personally in 17,500 'B' shares of the Company and 73,066 ordinary shares and 18,821 preference shares of John Swire & Sons Limited, an associated corporation of the Company, and is also interested as one of the beneficiaries of trusts which hold 5,000 'A' shares of the Company and 157,659 ordinary shares and 9,628 preference shares of John Swire & Sons Limited.

Remuneration Committee

Full details of Directors' and Executive Officers' remuneration are provided in note 9 to the accounts.

Directors	Meetings attended/held Board	Audit Committee	Remuneration Committee	2010 Annual General Meeting
Executive Directors				
C D Pratt – Chairman	6/6			✓
P N L Chen (resigned on 1st July 2010)	2/3			✗
M Cubbon	6/6			✓
D Ho (retired on 1st April 2010)	2/2			N/A
P A Kilgour	6/6			✓
J R Slosar	6/6			✓
I S C Shiu (appointed on 1st August 2010)	3/3			N/A
A N Tyler	6/6			✓
Non-Executive Directors				
Baroness Dunn	4/6			✗
J W J Hughes-Hallett	5/6			✓
P A Johansen	6/6	4/4	2/2	✓
M B Swire	6/6			✓
Independent Non-Executive Directors				
C K M Kwok	5/6	4/4	1/2	✓
C Lee	6/6	4/4	2/2	✓
M C C Sze	6/6			✓
M M T Yang	5/6			✓
M Leung	6/6			✓
T G Freshwater	6/6			✓
Average attendance	94%	100%	83%	88%

The Remuneration Committee comprises three Non-Executive Directors, two of whom – C K M Kwok and C Lee – are Independent Non-Executive Directors. The Committee is chaired by P A Johansen.

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

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

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

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

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors and Officers at its meeting in November 2010. At this meeting the Committee considered a report prepared for it by Mercer Limited ("Mercer"), an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors and Officers, as disclosed in note 9 to the accounts was comparable with that paid to equivalent executives in peer group companies.

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

The following fee levels were approved by the Board:

Fee	2010 HK$	2011 HK$
Director's Fee	**600,000**	690,000
Fee for Audit Committee Chairman	**200,000**	240,000
Fee for Audit Committee Member	**150,000**	180,000
Fee for Remuneration Committee Chairman	**65,000**	75,000
Fee for Remuneration Committee Member	**50,000**	58,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

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

Internal Controls

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's system of internal controls with a view to ensuring that shareholders' investments and the Company's assets are safeguarded. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 86 and 87.

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

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

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

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

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

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

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

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

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

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

The GRMC, discussed further on page 89, focuses on business, operational, safety, security, legal and reputational risks. The Finance Committee, discussed further on page 90, focuses on broad financial and treasury risks.

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

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

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

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

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

Internal Audit: Independent of management, the Internal Audit department reports directly to the Chairman and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on page 87.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, C K M Kwok, C Lee and P A Johansen, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, C K M Kwok, is Chairman. All the members served for the whole of 2010.

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

The Audit Committee met four times in 2010. Regular attendees at the Audit Committee meetings are the Group Finance Director, the Head of Internal Audit and the external auditors. The Audit Committee meets regularly with the external auditors without the presence of management. Each meeting receives written reports from the Group Risk Management Committee, the external auditors and Internal Audit. Other attendees during the year included the independent property valuers, the Deputy Finance Director and the Finance Manager.

The work of the Committee during 2010 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2009 annual and 2010 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's internal controls and risk management systems and its compliance with the CG Code
- the Group's risk management processes
- the approval of the 2011 annual Internal Audit programme and review of progress on the 2010 programme
- periodic reports from Internal Audit and progress in resolving any matters identified therein
- significant accounting and audit issues
- the Company's policy regarding connected party transactions and the nature of such transactions
- the relationship with the external auditors as discussed on pages 87 to 88

In 2011, the Committee has reviewed, and recommended to the Board for approval, the 2010 accounts.

Assessing the Effectiveness of Internal Controls

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

This assessment considers:

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

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

Internal Audit Department

Swire Pacific has had an Internal Audit department ("IA") in place for 15 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 18 audit professionals and conducts audits of the Group and certain associates. The 18 professionals include a team based in Mainland China which reports to IA in Hong Kong.

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

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

Scope of Work

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

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the Group Risk Management Committee and management's views. Each business is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 52 assignments were conducted for Swire Pacific in 2010.

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

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

Audit Conclusion and Response

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

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

External Auditors

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

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

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

Auditors' Independence

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

Provision of Non-audit Services

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

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

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

Fees paid to the auditors are disclosed in note 7 to the accounts.

Shareholders

Communication with Shareholders and Investors

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

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

- The Group Finance Director makes himself available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In 2010 the Group Finance Director held 20 meetings with analysts and investors in Hong Kong, conducted two analyst briefings, one investor group briefing, one Hong Kong roadshow and two overseas roadshows and spoke at three investor conferences.
- Through the Company's website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses
- Through publication of interim and annual reports
- Through the AGM as discussed below

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 13th May 2010. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 84.

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

- receiving the report of the Directors and the audited accounts for the year ended 31st December 2009
- declaration of final dividends
- re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share repurchases
- a general mandate authorising the Directors to allot and issue shares up to 20% of the then issued share capital, provided that the aggregate nominal amount of the shares of any class so allotted wholly for cash would not exceed 5% of the aggregate nominal amount of the shares then in issue

Minutes of the meeting together with voting results are available on the Company's website.

Other Information for Shareholders

Key shareholder dates for 2011 are set out on the inside back cover of this report and in the Financial Calendar on the Company's website.

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital is held by the public. Details of the shareholder profile of the Company are included in the Directors' Report on page 97.

RISK MANAGEMENT

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

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

Group Risk Management Committee

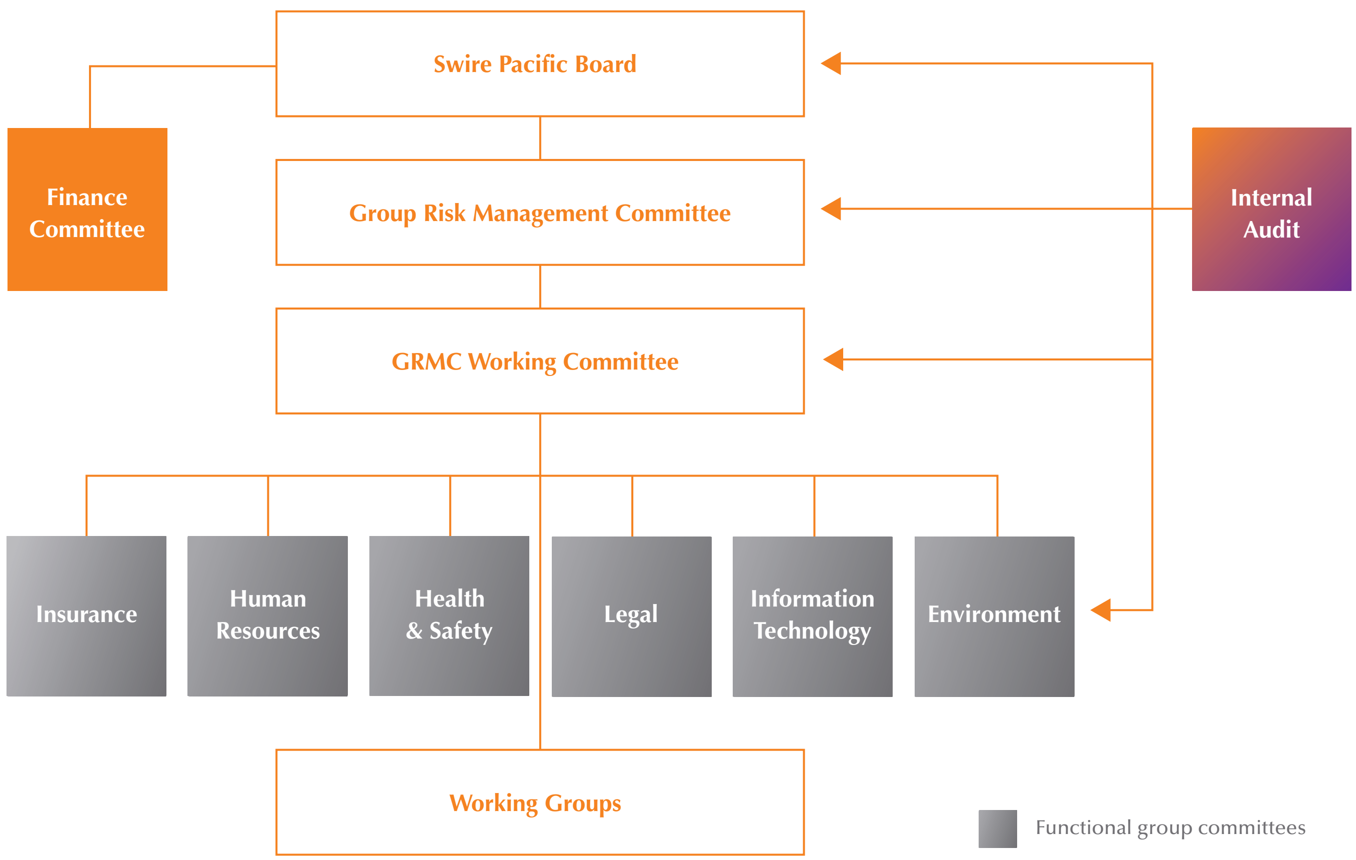
The GRMC provides oversight of all the risks to which the Group is subject (except for those expressly covered by the Finance Committee) including setting risk management policies and strategies. The GRMC reports directly to the Board. It comprises the Group Finance Director and the Executive Directors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

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

In 2010, the GRMC met three times and its functional group committees and working groups met a total of 32 times.

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

Risk Governance Structure



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

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

Finance Committee

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

The Finance Committee consists of the Group Finance Director, the Group Deputy Finance Director, four Divisional Finance Directors, the General Manager Corporate Finance, the Treasury Manager, the Group Finance Manager and the Group Taxation Manager. In 2010, the Finance Committee met four times.

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

Financial Risk Management

AUDITED FINANCIAL INFORMATION

The following disclosures on financial risk management are audited financial information.

Structure and Policies

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

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

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

It is the Group's policy not to enter into derivative transactions for speculative purposes. Derivatives are used solely for management of an underlying risk and the Group minimises its exposure to market risk since gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. Accounting for derivative financial instruments and hedging activities is discussed on pages 165 and 166.

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

Interest Rate Exposure

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

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

On a quarterly basis, the Treasury department calculates the effect of the Group's exposure to interest rate fluctuations on forecast earnings and cash flows by performing sensitivity testing which varies forecast interest rates. The Treasury department reports the results of this testing to the Finance Committee. Refer to page 113 for details of the sensitivity testing performed at 31st December 2010.

Currency Exposure

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

AUDITED FINANCIAL INFORMATION (continued)

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

Exposure to movements in exchange rates on transactions other than borrowings is minimised by using forward foreign exchange contracts where active markets for the relevant currencies exist. At 31st December 2010, the Group had hedged its significant foreign currency funding exposures.

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

Foreign currency funding and deposit exposure is monitored by the Treasury department on a continuous basis and hedging proposals are presented to the Finance Committee. On a quarterly basis, the Treasury department performs sensitivity testing by varying forecast foreign exchange rates. The results of this testing are used to assess whether positions should remain unhedged. Refer to page 114 for details of the sensitivity testing performed at 31st December 2010.

Credit Exposure

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

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

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

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

The maximum credit risk in respect of contingencies is disclosed in note 41 to the accounts.

Liquidity Risk

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

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

The Treasury department produces a forecast funding plan for the Group on a quarterly basis and a summary forecast on a monthly basis, in order to assess committed and probable funding requirements. The plan includes an analysis of debt refinancing by year and by source of funds. The Treasury Manager presents the forecast funding plan together with funding proposals to the Group Finance Director on a regular basis, and to the Finance Committee. Refer to pages 114 and 115 for details of the Group's contractual obligations at 31st December 2010.

Price Risk

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

DIRECTORS AND OFFICERS

Executive Directors

* **Pratt, Christopher Dale, CBE**, aged 54, has been a Director and the Chairman of the Company since February 2006. He is also Chairman of Cathay Pacific Airways Limited, Hong Kong Aircraft Engineering Company Limited, John Swire & Sons (H.K.) Limited and Swire Properties Limited and a Director of Swire Beverages Limited. He is also a Director of Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. He joined the Swire group in 1978 and has worked with the group in Hong Kong, Australia and Papua New Guinea.

* **Cubbon, Martin**, aged 53, has been a Director of the Company since September 1998. He is also a Director and Chief Executive of Swire Properties Limited. He joined the Swire group in 1986.

* **Kilgour, Peter Alan**, aged 55, has been Finance Director of the Company since April 2009. He is also a Director of Cathay Pacific Airways Limited, Swire Properties Limited and Swire Beverages Limited. He joined the Swire group in 1983.

* **Shiu, Sai Cheung Ian**, aged 56, has been a Director of the Company since August 2010. He is also a Director of Cathay Pacific Airways Limited and Hong Kong Dragon Airlines Limited. He joined Cathay Pacific Airways Limited in 1978 and has worked with the group in Hong Kong, the Netherlands, Singapore and the United Kingdom.

* **Slosar, John Robert**, aged 54, has been a Director of the Company since May 2006. He is also a Director and Chief Operating Officer of Cathay Pacific Airways Limited, a Director of Hong Kong Dragon Airlines Limited, and Chairman of Swire Beverages Limited. He has been appointed Chief Executive of Cathay Pacific Airways Limited with effect from 31st March 2011. He joined the Swire group in 1980 and has worked with the group in Hong Kong, the United States and Thailand.

* **Tyler, Antony Nigel**, aged 55, has been a Director of the Company since January 2008. He is also a Director and Chief Executive of Cathay Pacific Airways Limited and Chairman of Hong Kong Dragon Airlines Limited. He joined the Swire group in 1977 and has worked with the group in Hong Kong, Australia, the Philippines, Canada, Japan, Italy and the United Kingdom. He has resigned as a Director of the Company, as a Director and Chief Executive of Cathay Pacific Airways Limited and as Chairman of Hong Kong Dragon Airlines Limited with effect from 31st March 2011. His resignation followed the recommendation of the Board of Governors of the International Air Transport Association ("IATA") that he be appointed as Director General and Chief Executive Officer of IATA with effect from 1st July 2011.

Non-Executive Directors

Baroness Dunn, Lydia Selina, DBE, aged 71, has been a Director of the Company since February 1981 and, until January 1996, had responsibility for the Trading Division. She is also a Director of John Swire & Sons Limited. She joined the Swire group in 1963 and has worked with the group in Hong Kong and London.

Hughes-Hallett, James Wyndham John, SBS, aged 61, has been a Director of the Company since January 1994 and was appointed Deputy Chairman in March 1998 and Chairman in June 1999. He stepped down as Chairman in December 2004 to become Chairman of John Swire & Sons Limited. He is also a Director of Cathay Pacific Airways Limited, Swire Properties Limited, Steamships Trading Company Limited and HSBC Holdings plc. He joined the Swire group in 1976 and has worked with the group in Hong Kong, Taiwan, Japan, Australia and London.

+# **Johansen, Peter André**, aged 68, has been a Director of the Company since January 1983 and was Finance Director until April 1997. He joined the Swire group in 1973 and worked in Hong Kong, Japan and the United Kingdom before retiring from John Swire & Sons Limited on 31st December 2008. He is also a Director of Hong Kong Aircraft Engineering Company Limited.

Swire, Merlin Bingham, aged 37, has been a Director of the Company since January 2009. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is a Director and shareholder of John Swire & Sons Limited, a Director of Hong Kong Aircraft Engineering Company Limited and Swire Properties Limited and an Alternate Director of Steamships Trading Company Limited.

Independent Non-Executive Directors

Freshwater, Timothy George, aged 66, has been a Director of the Company since January 2008. He is Vice Chairman and a Director of Goldman Sachs (Asia) L.L.C., a Non-Executive Director of Chong Hing Bank Limited and Aquarius Platinum Limited, Chairman and Non-Executive Director of Grosvenor Asia Pacific Limited, and an Independent Non-Executive Director of Cosco Pacific Limited. He is also a Director of the Community Chest of Hong Kong.

+# **Kwok, King Man Clement**, aged 51, has been a Director of the Company since September 2002. He is Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited. He is also a Director of the Community Chest of Hong Kong, a Board member of the Faculty of Business and Economics of the University of Hong Kong and a member of the Harbourfront Commission.

+# **Lee, Chien**, aged 57, has been a Director of the Company since January 1993. He is a Director of Hysan Development Company Limited and an Independent Non-Executive Director of Television Broadcasts Limited. He is also a member of the Council of the Chinese University of Hong Kong and St. Paul's Co-educational College.

Leung, Margaret, aged 58, has been a Director of the Company since March 2008. She is Vice Chairman and Chief Executive of Hang Seng Bank Limited, and a Director of The Hongkong and Shanghai Banking Corporation Limited. She is also a Director of Hutchison Whampoa Limited.

Sze, Cho Cheung Michael, GBS, CBE, ISO, JP, aged 65, has been a Director of the Company since November 2004. He was a former Executive Director of the Hong Kong Trade Development Council, a position he held for eight years prior to his retirement on 1st May 2004. Before that, he worked for 25 years in various capacities in the Hong Kong Government. He is also a Consultant to the Board of Lee Kum Kee Co., Ltd., and an Independent Non-Executive Director of Yangtzekiang Garment Limited and YGM Trading Limited.

Yang, Mun Tak Marjorie, aged 58, has been a Director of the Company since October 2002. She is a member of the Executive Council of the Government of Hong Kong SAR. She is also Chairman of Esquel Group, and a Director of The Hongkong and Shanghai Banking Corporation Limited and Novartis AG. She sits on various advisory boards of educational institutions including Massachusetts Institute of Technology, Hong Kong University of Science and Technology and Tsinghua School of Economics and Management.

Executive Officers

* **Cundle, Geoffrey Leslie**, aged 54, has been Executive Director of the Beverages Division since July 2007. He joined the Swire group in 1979 and has worked with the group in Hong Kong, Australia, Korea, Japan and Papua New Guinea.

* **Rae-Smith, John Bruce**, aged 47, has been Executive Director of Swire Pacific Offshore since January 2008 and Executive Director of the Trading & Industrial Division since January 2009. He joined the Swire group in 1985 and has worked with the group in Australia, Papua New Guinea, Japan, Taiwan, Hong Kong, the United States and Singapore.

* **Tang, Kin Wing Augustus**, aged 52, has been a Director and Chief Executive Officer of Hong Kong Aircraft Engineering Company Limited since October 2008 and November 2008 respectively. He joined the Swire group in 1982 and has worked with Cathay Pacific Airways Limited in Hong Kong, Malaysia and Japan.

Secretary

Fu, Yat Hung David, aged 47, has been Company Secretary since January 2006. He joined the Swire group in 1988.

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

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

DIRECTORS' REPORT

The Directors submit their report together with the audited accounts for the year ended 31st December 2010, which are set out on pages 105 to 178.

Principal Activities

The principal activity of Swire Pacific Limited (the "Company") is that of a holding company, and the principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 169 to 178. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 8 to the accounts.

Dividends

The Directors recommend the payment of final dividends for 2010 of HK¢250.0 per 'A' share and HK¢50.0 per 'B' share which, together with the interim dividends paid on 4th October 2010 of HK¢100.0 per 'A' share and HK¢20.0 per 'B' share, make total dividends for the year of HK¢350.0 per 'A' share and HK¢70.0 per 'B' share: an increase of 25% from those for 2009. This represents a total distribution for the year of HK$5,266 million. Subject to the approval of the 2010 final dividends by the shareholders at the Annual General Meeting on 19th May 2011, it is expected that those dividends will be paid on 2nd June 2011 to shareholders registered on the record date, being 19th May 2011. The share registers will be closed from 16th May 2011 to 19th May 2011, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for entitlement to the final dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 13th May 2011.

Reserves

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

Share Capital

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

Accounting Policies

The principal accounting policies of the Group are set out on pages 160 to 168.

Auditors

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

Financial Review

A review of the consolidated results, financial position and cash flows is shown on pages 62 to 70. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown on pages 3 to 5.

Corporate Governance

The Company has complied throughout the year with all the code provisions and most of the recommended best practices in the Code on Corporate Governance Practices as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with the exceptions of Section C.1.4, the production of quarterly statements, and Section A.4.4, the establishment of a nomination committee. Details of the Company's corporate governance practices are set out on pages 80 to 88.

Donations

During the year, the Group made donations for charitable purposes of HK$34 million and donations towards various scholarships of HK$2.4 million.

Fixed Assets

For details of movements in fixed assets refer to notes 15 and 16 to the accounts.

The annual valuation of the Group's investment property portfolio, whether complete or in the course of development, was carried out by professionally qualified valuers (98% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value at 31st December 2010. This valuation resulted in an increase of HK$21,344 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its jointly controlled and associated companies is given on pages 183 to 193.

Borrowings

For details of the Group's borrowings refer to pages 71 to 79.

Interest

Refer to page 75 for details of the amount of interest capitalised by the Group.

Major Customers and Suppliers

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

Directors

The Directors of the Company as at the date of this report are listed on pages 92 and 93. With the exception of I S C Shiu, who was appointed as an Executive Director on 1st August 2010, all the Directors at the date of this report served throughout the calendar year 2010. A N Tyler has resigned as an Executive Director with effect from 31st March 2011. During the year, D Ho and P N L Chen served as Executive Directors until their resignations with effect from 1st April 2010 and 1st July 2010 respectively.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors listed on pages 92 and 93 confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent. The confirmation from T G Freshwater refers to his directorship of Goldman Sachs (Asia) L.L.C. and the confirmations from M Leung and M M T Yang refer to their directorships of The Hongkong and Shanghai Banking Corporation Limited. These directorships are mentioned under "Directors and Officers – Independent Non-Executive Directors" on pages 92 and 93.

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third Annual General Meeting following their election by ordinary resolution. In accordance therewith, M Cubbon, Baroness Dunn, T G Freshwater, C Lee, M C C Sze and M Leung will retire this year and being eligible, will offer themselves for re-election.

I S C Shiu, having been appointed to the Board under Article 91 since the last Annual General Meeting, also retires and offers himself for election.

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

Fees and Emoluments

Full details of Directors' fees and emoluments are set out in note 9 to the accounts.

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

Directors' Interests

At 31st December 2010, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Capacity: Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Swire Pacific Limited						
'A' shares						
P A Johansen	31,500	–	–	31,500	0.0035	–
P A Kilgour	5,000	–	–	5,000	0.0006	–
C D Pratt	41,000	–	–	41,000	0.0045	–
M B Swire	58,791	–	–	58,791	0.0065	–
M C C Sze	6,000	–	–	6,000	0.0007	–
'B' shares						
P A Johansen	200,000	–	–	200,000	0.0067	–
C Lee	750,000	–	21,605,000	22,355,000	0.7464	1
C D Pratt	100,000	–	–	100,000	0.0033	–
I S C Shiu	–	20,000	–	20,000	0.0007	–
M B Swire	2,241,483	–	3,938,554	6,180,037	0.2063	2

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Capacity: Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	
M B Swire	3,040,523	–	19,222,920	22,263,443	22.26	2
8% Cum. Preference Shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	
M B Swire	846,476	–	5,655,441	6,501,917	21.67	2

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Total no. of shares	Percentage of issued capital (%)
Cathay Pacific Airways Limited				
Ordinary Shares				
A N Tyler	5,000	–	5,000	0.00013
I S C Shiu	1,000	–	1,000	0.00003

	Capacity			
	Beneficial interest			
	Personal	Family	Total no. of shares	Percentage of issued capital (%)
Hong Kong Aircraft Engineering Company Limited				
Ordinary Shares				
T G Freshwater	10,000	1,200	11,200	0.0067
I S C Shiu	1,600	–	1,600	0.0010
M C C Sze	12,800	–	12,800	0.0077

Notes:
1. All the Swire Pacific Limited 'B' shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
2. M B Swire is a trustee of trusts which held 10,766,080 ordinary shares and 3,121,716 preference shares in John Swire & Sons Limited and 3,037,822 'B' shares in Swire Pacific Limited included under "Trust interest" and does not have any beneficial interest in those shares.

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

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

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

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

Directors' Interests in Competing Businesses

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

Substantial Shareholders' and Other Interests

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st December 2010, the Company had been notified of the following interests in the Company's shares:

Long position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Substantial Shareholders					
John Swire & Sons Limited	202,237,519	22.33	2,045,353,690	68.29	1
Aberdeen Asset Management plc	63,674,151	7.03	391,066,362	13.06	2
The Northern Trust company (ALA)	54,309,430	5.99	–	–	3

Notes:
1. John Swire & Sons Limited is deemed to be interested in a total of 202,237,519 'A' shares and 2,045,353,690 'B' shares of the Company as at 31st December 2010, comprising:
   (a) 885,861 'A' shares and 7,187,925 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,356 'A' shares and 1,482,779,167 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 142,707,000 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 5,390,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 1,042,000 'A' shares held by Waltham Limited.
2. Aberdeen Asset Management plc is interested in the 'A' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested. The interests in the 'B' share were reported by Aberdeen Asset Management plc under Section 329 of the SFO. Details of the capacities in which the shares are held were not given.
3. This notification was filed as a notice under Section 5(4) of the Securities and Futures (Disclosure of Interests – Securities Borrowing and Lending) Rules. Details of the capacities in which the shares are held were not given.

At 31st December 2010, the Swire group owned interests in shares of the Company representing 40.63% of the issued capital and 57.62% of the voting rights.

Public Float

From information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public.

Continuing Connected Transactions

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

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

The Services Agreements, which took effect from 1st January 2005 and were renewed on 1st October 2007, were renewed again on 1st October 2010 for a term of three years from 1st January 2011 to 31st December 2013. They are renewable for successive periods of three years thereafter unless either party to them gives to the other notice of termination of not less than three months expiring on any 31st December.

Under the Services Agreement between JSSHK and the Company, JSSHK is obliged to procure for the Company and its subsidiary, jointly controlled and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. This procuration obligation would fall away if the Services Agreement between JSSHK and the Company were terminated or not renewed.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2010 are given in note 43 to the accounts.

The Company and JSSHK entered into a Tenancy Framework Agreement ("the JSSHK Tenancy Framework Agreement") on 5th August 2010 to govern existing and future tenancy agreements between members of the Group and members of the JSSHK group for a term of six years from 1st January 2010 to 31st December 2015. Pursuant to the JSSHK Tenancy Framework Agreement, members of the Group will enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is renewable for successive periods of six years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Particulars of the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement for the year ended 31st December 2010 are given in note 43 to the accounts.

The Swire group owned approximately 40.63% of the issued capital of the Company and approximately 57.62% of voting rights attached to such issued share capital as at 31st December 2010. JSSHK, as a wholly-owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the Services Agreements and the JSSHK Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 1st October 2010 and 5th August 2010 were published respectively.

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

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

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

Connected Transaction

The Company, Swire Aviation Limited, Swire Finance Limited, Cathay Pacific Airways Limited ("Cathay Pacific"), CITIC Pacific Limited (as sellers) entered into a sale and purchase agreement with Jardine Matheson & Co. Limited, The Wharf (Holdings) Limited, Mosgen Limited, Hutchison Port Holdings Limited and China National Aviation Corporation (Group) Limited (as purchasers) on 25th May 2010 for the Company to sell its entire 19.998% interests in Hong Kong Air Cargo Terminals Limited ("Hactl") and Hactl Investment Holdings Limited ("HIHL") for a consideration of HK$1,280 million.

CITIC Pacific Limited was a connected person of the Company because it was a substantial shareholder of Swire Aviation Limited, a subsidiary of the Company. The sale of the Company's interests in Hactl and HIHL constituted a connected transaction of the Company under the Listing Rules, in respect of which an announcement dated 25th May 2010 was published. The transaction was completed on 31st May 2010.

Discloseable and Connected Transaction

On 7th June 2010, the Company entered into a sale and purchase agreement with Cathay Pacific for the purchase of 24,948,728 ordinary shares of HK$1 each in Hong Kong Aircraft Engineering Company Limited ("HAECO") for an aggregate cash consideration of HK$2,620 million (equivalent to HK$105 per HAECO share). The purchase was completed on 14th June 2010 and the Company's direct interest in HAECO increased by 15% from 45.96% to 60.96%.

Pursuant to Rule 26.1 of the Takeovers Code, the Company made a mandatory unconditional cash offer ("the Offer") to acquire all of the issued shares in the capital of HAECO not already owned by the Company or its subsidiaries at HK$105 per HAECO share. The Offer closed on 27th July 2010. The Company received valid acceptances in respect of a total of 24,766,659 HAECO shares under the Offer, so increasing the Company's direct interest in HAECO by 14.89% from 60.96% as at 14th June 2010 to 75.85% as at 27th July 2010. The aggregate cash consideration payable under the Offer was HK$2,600 million. The Offer constituted a discloseable and connected transaction for the Company under the Listing Rules, in respect of which an announcement dated 7th June 2010 was published. (On 13th August 2010, the Company completed the disposal of 1,440,925 HAECO shares at HK$103 per HAECO share and reduced its direct interest in HAECO from 75.85% to 74.99%.)

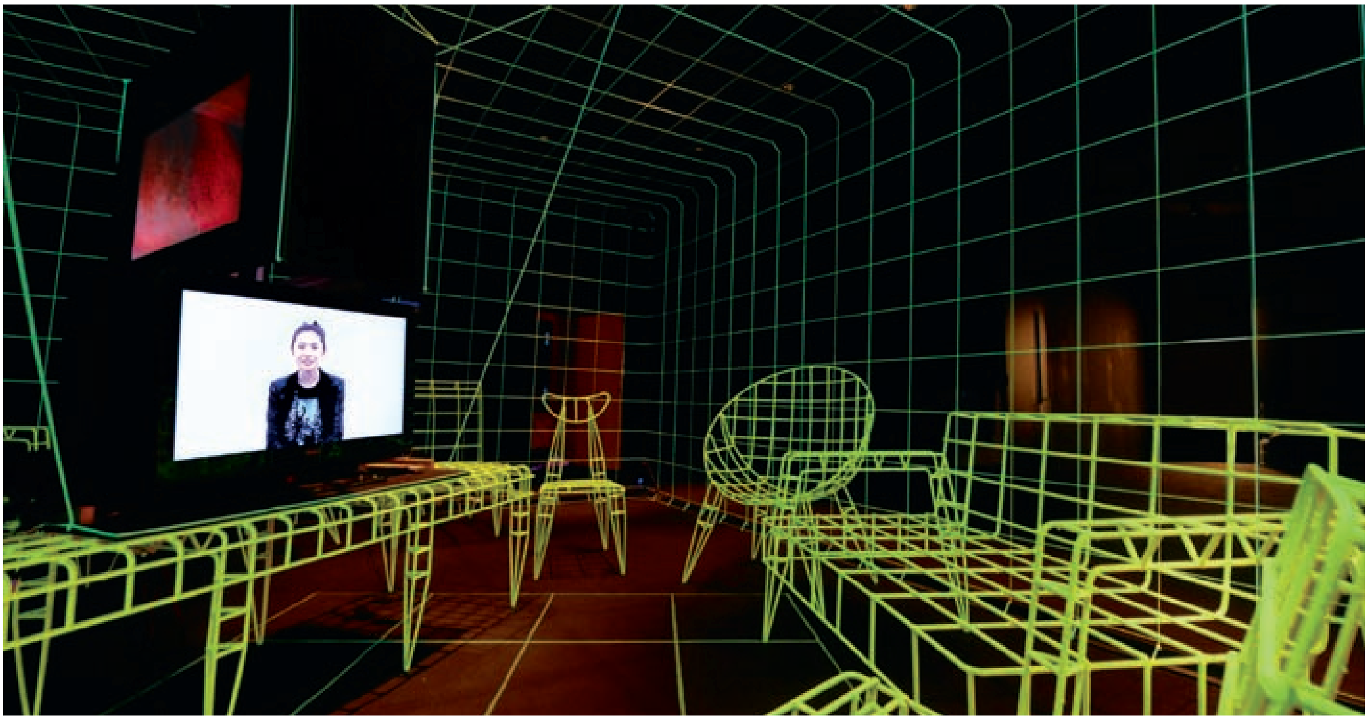
Other Transaction

Swire Industrial Limited and Banyan Limited, wholly owned subsidiaries of the Company, entered into sale and purchase agreements with Crown Packaging Investment (H.K.) Limited on 7th September 2010 for the disposal of the Company's interests in CROWN Beverage Cans Hong Kong Limited and Crown Swire Investment Company Limited, being the Company's interests in joint ventures with Crown Holdings, Inc. for the manufacture of aluminium beverage cans in Mainland China and Vietnam, for a consideration of US$150 million (equivalent to approximately HK$1,170 million). The disposal was completed on 15th September 2010.

On behalf of the Board

Christopher Pratt
Chairman
Hong Kong, 10th March 2011

SUSTAINABLE DEVELOPMENT



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

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

Given the diversity of the Group, the policy is implemented by individual operating entities, with committees at Group level sharing best practice and providing co-ordination. These committees are overseen by the Group Risk Management Committee, the role of which is explained on page 89.

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

The Group's policy and the actions taken by the Group are reported on www.swirepacific.com/sd. This website will be updated in the first half of 2011 so as to include the Group's 2010 Sustainable Development report and links to sustainable development reports made by its major operating entities. The principal areas to be covered by the 2010 Sustainable Development report are set out below:

Environment

The need to reduce greenhouse gas emissions as part of avoiding adverse climate change is the key long-term environmental issue for most of the Group's companies. Swire Pacific, Cathay Pacific and HAECO respond publicly to the Carbon Disclosure Project questionnaire (www.cdproject.net) each year and significant non-listed Group entities complete the questionnaire as an internal exercise. Swire Pacific is a member of The Climate Group (www.theclimategroup.com) and the Climate Change Business Forum (www.climatechangebusinessforum. com). Actions taken on climate change and environmental protection in 2010 include the following:

- Swire Pacific and Cathay Pacific joined approaching 400 global companies in signing the Cancun Communiqué on Climate Change, supporting an ambitious, robust and equitable global deal on climate change that responds credibly to the scale and urgency of the crises facing the world.

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

- Swire Properties continues to enhance the energy efficiency of its buildings. It intends to reduce energy use in its Hong Kong investment property portfolio by 20% from 2008 levels by 2020. Swire Properties is one of the first property developers to conduct free energy audits for its tenants. It intends to complete free energy audits for all its office tenants by 2013. In addition to its existing funding of research by Tsinghua University and Hunan University on energy efficiency and intelligent building controls respectively, Swire Properties is contributing HK$2.5 million per year for three years to Tsinghua University for the development of an integrated design management system.

- Most of Swire Properties' buildings have received ratings under the Building Environmental Assessment Method ("BEAM") and the US Leadership in Energy and Environmental Design ("LEED") building rating schemes. Swire Properties aims to achieve BEAM Platinum grade for all its new investment projects in Hong Kong and LEED Gold standard for its new developments in Mainland China.

- Cathay Pacific joined other airlines in supporting IATA's four pillar strategy on greenhouse gas emissions from aviation. This strategy includes advocating a global agreement under which airlines pay for their emissions, with a significant portion of the funds raised being spent on the reduction of greenhouse gas emissions in developing countries. Cathay Pacific supports IATA's targets of improving fuel efficiency by 5% per year in the period 2009-2020, achieving carbon-neutral growth by 2020 and reducing net CO2 emissions by 50% by 2050 from 2005 levels.

- Swire Beverages improved its energy consumption per litre of beverages produced by a further 6% in 2010, bringing its cumulative saving since 2004 to over 38%. Swire Beverages has reduced its total water usage over that period by 37%, thus saving 3,400 million litres of water per annum. Swire Beverages launched a new lightweight design bottle for Bonaqua mineralised water in Hong Kong and Taiwan in 2010. This new design reduces material consumption and carbon footprint by 34% per bottle. The twisting feature of the new bottle reduces its size by 86%, so saving on recycling space.

- Swire Properties is recognised as a leader on sustainable development issues in Hong Kong and has received international and local awards in recognition of its efforts. In 2010, the UK Chartered Institution of Building Services Engineers awarded Swire Properties the Client of the Year 2010 – Low Carbon Operation Award. The judges praised Swire Properties for committing its own funds to making improvements for the benefit of everybody. It also received the Grand Award (Existing Buildings – Hong Kong and Asia Pacific Category) from the Hong Kong Green Building Council for being a pioneer and innovator of sustainability in facility management, and sharing its knowledge with the industry.

Health & Safety

All of the Group's operations are conducted, as far as is reasonably practicable, in a manner which safeguards the health and safety of all stakeholders: employees, customers, visitors, contractors and the wider community. The health and safety of the Group's employees are of critical importance. Occupational health and safety programmes supported by seminars and training are implemented by Group companies with a view to minimising hazards in the workplace and preventing accidents, injuries and occupational disease. Unfortunately, not all such incidents can be avoided and regrettably the Group, including its jointly controlled and associated companies, suffered one work-related fatality within its workforce during 2010.

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

Employees

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

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

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

The Hong Kong Philharmonic's Swire Symphony under the Stars.

Business Partners

Our relationships with our suppliers affect our reputation. We seek to ensure that our requirement to purchase goods on competitive terms is not met at the expense of labour standards, health and safety or the environment. The Group's supply chain sustainability working group facilitates the sharing of best practice with suppliers on sustainability matters. Progress was made during the year in requiring more suppliers to comply with our requirements relating to social and environmental matters. A Supplier CSR Code of Conduct was developed and implemented in 2010, with a view to encouraging our suppliers to comply with relevant legal requirements and with appropriate standards relating to environmental, health and safety and labour matters.

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

Communities

Swire Pacific has a long-standing commitment to the communities in which we operate. They provide the resources, infrastructure and markets which support our businesses. We endeavour to understand the needs of these communities through dialogue. We seek to enhance their capabilities while respecting their culture and heritage. We do this by the way we conduct business, through sponsorship and engaging the resources and talents of our people and our community partners.

Through the Swire Group Charitable Trust (Swire Trust), to which Swire Pacific is the major contributor, the Group supports community programmes in the areas of education, arts and culture, and the environment. The Swire Philanthropy Council, chaired by an executive officer of Swire Pacific, meets regularly to oversee the Swire Trust's activities.

Employee volunteering is an integral part of our community engagement. It provides new ways of interacting with local communities and enables our staff to gain skills and motivation while giving something back to society. A pilot project launched in 2010 was the Swire Community Consultant Programme. This was an eight week programme in which Swire managers worked with representatives of a charity, conducting workshops, stakeholder interviews and research. We hope, by encouraging staff to offer their time, experience and skills to groups in the community, to improve the ability of those groups to organise themselves and to provide services. We hope that this will in turn be of lasting benefit to the communities in which we operate.

FINANCIAL CONTENTS

Auditor's Report and Accounts

Supplementary Information

Independent Auditor's Report

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

We have audited the accounts of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 105 to 178, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Accounts

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 10th March 2011

Consolidated Income Statement

For the year ended 31st December 2010

	Note	2010 HK$M	2009 HK$M (Restated)
Turnover	4	**29,201**	24,909
Cost of sales		**(15,958)**	(12,437)
Gross profit		**13,243**	12,472
Distribution costs		**(3,245)**	(2,969)
Administrative expenses		**(2,697)**	(1,850)
Other operating expenses		**(312)**	(320)
Profit on sale of interests in associated and jointly controlled companies	5	**2,008**	–
Gain on remeasurement of previously held interest in HAECO on acquiring control		**2,547**	–
Other net gains	6	**1,083**	261
Change in fair value of investment properties		**21,344**	14,406
Impairment losses on hotel properties		**–**	(267)
Operating profit		**33,971**	21,733
Finance charges		**(1,317)**	(1,136)
Finance income		**58**	196
Net finance charges	10	**(1,259)**	(940)
Share of profits less losses of jointly controlled companies		**2,263**	637
Share of profits less losses of associated companies		**5,552**	2,164
Profit before taxation		**40,527**	23,594
Taxation	11	**(1,638)**	(1,453)
Profit for the year		**38,889**	22,141
Profit for the year attributable to:			
The Company's shareholders	37	**38,252**	21,893
Non-controlling interests	38	**637**	248
		38,889	22,141
Dividends			
Interim – paid		**1,505**	903
Final – proposed/paid		**3,761**	3,310
	13	**5,266**	4,213
		HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	14		
'A' shares		**25.42**	14.55
'B' shares		**5.08**	2.91

The notes on pages 111 to 159 and the principal accounting policies on pages 160 to 168 form part of these accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2010

	2010 HK$M	2009 HK$M (Restated)
Profit for the year	**38,889**	22,141
Other comprehensive income		
Cash flow hedges		
– recognised during the year	**110**	365
– transferred to net finance charges	**12**	20
– transferred to operating profit – exchange differences	**(34)**	(8)
– transferred to initial cost of non-financial assets	**26**	75
– deferred tax	**(15)**	(68)
Net fair value changes on available-for-sale assets		
– net (losses)/gains recognised during the year	**(30)**	144
– net gains transferred to operating profit	**(44)**	(39)
Revaluation of property previously occupied by the Group		
– gain recognised during the year	**1,462**	–
Share of other comprehensive income of jointly controlled and associated companies	**93**	424
Net translation differences on foreign operations	**615**	78
Other comprehensive income for the year, net of tax	**2,195**	991
Total comprehensive income for the year	**41,084**	23,132
Total comprehensive income attributable to:		
The Company's shareholders	**40,431**	22,868
Non-controlling interests	**653**	264
	41,084	23,132

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

The notes on pages 111 to 159 and the principal accounting policies on pages 160 to 168 form part of these accounts.

Consolidated Statement of Financial Position

At 31st December 2010

	Note	2010 HK$M	2009 HK$M (Restated)	2008 HK$M (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	**24,125**	16,731	19,541
Investment properties	16	**180,418**	154,493	134,625
Leasehold land and land use rights	17	**928**	52	55
Intangible assets	18	**4,435**	376	372
Properties held for development	19	**443**	441	471
Jointly controlled companies	21	**16,567**	9,125	8,569
Associated companies	22	**25,486**	23,545	18,523
Available-for-sale assets	24	**302**	392	300
Long-term receivables		**7**	9	8
Long-term security deposits		**42**	211	380
Derivative financial instruments	25	**611**	450	103
Deferred tax assets	34	**327**	270	295
Retirement benefit assets	35	**548**	210	197
		254,239	206,305	183,439
Current assets				
Properties for sale	26	**5,517**	3,272	1,842
Stocks and work in progress	27	**2,104**	1,428	1,733
Trade and other receivables	28	**4,499**	3,820	3,767
Available-for-sale assets		**–**	–	1,888
Derivative financial instruments	25	**36**	14	3
Cash and cash equivalents	29	**3,809**	2,322	4,146
Short-term deposits	29	**371**	242	262
		16,336	11,098	13,641
Current liabilities				
Trade and other payables	30	**10,156**	8,837	7,704
Provisions	31	**–**	7	8
Taxation payable		**595**	292	345
Derivative financial instruments	25	**11**	20	36
Bank overdrafts and short-term loans	33	**5,283**	1,083	2,083
Long-term loans and bonds due within one year	33	**9,101**	1,469	1,668
		25,146	11,708	11,844
Net current (liabilities)/assets		**(8,810)**	(610)	1,797
Total assets less current liabilities		**245,429**	205,695	185,236
Non-current liabilities				
Perpetual capital securities	32	**2,332**	2,326	2,325
Long-term loans and bonds	33	**28,738**	29,624	29,196
Receipt in advance from an associated company		**69**	–	–
Derivative financial instruments	25	**204**	166	274
Deferred tax liabilities	34	**4,605**	3,600	2,633
Deferred profit		**128**	28	13
Retirement benefit liabilities	35	**302**	226	208
		36,378	35,970	34,649
NET ASSETS		**209,051**	169,725	150,587
EQUITY				
Share capital	36	**903**	903	903
Reserves	37	**203,549**	167,973	148,235
Equity attributable to the Company's shareholders		**204,452**	168,876	149,138
Non-controlling interests	38	**4,599**	849	1,449
TOTAL EQUITY		**209,051**	169,725	150,587

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Clement K M Kwok
Directors
Hong Kong, 10th March 2011

The notes on pages 111 to 159 and the principal accounting policies on pages 160 to 168 form part of these accounts.

Company Statement of Financial Position

At 31st December 2010

	Note	2010 HK$M	2009 HK$M (Restated)	2008 HK$M (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	**12**	2	4
Investment properties	16	**2,295**	1,195	1,195
Subsidiary companies	20	**19,979**	12,456	11,632
Jointly controlled companies	21	**114**	127	127
Associated companies	22	**3,372**	4,995	2,045
Available-for-sale assets	24	**126**	100	61
Long-term receivables		**1**	1	1
Retirement benefit assets	35	**111**	107	109
		26,010	18,983	15,174
Current assets				
Trade and other receivables	28	**50**	1,753	224
Taxation receivable		**14**	–	–
Cash and cash equivalents	29	**158**	256	2,069
		222	2,009	2,293
Current liabilities				
Trade and other payables	30	**9,345**	5,515	2,888
Taxation payable		**–**	9	–
Bank overdrafts and short-term loans	33	**3,893**	–	–
		13,238	5,524	2,888
Net current liabilities		**(13,016)**	(3,515)	(595)
Total assets less current liabilities		**12,994**	15,468	14,579
Non-current liabilities				
Deferred tax liabilities	34	**3**	2	15
NET ASSETS		**12,991**	15,466	14,564
EQUITY				
Equity attributable to the Company's shareholders				
Share capital	36	**903**	903	903
Reserves	37	**12,088**	14,563	13,661
TOTAL EQUITY		**12,991**	15,466	14,564

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Hong Kong, 10th March 2011

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Consolidated Statement of Cash Flows

For the year ended 31st December 2010

	Note	2010 HK$M	2009 HK$M
Operating activities			
Cash generated from operations	44(a)	**7,627**	8,740
Interest paid		**(1,491)**	(1,449)
Interest received		**44**	89
Profits tax paid		**(682)**	(580)
		5,498	6,800
Dividends received from jointly controlled and associated companies and available-for-sale assets		**1,705**	890
Net cash from operating activities		**7,203**	7,690
Investing activities			
Purchase of property, plant and equipment	44(b)	**(2,586)**	(2,228)
Additions of investment properties		**(4,366)**	(2,300)
Purchase of intangible assets		**(22)**	(19)
Proceeds from disposals of property, plant and equipment		**72**	131
Proceeds from disposals of investment properties		**1,194**	80
Proceed from disposal of a subsidiary company		**4**	–
Purchase of shares in existing subsidiary companies		**(201)**	–
Net cash (outflow)/inflow on purchase of shares in new subsidiary companies		**(208)**	14
Purchase of shares in jointly controlled companies		**(306)**	(282)
Purchase of shares in associated companies		**(994)**	(1,161)
Net cash outflow on purchase of additional shares in HAECO	39	**(4,531)**	(1,904)
Purchase of available-for-sale assets		**(5)**	–
Loans to jointly controlled companies		**(1,055)**	(741)
Repayment of loan from a jointly controlled company		**–**	(3,500)
Loans to associated companies		**(1)**	(33)
Purchase of shares in PCCW Tower		**(1,824)**	–
Proceeds from disposal of interests in jointly controlled companies		**1,175**	–
Proceeds from disposal of interest in an associated company – Hactl		**1,339**	–
Repayment of loans by jointly controlled companies		**431**	4,184
Repayment of loans by associated companies		**386**	200
Proceeds from disposals of available-for-sale assets		**65**	1,948
Proceeds from disposal of shares in PCCW Tower		**1,353**	–
Net decrease in deposits maturing after more than three months		**(2)**	–
Initial leasing costs incurred		**(122)**	(26)
Net cash used in investing activities		**(10,204)**	(5,637)
Net cash (outflow)/inflow before financing		**(3,001)**	2,053
Financing activities			
Loans drawn and refinancing		**13,302**	8,263
Repayment of loans and bonds		**(3,717)**	(9,077)
	44(c)	**9,585**	(814)
Security deposits uplifted		**169**	169
Capital contribution from non-controlling interests	38	**13**	12
Dividends paid to the Company's shareholders	37	**(4,815)**	(3,130)
Dividends paid to non-controlling interests	44(c)	**(490)**	(123)
Net cash generated from/(used in) financing activities		**4,462**	(3,886)
Increase/(decrease) in cash and cash equivalents		**1,461**	(1,833)
Cash and cash equivalents at 1st January		**2,322**	4,146
Currency adjustment		**7**	9
Cash and cash equivalents at 31st December		**3,790**	2,322
Represented by:			
Bank balances and short-term deposits maturing within three months	29	**3,809**	2,322
Bank overdrafts		**(19)**	–
		3,790	2,322

The notes on pages 111 to 159 and the principal accounting policies on pages 160 to 168 form part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2010

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2010							
as originally stated		**903**	**149,262**	**2,338**	**152,503**	**846**	**153,349**
adjustment on adoption of amendments to HKAS 12		**–**	**16,373**	**–**	**16,373**	**3**	**16,376**
as restated		**903**	**165,635**	**2,338**	**168,876**	**849**	**169,725**
Profit for the year		**–**	**38,252**	**–**	**38,252**	**637**	**38,889**
Other comprehensive income		**–**	**12**	**2,167**	**2,179**	**16**	**2,195**
Total comprehensive income for the year	37, 38	**–**	**38,264**	**2,167**	**40,431**	**653**	**41,084**
Dividend paid		**–**	**(4,815)**	**–**	**(4,815)**	**(525)**	**(5,340)**
Changes in composition of Group		**–**	**(40)**	**–**	**(40)**	**3,622**	**3,582**
At 31st December 2010		**903**	**199,044**	**4,505**	**204,452**	**4,599**	**209,051**

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2009							
as originally stated		903	132,433	1,405	134,741	1,447	136,188
adjustment on adoption of amendments to HKAS 12		–	14,397	–	14,397	2	14,399
as restated		903	146,830	1,405	149,138	1,449	150,587
Profit for the year		–	21,893	–	21,893	248	22,141
Other comprehensive income		–	42	933	975	16	991
Total comprehensive income for the year	37, 38	–	21,935	933	22,868	264	23,132
Dividend paid		–	(3,130)	–	(3,130)	(123)	(3,253)
Recognition of put option over non-controlling interest in Sanlitun Village		–	–	–	–	(751)	(751)
Changes in composition of Group		–	–	–	–	10	10
At 31st December 2009		903	165,635	2,338	168,876	849	169,725

The notes on pages 111 to 159 and the principal accounting policies on pages 160 to 168 form part of these accounts.

Notes to the Accounts

1. Changes in Accounting Standards

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

Effect on Consolidated Statement of Financial Position	31st December 2010 HK$M	31st December 2009 HK$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

Effect on Consolidated Income Statement	Year ended 31st December	
	2010 HK$M	2009 HK$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[2]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[1]
HKAS 24 (Revised)	Related Party Disclosures[1]

1 To be applied by the Group from 1st January 2011.
2 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 HK$M	2009 HK$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 HK$M	2009 HK$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:

	Group	
	2010 HK$M	2009 HK$M (Restated)
Direct operating expenses of investment properties that		
– generated rental income	**1,330**	1,289
– did not generate rental income	**94**	81
Cost of stocks sold	**10,143**	8,313
Write-down of properties held for development	**–**	29
Write-down of stocks and work in progress	**51**	12
Impairment losses recognised on trade receivables	**–**	7
Reversal of impairment losses on trade receivables	**(34)**	–
Impairment losses recognised on vessels (note 15)	**57**	–
Impairment losses recognised on intangible assets (note 18)	**1**	–
Depreciation of property, plant and equipment (note 15)	**1,244**	868
Amortisation of		
– leasehold land and land use rights (note 17)	**16**	2
– intangible assets (note 18)	**31**	15
– initial leasing costs	**34**	28
– others	**3**	–
Staff costs	**4,929**	3,686
Operating lease rentals		
– properties	**373**	297
– other equipment	**37**	37
Auditors' remuneration		
– audit services	**21**	18
– tax services*	**15**	11
– other services**	**20**	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)
	8,809	**441**	**26,937**	**(1,264)**	**27**	**1,461**	**225**	**(1,329)**	**26,057**	**26,008**	**(259)**
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)
	2,574	**–**	**3,984**	**(12)**	**5**	**246**	**5,257**	**(57)**	**9,423**	**8,901**	**(258)**
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	–
	8,553	**1**	**618**	**(48)**	**7**	**292**	**42**	**(152)**	**759**	**699**	**(341)**
Marine Services											
Swire Pacific Offshore group	3,046	–	732	(12)	13	–	–	(18)	715	709	(429)
HUD group	–	–	–	–	–	82	–	–	82	82	–
	3,046	**–**	**732**	**(12)**	**13**	**82**	**–**	**(18)**	**797**	**791**	**(429)**
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)
	6,212	**109**	**1,070**	**(1)**	**3**	**182**	**28**	**(84)**	**1,198**	**1,198**	**(41)**
Head Office											
Net income/(expenses)	7	–	(257)	(1,237)	1,260	–	–	2	(232)	(232)	–
Change in fair value of investment properties	–	–	963	–	–	–	–	–	963	963	–
	7	**–**	**706**	**(1,237)**	**1,260**	**–**	**–**	**2**	**731**	**731**	**–**
Inter-segment elimination	**–**	**(551)**	**(76)**	**1,257**	**(1,257)**	**–**	**–**	**–**	**(76)**	**(76)**	**–**
Total	**29,201**	**–**	**33,971**	**(1,317)**	**58**	**2,263**	**5,552**	**(1,638)**	**38,889**	**38,252**	**(1,328)**

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
Property											
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)
	8,288	**53**	**19,586**	**(1,215)**	**141**	**12**	**174**	**(1,240)**	**17,458**	**17,361**	**(148)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	1,349	–	1,349	1,349	–
HAECO group	–	–	–	–	–	–	314	–	314	314	–
Hactl	–	–	–	–	–	–	234	–	234	156	–
Others	–	–	–	–	–	2	–	–	2	2	–
	–	**–**	**–**	**–**	**–**	**2**	**1,897**	**–**	**1,899**	**1,821**	**–**
Beverages											
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	–
	8,399	**–**	**619**	**(41)**	**7**	**327**	**54**	**(140)**	**826**	**753**	**(308)**
Marine Services											
Swire Pacific Offshore group	3,892	–	1,594	–	2	3	–	(40)	1,559	1,559	(405)
HUD group	–	–	–	–	–	78	–	–	78	78	–
	3,892	**–**	**1,594**	**–**	**2**	**81**	**–**	**(40)**	**1,637**	**1,637**	**(405)**
Trading & Industrial											
Swire Resources group	1,835	–	74	–	1	2	39	(16)	100	100	(19)
Taikoo Motors group	2,158	–	53	(1)	1	–	–	(20)	33	33	(30)
Taikoo Sugar	322	79	10	–	–	–	–	(1)	9	9	(1)
Akzo Nobel Swire Paints	–	–	–	–	–	141	–	–	141	141	–
CROWN Beverage Cans group	–	–	–	–	–	72	–	–	72	72	–
Other activities	5	–	(11)	–	19	–	–	(13)	(5)	(5)	(1)
	4,320	**79**	**126**	**(1)**	**21**	**215**	**39**	**(50)**	**350**	**350**	**(51)**
Head Office											
Net income/(expenses)	10	158	(215)	(1,104)	1,250	–	–	17	(52)	(52)	(1)
Change in fair value of investment properties	–	–	23	–	–	–	–	–	23	23	–
	10	**158**	**(192)**	**(1,104)**	**1,250**	**–**	**–**	**17**	**(29)**	**(29)**	**(1)**
Inter-segment elimination	**–**	**(290)**	**–**	**1,225**	**(1,225)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**24,909**	**–**	**21,733**	**(1,136)**	**196**	**637**	**2,164**	**(1,453)**	**22,141**	**21,893**	**(913)**

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
	192,490	**10,939**	**705**	**1,042**	**205,176**	**4,861**
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	–
	11,851	**3,878**	**23,701**	**1,252**	**40,682**	**233**
Beverages	**4,989**	**1,413**	**822**	**731**	**7,955**	**412**
Marine Services						
Swire Pacific Offshore group	9,878	–	–	381	10,259	1,705
HUD group	–	(18)	–	–	(18)	–
	9,878	**(18)**	**–**	**381**	**10,241**	**1,705**
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
	1,660	**355**	**258**	**634**	**2,907**	**90**
Head Office	**3,381**	**–**	**–**	**233**	**3,614**	**149**
	224,249	**16,567**	**25,486**	**4,273**	**270,575**	**7,450**

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
	165,845	**7,030**	**1,045**	**1,066**	**174,986**	**3,973**
Aviation						
Cathay Pacific group	–	–	17,476	–	17,476	–
HAECO group	–	–	3,656	–	3,656	–
Hactl	–	–	498	–	498	–
Others	–	24	–	–	24	–
	–	**24**	**21,630**	**–**	**21,654**	**–**
Beverages	**4,705**	**1,443**	**608**	**446**	**7,202**	**440**
Marine Services						
Swire Pacific Offshore group	8,914	–	38	573	9,525	905
HUD group	–	(91)	–	–	(91)	–
	8,914	**(91)**	**38**	**573**	**9,434**	**905**
Trading & Industrial						
Swire Resources group	349	8	224	133	714	5
Taikoo Motors group	880	–	–	264	1,144	28
Taikoo Sugar	83	–	–	8	91	–
Akzo Nobel Swire Paints	–	333	–	–	333	–
CROWN Beverage Cans group	–	378	–	–	378	–
Other activities	122	–	–	–	122	–
	1,434	**719**	**224**	**405**	**2,782**	**33**
Head Office	**1,014**	**–**	**–**	**331**	**1,345**	**–**
Inter-segment elimination	**–**	**–**	**–**	**–**	**–**	**(169)**
	181,912	**9,125**	**23,545**	**2,821**	**217,403**	**5,182**

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	–
	5,204	**4,278**	**32,146**	**5,603**	**47,231**	**479**
Aviation						
HAECO group	**1,043**	**384**	**–**	**1,426**	**2,853**	**3,733**
Beverages	**1,942**	**304**	**1,347**	**173**	**3,766**	**391**
Marine Services						
Swire Pacific Offshore group	**876**	**83**	**1**	**212**	**1,172**	**(4)**
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	–
	1,176	**63**	**(24)**	**2**	**1,217**	**–**
Head Office	**629**	**88**	**(33,470)**	**38,038**	**5,285**	**–**
	10,870	**5,200**	**–**	**45,454**	**61,524**	**4,599**

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	–
	5,107	**3,411**	**31,304**	**4,229**	**44,051**	**424**
Aviation						
Hactl	**–**	**–**	**–**	**–**	**–**	**37**
Beverages	**1,892**	**294**	**983**	**130**	**3,299**	**392**
Marine Services						
Swire Pacific Offshore group	**888**	**91**	**(343)**	**381**	**1,017**	**(4)**
Trading & Industrial						
Swire Resources group	388	16	(21)	–	383	–
Taikoo Motors group	371	(5)	–	–	366	–
Taikoo Sugar	56	–	–	5	61	–
Other activities	23	1	–	–	24	–
	838	**12**	**(21)**	**5**	**834**	**–**
Head Office	**559**	**84**	**(31,923)**	**29,757**	**(1,523)**	**–**
	9,284	**3,892**	**–**	**34,502**	**47,678**	**849**

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:
(a) Independent Non-Executive Directors and P A Johansen receive fees as members of the Board and its committees. Executive Directors and Officers receive salaries.
(b) Bonuses are not yet approved for 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.
(c) 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**
Cost:						
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**
Accumulated depreciation and impairment:						
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**
Net book value:						
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
Cost:						
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
Accumulated depreciation and impairment:						
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
Net book value:						
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
Cost:				
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

	Group		
	Goodwill HK$M	Computer Software HK$M	Total HK$M
Cost:			
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)
Net assets	7,653	686	188

	2010 HK$M	2009 HK$M (Restated)
Revenue	12,088	8,900
Expenses	(9,202)	(8,055)
Profit before taxation	2,886	845
Taxation	(623)	(208)
Profit for the year	2,263	637

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)
Net assets	**24,605**	21,872	17,398
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
Assets as per consolidated statement of financial position							
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
Total	1	646	302	8,728	–	9,677	9,677
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
Total	–	464	392	6,604	–	7,460	7,460
Liabilities as per consolidated statement of financial position							
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
Total	678	215	–	–	54,932	55,825	57,129
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
Total	690	186	–	–	42,656	43,532	44,156

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
Assets as per statement of financial position							
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
Liabilities as per statement of financial position							
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
Assets as per consolidated statement of financial position			
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
Liabilities as per consolidated statement of financial position			
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

Company	Level 1 HK$M	Level 2 HK$M	Total carrying amount HK$M
Assets as per statement of financial position			
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
Non-current assets				
Shares listed in Hong Kong	**126**	160	**126**	100
Securities listed overseas	**167**	223	**–**	–
Unlisted investments	**9**	9	**–**	–
	302	392	**126**	100

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**	**–**	–	–
Total	**647**	**215**	464	186
Less non-current portion:				
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
	611	**204**	450	166
Current portion	**36**	**11**	14	20

(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	2009
	HK$M	HK$M
Goods for sale	**1,178**	964
Manufacturing materials	**225**	208
Production supplies	**506**	223
Work in progress	**195**	33
	2,104	1,428

28. Trade and Other Receivables

	Group		Company	
	2010	2009	**2010**	2009
	HK$M	HK$M	**HK$M**	HK$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
	4,499	3,820	**50**	1,753

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	2009
	HK$M	HK$M
Under three months	**1,966**	1,520
Between three and six months	**105**	137
Over six months	**126**	81
	2,197	1,738

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
	878	639

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
	29	71

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	**–**	–
	4,180	2,564	**158**	256

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	2009	**2010**	2009
	HK$M	HK$M	**HK$M**	HK$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	2009
	HK$M	HK$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	2009
	HK$M	HK$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 Unrecognised tax losses	
	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			
	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	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
Authorised:					
At 31st December 2010 and 2009	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
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	132,433	342	49	–	406	(889)	1,497	133,838
adjustment on adoption of amendments to HKAS 12	14,397	–	–	–	–	–	–	14,397
as restated	146,830	342	49	–	406	(889)	1,497	148,235
Profit for the year	21,893	–	–	–	–	–	–	21,893
Other comprehensive income								
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
Total comprehensive income for the year	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
Profit for the year	38,252	–	–	–	–	–	–	38,252
Other comprehensive income								
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
Total comprehensive income for the year	38,264	–	–	1,462	(76)	(102)	883	40,431
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
Profit for the year (note 12)	3,993	–	–	–	3,993
Other comprehensive income					
Net fair value changes on available-for-sale assets					
– net gains recognised during the year	–	–	–	55	55
– transferred to operating profit	–	–	–	(16)	(16)
Total comprehensive income for the year	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**
Profit for the year (note 12)	**2,314**	**–**	**–**	**–**	**2,314**
Other comprehensive income					
Net fair value changes on available-for-sale assets					
– net losses recognised during the year	**–**	**–**	**–**	**26**	**26**
Total comprehensive income for the year	**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$M	Group 2009 HK$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	2009
	HK$M	HK$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	2009	**2010**	2009
	HK$M	HK$M	**HK$M**	HK$M
(a) Guarantees provided in respect of bank loans and other liabilities of:				
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.

		Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Notes	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
Operating profit before working capital changes	**8,436**	8,370
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)
Cash generated from operations	**7,627**	8,740

(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
Total	**2,586**	2,228

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.

Principal Accounting Policies

1. Basis of Preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The accounts have been prepared under the historical cost convention as modified by the revaluation of certain investment properties, available-for-sale investments and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. Basis of Consolidation

The consolidated accounts incorporate the accounts of Swire Pacific Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in jointly controlled and associated companies.

3. Subsidiary Companies

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

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

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

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

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

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

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

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

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

Long-term loans to subsidiary companies are considered to be quasi-equity in nature.

4. Jointly Controlled and Associated Companies

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

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

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

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

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

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

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

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

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

Long-term loans to jointly controlled and associated companies are considered to be quasi-equity in nature.

Changes in accounting policy
The Group changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1st January 2010 when revised HKAS 27, "Consolidated and Separate Financial Statements", became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, "Investments in Associates", and HKAS 31, "Interests in Joint Ventures".

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary company was reclassified to profit or loss or directly to revenue reserve.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled company or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1st January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

5. Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

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

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

6. Investment Properties

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

Investment properties (including those under construction) are carried at fair values and are valued at least annually. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as under construction. Changes in fair values are recognised in the income statement. The change in accounting policies in relation to investment properties is detailed in note 1(a) to the accounts.

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

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

7. Property, Plant and Equipment

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

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

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

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

Leasehold land	0.1% to 2% per annum
Properties	2% to 5% per annum
Plant and machinery	7% to 34% per annum
Vessels	4% to 7% per annum
Drydocking costs	20% to 50% per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at each period-end date to take into account operational experience and changing circumstances.

Vessels under construction are not depreciated until they are completed.

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

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

8. Intangible Assets

(a) Goodwill

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

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

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

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

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are amortised over their estimated useful lives.

9. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation. These assets are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

10. Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the period-end date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the period-end date where these are classified as non-current assets. See also policy for trade and other receivables (accounting policy note 15).

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(d) Available-for-sale assets

Available-for-sale assets are non-derivative investments and other assets that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the period-end date.

Purchases and sales of financial assets are recognised on their trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale assets are recognised in other comprehensive income. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investments.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale investments) is based on quoted market prices at the period-end date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair value.

The Group assesses at each period-end date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

11. Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (2) hedges of highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings and foreign exchange risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance income or finance costs. The gain or loss relating to forward foreign exchange contracts, whether effective or ineffective, is recognised in the income statement within other net gains.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised through the income statement over the period to maturity.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the income statement within cost of sales. The gain or loss relating to the ineffective portion of interest rate swaps or forward foreign exchange contracts is recognised in the income statement within other net gains. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the period-end date.

12. Initial Leasing Costs

Expenditure incurred in leasing the Group's property during construction is deferred and amortised on a straight-line basis to the income statement upon occupation of the property over a period not exceeding the terms of the lease.

13. Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of finished goods and work in progress comprise direct material and labour costs and an appropriate proportion of production overhead expenses less provisions for foreseeable losses. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchase of raw materials or stocks.

14. Properties Held for Development and Properties for Sale

Properties held for development and properties for sale comprise freehold and leasehold land, construction costs and interest costs capitalised, less provisions for possible losses. Properties held for development are not expected to be sold within the Group's normal operating cycle and are classified as non-current assets. Properties for sale are available for immediate sale and are classified as current assets.

15. Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the statement of financial position are stated net of such provisions.

16. Cash and Cash Equivalents

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

17. Borrowings (including Perpetual Capital Securities)

Borrowings are recognised initially at fair value, net of transaction costs incurred for those not held at fair value through profit or loss. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated either at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method, or at fair value through profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

18. Borrowing Costs

Interest costs incurred are charged to the income statement except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

19. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessors) are recognised as income or expense in the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

20. Deferred Taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition has no impact on taxable nor accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, jointly controlled and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

21. Revenue Recognition

Provided the collectibility of the related receivable is reasonably assured, revenue is recognised as follows:

(a) Rental income is recognised on a straight-line basis over the shorter of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when earned.
(b) Sales of properties are recognised when effective control of ownership of the properties is transferred to the buyers.
(c) Sales of services, including aircraft maintenance services and services provided by hotel operations, are recognised when the services are rendered.
(d) Revenue from vessel charter hire services is recognised over the period of charter hire in accordance with the vessel charter hire agreements.
(e) Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership, for example insurance and service costs.
(f) Interest income is recognised on a time-proportion basis using the effective interest method.

22. Related Parties

Related parties are individuals and companies, including subsidiary, fellow subsidiary, jointly controlled and associated companies and key management (including close members of their families), where the individual, company or Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

23. Retirement Benefits

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

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

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

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

24. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

25. Guarantees

Financial guarantees are initially recognised in the accounts at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the income statement.

26. Dividend Distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders.

27. Segment Reporting

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

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2010

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Cathay Limited	100	–	100	807 shares of HK$10 each	Property investment
Citiluck Development Limited	100	–	100	1,000 shares of HK$1 each	Property investment
Cityplaza Holdings Limited	100	–	100	100 shares of HK$10 each	Property investment
Coventry Estates Limited	100	–	100	4 shares of HK$10 each	Property investment
Festival Walk Holdings Limited	100	–	100	100,000 shares of HK$10 each	Property investment
Golden Tent Limited	100	–	100	1 share of HK$1	Hotel investment
Island Delight Limited	87.5	–	100	1 share of HK$1	Property trading
Keen Well Holdings Limited	80	–	100	1 share of HK$1	Property trading
One Island East Limited	100	–	100	2 shares of HK$1 each	Property investment
One Queen's Road East Limited	100	–	100	2 shares of HK$1 each	Property investment
Oriental Landscapes Limited	100	–	100	50,000 shares of HK$10 each	Landscaping services
Pacific Place Holdings Limited	100	–	100	2 shares of HK$1 each	Property investment
Redhill Properties Limited	100	–	100	250,000 shares of HK$1 each	Property investment
Swire Properties Limited	100	100	–	5,690,000,000 shares of HK$1 each	Holding company
Swire Properties (Finance) Limited	100	–	100	100 shares of HK$1 each	Provision of financial services
Swire Properties Projects Limited	100	–	100	2 shares of HK$1 each	Project management
Swire Properties Real Estate Agency Limited	100	–	100	2 shares of HK$10 each	Real estate agency
Swire Properties Management Limited	100	–	100	2 shares of HK$10 each	Property management
Taikoo Place Holdings Limited	100	–	100	2 shares of HK$1 each	Property investment
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
TaiKoo Hui (Guangzhou) Development Co. Ltd. ^	97	–	97	Registered capital of RMB2,325,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Sanlitun North Property Management Co. Ltd. ^	80	–	100	Registered capital of RMB1,392,000,000	Property investment
Beijing Sanlitun South Property Management Co. Ltd. ^	80	–	100	Registered capital of RMB1,598,000,000	Property investment
Beijing Sanlitun Hotel Management Co. Ltd. ^	100	–	100	Registered capital of RMB400,000,000	Hotel investment
Sunshine Melody (Guangzhou) Properties Management Ltd.	100	–	100	Registered capital of RMB195,000,000	Property investment
(Domestic Company)					
Beijing Tianlian Real Estate Company Limited ^	100	–	100	Registered capital of RMB865,000,000	Holding company

Notes:

(1) This table lists the principal subsidiary, jointly controlled and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.

(2) Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of ship owning and operating are international, and are not attributable to a principal country of operation.

(3) * Group interest held through jointly controlled or associated companies.

(4) • Companies not audited by PricewaterhouseCoopers. These companies account for approximately 13.2% of attributable net assets at 31st December 2010.

(5) ^ Translated name.

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2010

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in the United States:					
Brickell CitiCentre East LLC	100	–	100	Limited Liability Company	Property trading
Brickell CitiCentre West LLC	100	–	100	Limited Liability Company	Property trading
FTL/AD Limited	75	–	75	Florida Partnership	Property trading
Swire Development Sales LLC	100	–	100	Limited Liability Company	Real estate agency
Swire Pacific Holdings Asia LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties Inc.	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties US Inc.	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	100	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands:					
Boom View Holdings Limited	100	–	100	2 shares of US$1 each	Property investment
Charming Grace Limited	100	–	100	1 share of US$1	Property development
Endeavour Technology Limited	87.5	–	87.5	1,000 shares of US$1 each	Holding company
Excel Free Limited	100	–	100	1 share of US$1	Property trading
Fine Grace International Limited	100	–	100	1 share of US$1	Property trading
Peragore Limited	80	–	80	1,000 shares of US$1 each	Holding company
Swire and Island Communication Developments Limited	60	–	60	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	100	–	100	1 share of US$1	Holding company
Wonder Cruise Group Limited	100	–	100	1 share of US$1	Property trading
Incorporated in the United Kingdom:					
New Light Hotels Limited	100	–	100	9,000,100 shares of GBP1 each	Hotel developer and operator
Jointly controlled companies:					
Incorporated in Hong Kong:					
Hareton Limited	50	–	50	100 shares of HK$10 each	Property trading
Richly Leader Limited	50	–	50	1,000,000,000 shares of HK$1 each	Property investment
Sky Treasure Limited	50	–	50	2 shares of HK$1 each	Property investment
Incorporated in the United States:					
Swire Brickell Key Hotel, Limited	75	–	75	Florida Partnership	Hotel investment
Incorporated in the British Virgin Islands:					
Dazhongli Properties Limited	50	–	50	1,000 shares of US$1 each	Holding company
Great City China Holdings Limited	50	–	50	2 shares of US$1 each	Property development
Island Land Development Limited	50	–	50	100 shares of HK$10 each	Property investment
Newfoundworld Investment Holdings Limited	20	–	*	5 shares of US$1 each	Holding company
Incorporated in Mainland China					
(Domestic Company)					
Beijing Linlian Real Estate Company Limited ^	50	–	50	Registered capital of RMB400,000,000	Property investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION (continued)					
Jointly controlled companies (continued):					
Incorporated in Mainland China (continued):					
(Wholly foreign owned enterprises)					
Guan Feng (Shanghai) Real Estate Development Company Limited ^	50	–	*	Registered capital of US$500,000,000	Property investment
Pei Feng (Shanghai) Real Estate Development Company Limited ^	50	–	*	Registered capital of US$60,000,000	Property investment
Ying Feng (Shanghai) Real Estate Development Company Limited ^	50	–	*	Registered capital of US$336,500,000	Property investment
Associated companies:					
Incorporated in Hong Kong:					
Greenroll Limited •	20	–	20	45,441,000 shares of HK$10 each	Hotel investment
Queensway Hotel Limited	20	–	*	100,000 shares of HK$10 each	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	20	–	20	5,000 shares of HK$1 each and 10,000,000 non-voting shares of HK$1 each	Hotel investment
AVIATION DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
HAECO ATE Component Service Limited	74.99	–	100	2,000,000 shares of HK$1 each	Aircraft component repair services
Hong Kong Aircraft Engineering Company Limited	74.99	74.99	*	166,324,850 shares of HK$1 each	Aircraft overhaul and maintenance
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Taikoo Engine Services (Xiamen) Company Limited	65.32	–	85.01 &*	Registered capital of US$63,000,000	Commercial aero engine overhaul services
Taikoo (Xiamen) Aircraft Engineering Company Limited ^	47.81	–	58.55 &*	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	45.71	–	60 &*	Registered capital of US$13,890,000	Landing gear repair and overhaul
Incorporated in Singapore:					
Singapore HAECO Pte. Limited	74.99	–	100	Registered capital of SGD1	Line maintenance
Jointly controlled companies:					
Incorporated in Hong Kong:					
Goodrich Asia-Pacific Limited	36.75	–	49	9,200,000 shares of HK$1 each	Carbon brake machining and wheel hub overhaul
Hong Kong Aero Engine Services Limited •	33.75	–	45	20 shares of HK$10 each	Commercial aero engine overhaul services
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	25.30	–	37	Registered capital of US$5,000,000	Tyre services for commercial aircraft
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited •	16.73	–	35	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2010

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Jointly controlled companies (continued):					
Incorporated in Mainland China (continued):					
Honeywell TAECO Aerospace (Xiamen) Company Limited	23.53	–	35	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Taikoo (Shandong) Aircraft Engineering Company Limited •	27.28	–	40	Registered capital of RMB200,000,000	Heavy maintenance services for narrow-body aircraft
Taikoo Sichuan Aircraft Engineering Services Company Limited •	34.30	–	49	Registered capital of RMB60,000,000	Line maintenance and aircraft maintenance
Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited	38.83	–	52.56 &*	Registered capital of US$11,663,163	Composite material aeronautic parts/ systems repair, manufacturing and sales
Incorporated in Singapore:					
Singapore Aero Engine Services Private Limited •	6.75	–	*	54,000,000 shares of US$1 each	Commercial aero engine overhaul services
Associated companies:					
Incorporated in Hong Kong:					
Abacus Distribution Systems (Hong Kong) Limited •	22.98	–	*	15,600,000 shares of HK$1 each	Computerised reservation systems and related services
AHK Air Hong Kong Limited •	25.78	–	*	54,402,000 'A' shares of HK$1 each 36,268,000 'B' shares of HK$1 each	Cargo airline
Airline Property Limited •	42.97	–	*	2 shares of HK$10 each	Property investment
Airline Stores Property Limited •	42.97	–	*	2 shares of HK$10 each	Property investment
Airline Training Property Limited •	42.97	–	*	2 shares of HK$10 each	Property investment
Cathay Holidays Limited •	42.97	–	*	40,000 shares of HK$100 each	Travel tour operator
Cathay Pacific Airways Limited •	42.97	42.97	–	3,933,844,572 shares of HK$0.20 each	Operation of scheduled airline services
Cathay Pacific Catering Services (H.K.) Limited •	42.97	–	*	600 shares of HK$1,000 each	Airline catering
Cathay Pacific Loyalty Programmes Limited •	42.97	–	*	2 shares of HK$1 each	Travel reward programme
Cathay Pacific Services Limited	42.97	–	*	1 share of HK$1	Operation of air cargo terminal
Global Logistics System (H.K.) Company Limited •	41.53	–	*	100 shares of HK$10 each	Computer network for interchange of air cargo related information
Hong Kong Airport Services Limited •	42.97	–	*	100 shares of HK$1 each	Provision of ground and ramp handling services
Hong Kong Dragon Airlines Limited •	42.97	–	*	500,000,000 shares of HK$1 each	Operation of scheduled airline services
Vogue Laundry Service Limited •	42.97	–	*	3,700 shares of HK$500 each	Laundry and dry cleaning
Ground Support Engineering Limited	21.49	–	*	2 shares of HK$1 each	Airport ground engineering support & equipment maintenance
LSG Lufthansa Service Hong Kong Limited	13.72	–	*	501 shares of HK$1 each	Airline catering

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies (continued):					
Incorporated in Mainland China:					
Air China Limited •	7.87	–	*	4,562,683,364 'H' shares of RMB1 each 8,329,271,309 'A' shares of RMB1 each	Operation of scheduled airline services
(Wholly foreign owned enterprise)					
Guangzhou Guo Tai Information Processing Company Limited •	42.97	–	*	Registered capital of HK$8,000,000	Information processing
Incorporated in Canada:					
CLS Catering Services Limited •	12.89	–	*	330,081 shares of no par value	Airline catering
Incorporated in Bermuda:					
Troon Limited •	42.97	–	*	12,000 shares of US$1 each	Financial services
Incorporated in the Isle of Man:					
Cathay Pacific Aircraft Services Limited •	42.97	–	*	10,000 shares of US$1 each	Aircraft acquisition facilitator
Snowdon Limited •	42.97	–	*	2 shares of GBP1 each	Financial services
Incorporated in Japan:					
Cathay Kansai Terminal Services Company Limited •	13.72	–	*	16,053 shares of no par value	Ground handling
Incorporated in the Philippines:					
Cebu Pacific Catering Services Inc. •	17.19	–	*	12,500,000 shares of PHP1 each	Airline catering
Incorporated in Taiwan:					
China Pacific Catering Services Limited	21.06	–	*	86,100,000 shares of NTD10 each	Airline catering
Incorporated in Vietnam:					
VN/CX Catering Services Limited	17.19	–	*	4,062,000 shares of US$1 each	Airline catering
BEVERAGES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Mount Limited	87.50	–	100	1 share of HK$1	Holding company
Swire Beverages Holdings Limited	100	100	–	10,002 shares of HK$100 each	Holding company
Swire Beverages Limited	87.50	–	87.50	14,600 shares of US$500 each	Holding company and sale of non-alcoholic beverages
Swire Coca-Cola HK Limited	87.50	–	100	2,400,000 shares of HK$10 each	Manufacture of non-alcoholic beverages
Swire Foods Holdings Limited	100	100	–	1 share of HK$1	Holding company
Swire Linx Trading (Hong Kong) Co., Limited *(now known as Campbell Swire (HK) Limited)*	100	–	100	4 shares of HK$1 each	Holding company
Top Noble Limited	100	–	100	1 share of HK$1	Holding company

Showing proportion of capital owned at 31st December 2010

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
BEVERAGES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Swire Coca-Cola Beverages Xiamen Ltd.	93.63	–	100	Registered capital of US$52,737,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Xiamen Luquan Industries Company Limited	100	–	100	Registered capital of RMB63,370,000	Manufacture and sale of non-alcoholic beverages
Swire Linx Trading (Shenzhen) Co., Ltd. ^	100	–	100	Registered capital of RMB3,000,000	Sale and distribution of packaged foods and general household items
Incorporated in Bermuda:					
Swire Pacific Industries Limited (operating principally in Taiwan)	100	–	100	12,000 shares of US$1 each	Holding company
Incorporated in the British Virgin Islands:					
SPHI Holdings Limited	100	–	100	2 shares of US$1 each	Holding Company
Swire Coca-Cola Beverages Limited (operating principally in Taiwan)	100	–	100	1,800,000,000 shares of US$0.01 each	Manufacture of non-alcoholic beverages
Swire Coca-Cola (S&D) Limited (operating principally in Taiwan)	100	–	100	2,000,000 shares of US$0.01 each	Sale of non-alcoholic beverages
Swire Coca-Cola Vending Limited (operating principally in Taiwan)	100	–	100	100 shares of US$1 each	Sale of non-alcoholic beverages
Incorporated in the United States:					
Swire Pacific Holdings Inc.	100	–	100	8,950.28 shares of US$1 each	Manufacture and sale of non-alcoholic beverages and property development
Jointly controlled companies:					
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Hangzhou BC Foods Co., Ltd.	44.63	–	*	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Nanjing BC Foods Co., Ltd.	44.63	–	*	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hefei Ltd.	59.50	–	*	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Luohe Limited	60.68	–	*	Registered capital of US$115,180,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited ^	44.63	–	*	Registered capital of RMB49,800,000	Manufacture and sale of non-alcoholic beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
BEVERAGES DIVISION (continued)					
Jointly controlled companies (continued):					
Incorporated in Mainland China (continued):					
Swire Coca-Cola Beverages Zhengzhou Ltd.	60.68	–	*	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	44.63	–	20.4 & *	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	44.63	–	51	Registered capital of RMB510,669,100	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Swire BCD Co., Ltd.	74.38	–	85	Registered capital of US$60,000,000	Holding company
Xian BC Coca-Cola Beverages Limited ^	74.38	–	*	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Associated companies:					
Incorporated in Hong Kong					
Coca-Cola Bottlers Manufacturing Holdings Limited	35.88	–	41	27,000 shares of HK$1 each	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited	35.88	–	*	Registered capital of US$26,661,450	Manufacture and sale of non-carbonated beverages
(Wholly foreign owned enterprises)					
Coca-Cola Bottlers Manufacturing (Dongguan) Company Limited ^	35.88	–	*	Registered capital of US$134,618,820	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Foshan) Company Limited ^	35.88	–	*	Registered capital of US$31,496,700	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Hangzhou) Company Limited ^	35.88	–	*	Registered capital of US$14,272,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Suzhou) Company Limited	35.88	–	*	Registered capital of US$2,566,000	Manufacture and sale of non-carbonated beverages
MARINE SERVICES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Pacific Ship Management Limited •	100	–	100	1,000 shares of HK$100 each	Ship personnel management
Incorporated in Azerbaijan:					
Swire Pacific Offshore (Caspian) LLC	100	–	100	1,000 shares of US$5 each	Chartering and operating vessels

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2010

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Australia:					
Swire Pacific Ship Management (Australia) Pty. Ltd.	100	–	100	20,000 shares of AUD1 each	Ship personnel management
Swire Pacific Offshore Pty. Limited	100	–	100	40,000 shares of AUD1 each	Ship owning and operating
Incorporated in Bermuda:					
Swire Pacific Offshore Holdings Limited	100	–	100	500,000 shares of US$100 each	Holding company
Swire Pacific Offshore Limited	100	–	100	120 shares of US$100 each	Management services
Incorporated in the United Kingdom:					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of GBP1 each	Management services
Incorporated in Singapore:					
Lamor Swire Environmental Solutions Pte Ltd.	80.1	–	80.1	10,000 shares of SGD1 each	Oil spill response services
SCF Swire Offshore Pte Ltd.	50.01	–	50.01	10,001 shares of SGD1 each	Ship management services and other related activities
Swire Pacific Offshore Services (Pte) Ltd.	100	–	100	500,000 shares of SGD1 each	Administrative services to related companies
Swire Pacific Offshore Operations (Pte) Ltd.	100	–	100	500,000 shares of SGD1 each	Ship owning and operating
Swire Salvage Pte Ltd.	100	–	100	2 shares of SGD1 each	Salvage and maritime emergency response services
Incorporated in New Zealand:					
Swire Pacific Offshore NZ Limited	100	–	100	1 share of NZD100	Supply services to offshore oil and gas exploration and development activities
Incorporated in Cameroon:					
Swire Pacific Offshore Africa	100	–	100	1,000 shares of XAF10,000 each	Vessel operator
Jointly controlled companies:					
Incorporated in Hong Kong:					
Hongkong United Dockyards Limited	50	50	–	7,600,000 shares of HK$10 each	Ship repairing, marine towage and general engineering
HUD General Engineering Services Limited	50	–	*	4,120,000 shares of HK$10 each	General engineering services
The Hongkong Salvage & Towage Company Limited	50	50	–	200 shares of HK$10 each	Tug owning and leasing
Associated companies:					
Incorporated in the Philippines:					
Anscor Swire Ship Management Corporation •	25	–	25	20,000 shares of PHP100 each	Ship personnel management
Incorporated in the United Arab Emirates:					
Swire Pacific Offshore (Dubai) LLC	49	–	49	300 shares of AED1,000 each	Management services
Incorporated in Saudi Arabia:					
Swire Offshore Arabia Company Limited	49	–	49	500 shares of SAR1,000 each	Engaging in contracts for ship maintenance, operation, lease with or without operator, catering services, oil well treatment services, oil leak and related technical support services

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Industrial Limited	100	100	–	2 shares of HK$1 each	Holding company
Taikoo Sugar Limited	100	–	100	300,000 shares of HK$10 each	Packing and trading of branded food products
Jointly controlled companies:					
Incorporated in Hong Kong:					
Akzo Nobel Swire Paints Limited •	40	–	40	10,000 shares of HK$1 each	Sale of paints and provision of related services
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Akzo Nobel Swire Paints (Guangzhou) Limited	36	–	36	Registered capital of HK$180,000,000	Paint manufacturing
(Wholly foreign owned enterprises)					
Akzo Nobel Decorative Coatings (Langfang) Company Limited ^ •	30	–	30	Registered capital of US$7,200,000	Paint manufacturing
Akzo Nobel Swire Paints (Shanghai) Company Limited ^ •	30	–	30	Registered capital of US$25,640,000	Paint manufacturing
TRADING & INDUSTRIAL DIVISION – TRADING					
Subsidiary companies:					
Incorporated in Hong Kong:					
Bel Air Motors Limited	100	–	100	1 share of HK$1	Automobile distribution in Taiwan
Beldare Motors Limited	100	–	100	10,000 shares of HK$100 each	Automobile distribution in Taiwan
Liberty Motors Limited	100	–	100	2 shares of HK$10 each	Automobile distribution in Taiwan
Taikoo Commercial Vehicles Limited	100	–	100	2,000 shares of HK$1 each	Automobile distribution in Taiwan
Yuntung Motors Limited	100	–	100	2 shares of HK$1 each	Automobile distribution in Taiwan
Swire Resources Limited	100	–	100	4,010,000 shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Mainland China:					
(Wholly foreign owned enterprise)					
Swire Resources (Shanghai) Trading Company Limited^	100	–	100	Registered capital of US$6,040,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in the British Virgin Islands					
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile retail in Taiwan

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2010

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – TRADING (continued)					
Jointly controlled company:					
Incorporated in Hong Kong:					
Intermarket Agencies (Far East) Limited	70	–	70	10 shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Associated companies:					
Incorporated in Hong Kong:					
PUMA Hong Kong Limited *(Disposed as of 1st January 2011)*	49	–	*	500,000 shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Mainland China:					
(Wholly foreign owned enterprise)					
PUMA China Limited ^ *(Disposed as of 1st January 2011)*	49	–	*	Registered capital of US$6,040,000	Marketing and distribution of branded sports and casual footwear, apparel and accessories
OTHERS					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Finance Limited	100	100	–	1,000 shares of HK$10 each	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific Capital Limited	100	100	–	10 shares of US$1 each	Financial services
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services
Incorporated in the Isle of Man:					
Spaciom Limited	100	100	–	650,000 shares of HK$1 each and 3,800,000 redeemable preference shares of HK$0.01 each	Insurance underwriting
Jointly controlled company:					
Incorporated in Taiwan:					
China Pacific Laundry Services Limited •	45	–	45	25,000,000 shares of NTD10	Laundry services

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated income statement and consolidated statement of comprehensive income for the year ended 31st December 2010 and consolidated statement of financial position as at 31st December 2010, modified to conform to the Group's accounts presentation.

CATHAY PACIFIC AIRWAYS LIMITED

Consolidated Income Statement

For the year ended 31st December 2010

	2010 HK$M	2009 HK$M
Turnover	89,524	66,978
Operating expenses	(78,471)	(62,499)
Profit on disposal of HAECO and Hactl	2,165	1,254
Gain on deemed disposal of shares in Air China	868	–
Operating profit	14,086	5,733
Finance charges	(1,655)	(1,435)
Finance income	677	588
Net finance charges	(978)	(847)
Share of profits less losses of associated companies	2,587	261
Profit before taxation	15,695	5,147
Taxation	(1,462)	(283)
Profit for the year	14,233	4,864
Profit attributable to:		
– Cathay Pacific shareholders	14,048	4,694
– Non-controlling interests	185	170
	14,233	4,864
Dividends		
Interim – paid	1,298	–
Final – proposed	3,069	393
	4,367	393
	HK¢	HK¢
Earnings per share for profit attributable to Cathay Pacific shareholders (basic and diluted)	357.1	119.3

Consolidated Statement of Comprehensive Income
For the year ended 31st December 2010

	2010 HK$M	2009 HK$M
Profit for the year	**14,233**	4,864
Other comprehensive income		
Cash flow hedges		
– recognised during the year	**(1,414)**	6
– transferred to profit and loss	**874**	360
– deferred tax	**52**	(37)
Net fair value gains on available-for-sale financial assets		
– recognised during the year	**263**	479
– transferred to profit and loss	**(278)**	–
Share of other comprehensive income of associated companies		
– recognised during the year	**(156)**	11
– transferred to profit and loss	**25**	–
Net translation differences on foreign operations		
– recognised during the year	**383**	8
– transferred to profit and loss	**(70)**	–
Other comprehensive (loss)/income for the year, net of tax	**(321)**	827
Total comprehensive income for the year	**13,912**	5,691
Total comprehensive income attributable to:		
Cathay Pacific shareholders	**13,727**	5,521
Non-controlling interests	**185**	170
	13,912	5,691

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

Consolidated Statement of Financial Position
At 31st December 2010

	2010 HK$M	2009 HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Fixed assets	66,112	65,495
Intangible assets	8,004	7,850
Investments in associated companies	12,926	9,042
Other long-term receivables and investments	4,359	5,307
	91,401	87,694
Current assets		
Stock	1,021	947
Trade, other receivables and other assets	11,433	8,161
Liquid funds	24,198	16,522
	36,652	25,630
Current liabilities		
Current portion of long-term liabilities	9,249	9,023
Related pledged security deposits	(545)	(1,195)
Net current portion of long-term liabilities	8,704	7,828
Trade and other payables	15,773	12,965
Unearned transportation revenue	9,166	8,075
Taxation	1,541	943
	35,184	29,811
Net current assets/(liabilities)	1,468	(4,181)
Total assets less current liabilities	92,869	83,513
Non-current liabilities		
Long-term liabilities	36,235	40,416
Related pledged security deposits	(5,310)	(5,602)
Net long-term liabilities	30,925	34,814
Other long-term payables	1,700	1,059
Deferred taxation	5,815	5,255
	38,440	41,128
NET ASSETS	54,429	42,385
CAPITAL AND RESERVES		
Share capital	787	787
Reserves	53,487	41,451
Funds attributable to Cathay Pacific shareholders	54,274	42,238
Non-controlling interests	155	147
TOTAL EQUITY	54,429	42,385

Notes to the Accounts
At 31st December 2010

Contingencies

(a) Cathay Pacific Airways ("Cathay Pacific") has under certain circumstances undertaken to maintain specified rates of return within the Cathay Pacific group's leasing arrangements. The Directors of Cathay Pacific do not consider that an estimate of the potential financial effect of these contingencies can practically be made.

(b) At 31st December 2010, contingent liabilities existed in respect of guarantees given by the Cathay Pacific group on behalf of associated companies and staff relating to lease obligations, bank loans and other liabilities of up to HK$262 million (2009: HK$262 million).

(c) Cathay Pacific operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcome of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

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

On 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.

Schedule of Principal Group Properties

At 31st December 2010

	Gross floor areas in square feet								
	Hong Kong		Mainland China		USA		UK	Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment									
Retail	3,304,951	99,698	1,387,155	–	–	–	–	4,692,106	4,791,804
Office	8,182,778	492,711	–	–	–	–	–	8,182,778	8,675,489
Techno-centres	1,816,667	–	–	–	–	–	–	1,816,667	1,816,667
Residential	460,487	–	–	–	–	–	–	460,487	460,487
Hotels	358,371	384,775	169,463	–	–	258,750	195,716	723,550	1,367,075
	14,123,254	977,184	1,556,618	–	–	258,750	195,716	15,875,588	17,111,522
Property developments for investment									
Retail	–	–	1,484,743	1,349,373	–	–	–	1,484,743	2,834,116
Office	145,390	–	1,723,424	1,202,699	–	–	–	1,868,814	3,071,513
Hotels	–	–	587,639	586,524	–	–	–	587,639	1,174,163
Residential	68,242	–	53,389	–	–	–	–	121,631	121,631
	213,632	–	3,849,195	3,138,596	–	–	–	4,062,827	7,201,423
Property developments for sale									
Retail	–	7,519	–	–	–	–	–	–	7,519
Office	–	–	–	660,271	–	–	–	–	660,271
Industrial	–	191,250	–	–	–	–	–	–	191,250
Residential	797,374	46,383	–	–	515,405	–	–	1,312,779	1,359,162
Mixed Use	–	–	–	–	2,550,000	–	–	2,550,000	2,550,000
	797,374	245,152	–	660,271	3,065,405	–	–	3,862,779	4,768,202
	15,134,260	1,222,336	5,405,813	3,798,867	3,065,405	258,750	195,716	23,801,194	29,081,147

Notes:

1. All properties held through subsidiary companies are wholly-owned except for Island Place (60%), TaiKoo Hui (97%), Sanlitun Village (Retail: 80%, Hotel: 100%), New River Court and the development site in Fort Lauderdale (75%) and the development sites in 2A-2E Seymour Road (87.5%) and Sai Wan Terrace (80%). The above summary table includes the floor areas of these seven properties in 100%.
2. "Other companies" comprise jointly controlled or associated companies and other investments. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas exclude car parking spaces; over 8,500 completed car parking spaces are held by subsidiaries for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the United States are freehold.

Schedule of Principal Group Properties

At 31st December 2010

Completed properties for investment in Hong Kong

	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
RETAIL AND OFFICE							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building.
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building.
The Mall at Pacific Place	IL 8571/IL 8582 & Ext. (part)	2135/ 2047	318,289 (part)	711,182	470	1988/ 1990	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises service apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050-2852	40,236	627,657	111	2004/ 2007	Office building linked to The Mall and Admiralty MTR Station.
3. Festival Walk, Yau Yat Tsuen	NKIL 6181	2047	222,382	Retail: 980,089 Office: 228,665	830	1998	Comprises a 980,089 square foot shopping centre, including ice skating rink and cinema, 228,665 square feet of office space and a transport terminus linked to Kowloon Tong MTR station.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
4. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 sA QBML 2 & Ext. sQ ss7 RP QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA ss1 QBML 2 & Ext. sQ ss2 sA RP QBML 2 & Ext. sJ RP	2899	334,475 (part)	1,105,227	834	1983/ 1987/ 1997/ 2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
5. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 sA QBML 2 & Ext. sQ ss7 RP QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA ss1 QBML 2 & Ext. sQ ss2 sA RP QBML 2 & Ext. sJ RP	2899	146,184 (part)	628,785	–	1997	Office building over part of Cityplaza shopping centre.
6. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	33,730	447,714	10	1992	Office building linked by a footbridge to Cityplaza.
7. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,431	–	1991	Office building linked by a footbridge to Cityplaza.
8. Commercial areas in Stages I-X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sCss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2899	–	331,079	3,826	1977 -1985	Neighbourhood shops, schools and car parking spaces.
9. Devon House, TaiKoo Place	QBML 1 sF ss1 QBML 1 sF RP ML 703 sN QBML 1 sE ss2 (part)	2881	70,414 (part)	803,452	311	1993	Office building linked to Quarry Bay MTR station by a footbridge.
10. Dorset House, TaiKoo Place	QBML 1 sQ, QBML 1 sR RP QBML 1 sS, QBML 1 sT ss1 QBML 1 sT ss2 QBML 1 sT RP QBML 1 sU, QBML 1 sW QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Office building linked to Devon House.

Schedule of Principal Group Properties

At 31st December 2010

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
11. Lincoln House, TaiKoo Place	QBML 1 sQ, QBML 1 sR RP QBML 1 sS, QBML 1 sT ss1 QBML 1 sT ss2 QBML 1 sT RP QBML 1 sU, QBML 1 sW QBML 1 RP (part)	2881	238,582 (part)	333,353	164	1998	Office building linked to Dorset House.
12. Oxford House, TaiKoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881	33,434	501,253	182	1999	Office building linked to Somerset House.
13. Cambridge House, TaiKoo Place	QBML 1 sE ss2 QBML 1 sF ss1 QBML 1 sF RP ML 703 sN (part)	2881	70,414	268,795	–	2003	Office building linked to Devon House.
14. One Island East, TaiKoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/ 2899	109,929	1,537,011	–	2008	Office building linked to Cornwall House.
15. Island Place, 500 King's Road, North Point	IL 8849	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, of which the Group owns 60%.
16. StarCrest, 9 Star Street, Wanchai	IL 8853	2047	40,871	13,112	83	1999	Floor area shown represents the whole of the retail area including 83 car parking spaces retained by the Group.
17. 21-29 Wing Fung Street, Wanchai	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3	2856	2,967	14,039	–	1992/ 2006	Floor area shown represents a 3-storey retail podium. (subject to further amendment)
18. 8 Queen's Road East Queen's Road East, Wanchai (formerly called Sincere Insurance Building)	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	1968	Office building with ground floor retail.
	Total held through subsidiaries			**11,487,729**	**7,324**		
19. PCCW Tower, TaiKoo Place	QBML 1 sQ, QBML 1 sR RP QBML 1 sS, QBML 1 sT ss1 QBML 1 sT ss2 QBML 1 sT RP QBML 1 sU, QBML 1 sW QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Office building linked to Dorset House. Floor area shown represents the whole development, of which the Group owns 50%.
	Held through associates			**620,148**	**217**		
	– of which attributable to the Group			**310,074**			
20. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Office building. Floor area shown represents the whole development, of which the Group owns 50%.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
21. Tung Chung Crescent (Site 1), Tung Chung, Lantau	TCTL 1	2047	331,658	36,053	–	1998/ 1999	Floor area shown represents the retail space, of which the Group owns 20%.
22. Citygate (Site 2), Tung Chung, Lantau	TCTL 2	2047	358,557 (part)	Retail: 462,439 Office: 160,522	1,156	1999/ 2000	A 160,522 square foot office tower above a 462,439 square foot shopping centre of which the Group owns 20%. (Part of Site 1, Site 2 North and Site 3 included on pages 188 and 190)
	Held through jointly controlled companies			**960,079**	**1,240**		
	– of which attributable to the Group			**282,335**			
TECHNO-CENTRES							
23. TaiKoo Place	QBML 1 sQ, QBML 1 sR RP QBML 1 sS, QBML 1 sT ss1 QBML 1 sT ss2, QBML 1 sT RP QBML 1 sU, QBML 1 sW QBML 1 RP (part)	2881	238,582 (part)		285		Data centres/offices/logistics warehousing.
Warwick House				554,934		1979	
Cornwall House				338,369		1984	Floor area excludes eight floors owned by Government.
Somerset House				923,364		1988	
	Total held through subsidiaries			**1,816,667**	**285**		
RESIDENTIAL							
24. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 service suites within the Conrad Hong Kong Hotel tower.
25. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Three pairs of semi-detached houses.
26. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext.	2097	20,733 (part)	2,644	–	1980	One detached house.
	Total held through subsidiaries			**460,487**	**–**		
HOTELS							
1. EAST, Taikoo Shing	QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 sA QBML 2 & Ext. sQ ss7 RP QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA ss1 QBML 2 & Ext. sQ ss2 sA RP QBML 2 & Ext. sJ RP	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009	117-room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			**358,371**	**–**		

Schedule of Principal Group Properties

At 31st December 2010

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	602-room hotel, in which the Group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Group owns a 20% interest.
	Total held through associates			**1,687,222**	**–**		
	– of which attributable to the Group			**337,444**			
Citygate (Site 2 North), Tung Chung, Lantau							
6. Novotel Citygate Hong Kong Hotel	TCTL 2	2047	358,557 (part)	236,653	4	2005	440-room hotel, in which the Group owns a 20% interest.
	Held through jointly controlled companies			**236,653**	**4**		
	– of which attributable to the Group			**47,331**			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
RETAIL							
1. Sanlitun Village (The Village South)	19 Sanlitun North Road, Chaoyang District, Beijing	2044	566,332 (part)	776,909	451	2007	Shopping centre with restaurants and cinema. Floor area shown represents the whole development, of which the Group owns 80%.
2. Sanlitun Village (The Village North)	11 Sanlitun North Road, Chaoyang District, Beijing	2044	566,332 (part)	519,399	410	2007	Shopping centre with restaurants. Floor area shown represents the whole development, of which the Group owns 80%.
3. Beaumonde Retail Podium	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,380 (part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
	Total held through subsidiaries			**1,387,155**	**961**		
HOTEL							
1. The Opposite House	11 Sanlitun North Road, Chaoyang District, Beijing	2044	566,332 (part)	169,463	24	2007	99-room hotel.
	Total held through subsidiaries			**169,463**	**24**		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 53 Stubbs Road, The Peak	RBL 224	2074	32,496	Residential	68,242	–	Superstructure in progress	2011	Floor area shown represents a proposed residential tower with 12 storeys above a carport.
2. 28 Hennessy Road, Wanchai (formerly called Tai Sang Commercial Building)	ML 23 IL 2244 RP IL 2245 RP	2843	9,611	Office	145,390	–	Foundation works in progress	2012	Floor area shown represents a proposed office building.
	Total held through subsidiaries				**213,632**	**–**			

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 2A Seymour Road (AZURA) Mid Levels West	IL 577 sC IL 577 sD IL 577 sE IL 577 sF IL 577 sG IL 577 sH IL 577 sI IL 577 sJ IL 577 sL ss1 IL 577 sL ss2 IL 577 sL ss3 IL 577 sL RP IL 577 sM	2857	22,957	Residential	206,306	45	Superstructure in progress	2012	Floor area shown represents the whole development, of which the Group owns 87.5%. Comprises 126 residential units of which 38 residential units have been sold.
2. Sai Wan Terrace, 1-9 and 2-10 Sai Wan Terrace, Taikoo Shing	SIL 761	2057	28,490	Residential	151,944	65	Site formation in progress	2013	Subject to payment of land premium for lease modification to change the height limit. Floor area shown represents the whole development, of which the Group owns 80%.
3. 63 Seymour Road Mid Levels West	IL 2300	2856	7,975	Residential	75,805	28	Foundation in progress	2013	Floor area shown represents a proposed residential tower with 31 storeys above podium.

Schedule of Principal Group Properties

At 31st December 2010

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
4. 25A, 25B, 27, 27A, 27B, 29, 29A, 31, 33, 35 Seymour Road 14-16 Castle Road, Mid Levels West	IL 424 sB ss1 RP IL 424 sB RP IL 425 s7 ssA IL 425 s7 ssB IL 425 s7 ssC IL 425 s7 ssD IL 424 sC RP IL 424 sD RP IL 424 RP	2854	20,756	Residential	165,792	–	Foundation in progress for part of the site	2014	Floor area shown represents a proposed residential tower with 47 storeys (incl. 1 refuge floor) above podium.
5. 92, 92A, 94, 96, 98, 100, 102 Caine Road 18, 18A, 20, 20A, 22, 22A Castle Road, Mid Levels West	IL 425 s1 RP IL 425 s2 IL 425 s3 IL 425 s4 IL 425 s5 ss1 IL 425 s5 RP IL 425 RP	2854	21,726	Residential	195,531	43	Hoarding works in progress for part of the site	2015	Floor area shown represents a proposed residential tower with 45 storeys (incl. 1 refuge floor) above podium.
6. 5 Star Street, Wanchai	IL 2837 s.C ss 1 IL 2837 s.C RP	2078	2,316	Residential	1,996	–	Completed in 2010		Floor area shown represents the unsold residential portion.
	Total held through subsidiaries				**797,374**	**181**			
7. MTRC Tung Chung (Package 1), Lantau									
– Tung Chung Crescent (Site 1)	TCTL 1	2047	331,658	Car parks	–	332	Completed in 1998/1999		332 unsold car parking spaces, of which the Group owns 20%.
– Seaview Crescent (Site 3)	TCTL 3	2047	230,348	Car parks	–	118	Completed in 2002		118 unsold car parking spaces, of which the Group owns 20%.
8. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 338 AIL 339	2119 2120	25,500	Industrial	382,500	39	Foundation completed	On hold	Floor area shown represents the whole development, of which the Group owns 50%.
9. 146 Argyle Street Kowloon	KIL 3303 SA	2083	17,712	Residential	88,555	57	Demolition in progress	2013	Floor area shown represents the whole development, of which the Group owns 50%.
	Total held through jointly controlled companies				**471,055**	**546**			
	– of which attributable to the Group				**235,528**				

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
OTHER HOLDINGS									
1. Belair Monte, Fanling	FSSTL 126	2047	223,674	Retail	67,083	17	Completed in 1998		Floor area shown represents the whole of the retail area, including 17 car parking spaces, of which the Group owns 8%.
2. Island Lodge, 180 Java Road, North Point	IL 7105	2104	17,868	Residential Retail	8,420 8,611	11	Completed in 2008		Comprises 184 residential units and retail space, of which 177 had been sold at 31st December 2010. Group appointed to develop the site and subsequently sell all units.
					84,114	**28**			
	– Attributable holding				**9,624**				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941	Retail Office Hotel Residential	1,484,743 1,723,424 587,639 53,389	718	Superstructure work completed. Internal fitting out work in progress	2011	A cultural centre of 629,414 square feet is to be built and handed over to the Guangzhou Government upon completion. Floor areas shown represent the whole development, of which the Group owns 97%. Phased opening from Q2 2011.
					3,849,195	718			
	Total held through subsidiaries				**3,849,195**	**718**			

Schedule of Principal Group Properties

At 31st December 2010

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Dazhongli	South of West Nanjing Road and east of Shimenyi Road, Jing An District, Shanghai	2049 (Retail) 2059 (Office)	676,091	Retail Office Hotel	1,062,719 1,809,934 600,922	1,490	Resettlement largely completed	2015	99% of total resettlement completed. Floor areas shown represent the whole development, of which the Group owns 50%.
					3,473,575	1,490			
2. INDIGO	South of Jiang Tai Road and east of Jiuxianqiao Road, Chaoyang District, Beijing	2044 (Office and car parks: 2054)	631,072	Retail Office Hotel	939,493 595,464 358,269	1,245	Superstructure works in progress	2011	Floor areas shown represent the whole development, of which the Group owns 50%.
					1,893,226	1,245			
3. Daci Temple Area	Daci Temple Area, 9 Dongdajie, Jinjiang District, Chengdu	2050	762,251 (part)	Retail Hotel	696,534 213,858	1,665	Vacant site	2014	Floor areas shown represent the whole development, of which the Group owns 50%. Hotel includes service suites.
					910,392	1,665			
	Total held through jointly controlled companies				**6,277,193**	**4,400**			
	– of which attributable to the Group				**3,138,596**				

Property developments for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Daci Temple Area	Daci Temple Area, 9 Dongdajie, Jinjiang District, Chengdu	2050	762,251 (part)	Office	1,320,542	590	Vacant site	2014	Floor areas shown represent the whole development, of which the Group owns 50%.
	Total held through jointly controlled companies				**1,320,542**	**590**			
	– of which attributable to the Group				**660,271**				

Completed properties for investment in the United States

	Site area in square feet	Use	Gross floor area in square feet	Year of completion	Remarks
HOTEL					
1. Mandarin Oriental, South Brickell Key, Miami, Florida	120,233	Hotel	345,000	2000	326-room hotel in central Miami, in which the Group has a 75% interest.
	Held through jointly controlled company		**345,000**		
	– of which attributable to the Group		**258,750**		

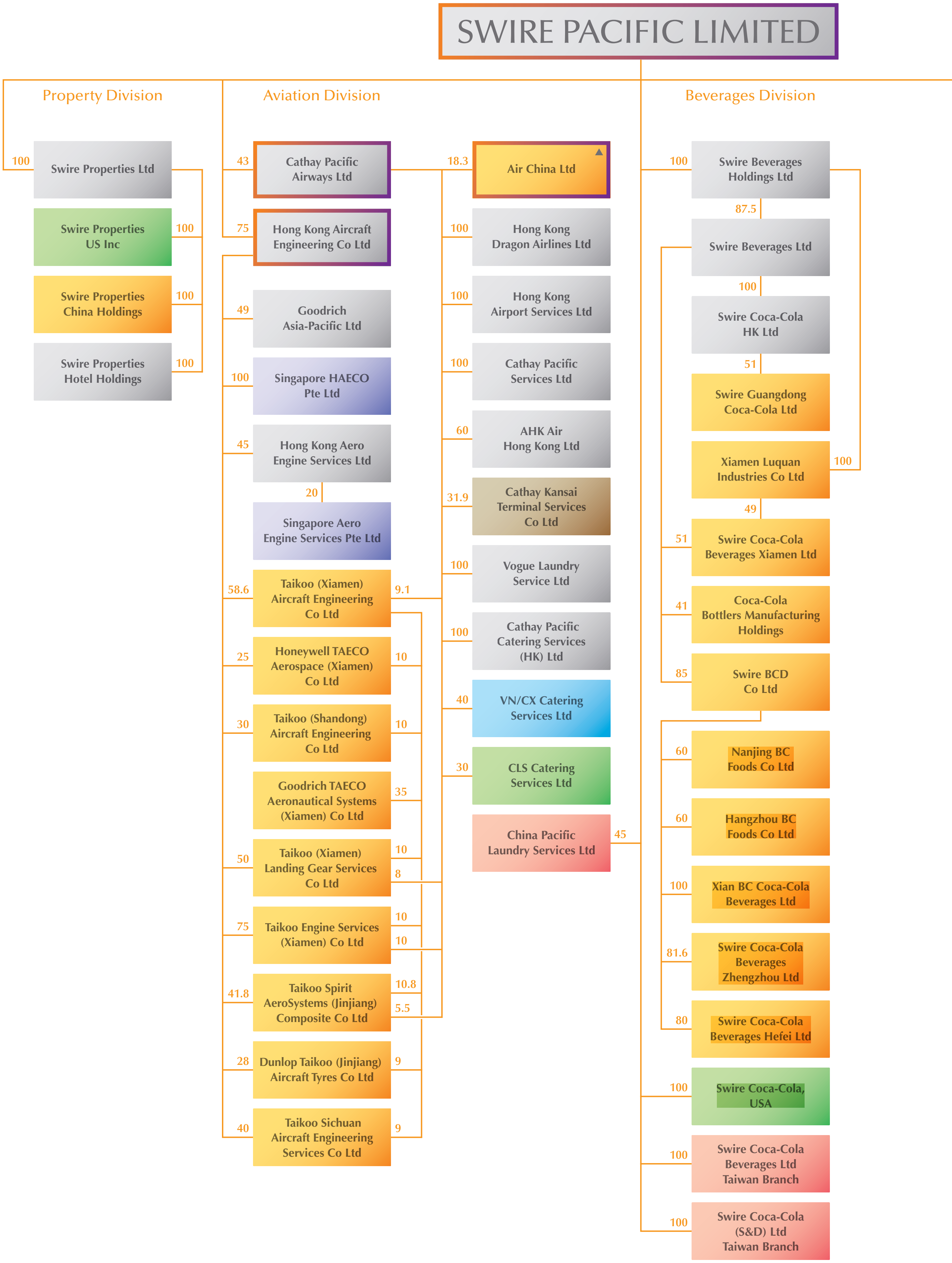
Property developments for sale in the United States

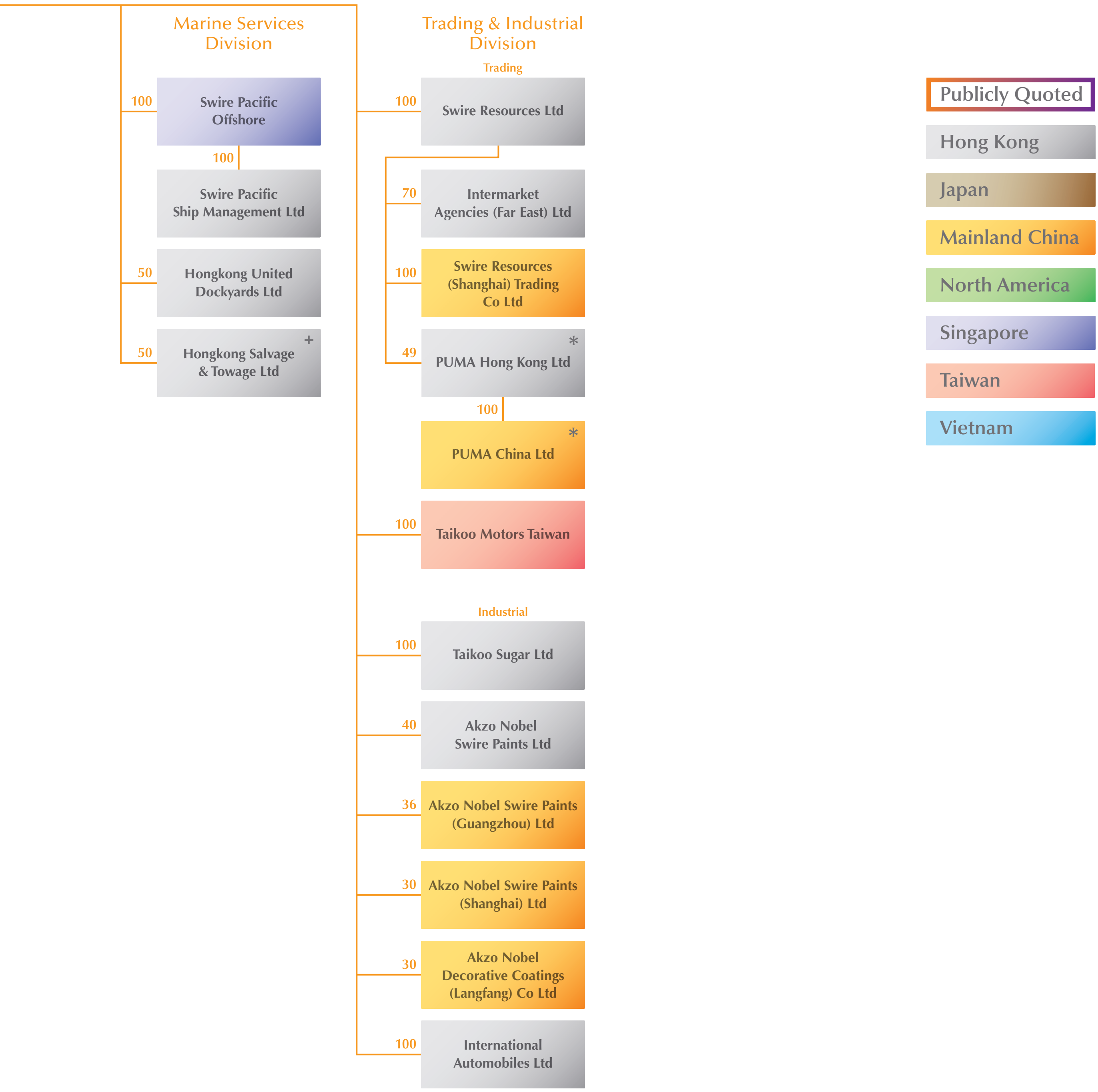
	Site area in square feet	Use	Gross floor area in square feet	Year of completion	Remarks
1. ASIA, 900 Brickell Key, Miami, Florida	173,531	Residential	93,605	2008	32-storey residential condominium tower comprising 123 units with 5-storey parking garage. At 31st December 2010, 82 units were closed.
2. South Brickell Key, Miami, Florida	105,372	Residential	421,800	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
3. New River Court, Fort Lauderdale, Florida	21,750	Retail/ Office	12,586	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
4. Development Site, Fort Lauderdale, Florida	182,191	Residential/ Office/ Hotel	787,414	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
5. Brickell Citicentre, Miami, Florida	246,573	Mixed Use	1,750,000	–	Development site in Central Miami acquired in October 2008.
	Total held through subsidiaries		**3,065,405**		

Completed properties for investment in the United Kingdom

	Site area in square feet	Use	Gross floor area in square feet	Year of completion	Remarks
1. The Montpellier Chapter, Cheltenham	34,875	Hotel	36,662	2010 (refurbishment)	61-room freehold hotel in Cheltenham.
2. Hotel Barcelona, Exeter	46,888	Hotel	23,030	2001	46-room freehold hotel in Exeter. (Currently under refurbishment)
3. Hotel Seattle, Brighton	22,755	Hotel	48,416	2003	71-room hotel in Brighton. 35-year leasehold commenced in November 2002.
4. Avon Gorge Hotel, Bristol	71,547	Hotel	87,608	1855	75-room freehold hotel in Bristol. Floor area includes an external terrace.
	Total held through subsidiaries		**195,716**		

Group Structure Chart





∗ Disposed as of 1st January 2011

+ Dormant as of 1st January 2011

▲ Cathay Pacific Airways Ltd's interest in Air China Ltd increased from 18.3% to 18.7% in January 2011

Glossary

Terms

Financial

Gross borrowings Total of loans, bonds, overdrafts and perpetual capital securities.

Net debt or consolidated borrowed money Total of loans, bonds, overdrafts and perpetual capital securities net of bank deposits, bank balances and certain available-for-sale investments.

Adjusted consolidated net worth Total of share capital, reserves and non-controlling interests.

Adjusted consolidated tangible net worth Adjusted consolidated net worth less goodwill and other intangible assets.

Equity attributable to the Company's shareholders Equity before non-controlling interests.

Underlying equity attributable to the Company's shareholders Reported equity before non-controlling interests, adjusted for the impact of deferred tax on changes in the fair value of investment properties in Mainland China.

Underlying profit Reported profit adjusted for the impact of changes in the fair value of investment properties and the associated deferred tax in Mainland China.

Net assets employed Total equity plus net debt.

Aviation

Available tonne kilometres ("ATK") Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

Available seat kilometres ("ASK") Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Revenue passenger kilometres ("RPK") Number of passengers carried on each sector multiplied by the sector distance.

On-time performance Departure within 15 minutes of scheduled departure time.

Beverages

Modern Trade Supermarkets and convenience stores, which are usually members of large retail chains.

General Trade Small, usually independent, grocery outlets.

Other Channels Includes wholesalers, restaurants and outlets at entertainment and educational establishments.

Marine Services

LTIFR Lost Time Injury Frequency Rate.

ISOA International Support Vessel Owners' Association.

Ratios

Financial

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on average equity attributable to the Company's shareholders} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on average underlying equity attributable to the Company's shareholders} = \frac{\text{Underlying profit /(loss) attributable to the Company's shareholders}}{\text{Average underlying equity during the year attributable to the Company's shareholders}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend cover} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Dividends paid and proposed}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Aviation

$$\text{Passenger/Cargo and mail load factor} = \frac{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}{\text{Available seat kilometres/Available cargo and mail tonne kilometres}}$$

$$\text{Passenger/Cargo and mail yield} = \frac{\text{Passenger turnover/Cargo and mail turnover}}{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses}}{\text{ATK}}$$

Financial Calendar and Information for Investors

Financial Calendar 2011

Annual Report available to shareholders	8th April
'A' and 'B' shares trade ex-dividend	12th May
Share registers closed	16th – 19th May
Annual General Meeting	19th May
Payment of 2010 final dividends	2nd June
Interim results announcement	August 2011
Interim dividends payable	October 2011

Registered Office

Swire Pacific Limited
33rd Floor, One Pacific Place
88 Queensway
Hong Kong

Registrars

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong
Website: www.computershare.com

Depositary

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 358516
Pittsburgh, PA 15252-8516
USA

Website:	www.bnymellon.com\shareowner	
E-mail:	shrrelations@bnymellon.com	
Tel:	Calls within USA – toll free:	1-888-BNY-ADRS
	International callers:	1-201-680-6825

Stock Codes

	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

Auditors

PricewaterhouseCoopers

Investor Relations

E-mail: ir@swirepacific.com

Public Affairs

E-mail: publicaffairs@swirepacific.com
Tel: (852) 2840-8098
Fax: (852) 2526-9365
Website: www.swirepacific.com

Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

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