SWIRE PACIFIC

SWIRE PACIFIC LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

2011 Final Results

2011 Final Results

	Note	2011 HK$M	2010 HK$M	Change %
Turnover		**36,286**	29,201	+24.3
Operating profit		**31,424**	33,971	-7.5
Profit attributable to the Company's shareholders		**32,210**	38,252	-15.8
Cash generated from operations		**9,204**	7,627	+20.7
Net cash inflow/(outflow) before financing		**15,968**	(3,001)	N/A
Total equity (including non-controlling interests)		**232,476**	209,051	+11.2
Net debt		**35,679**	41,181	-13.4
		HK$	HK$	
Earnings per share	(a)			
'A' share		**21.41**	25.42	-15.8
'B' share		**4.28**	5.08	
Dividends per share				
'A' share		**6.500**	3.500	+85.7
'B' share		**1.300**	0.700	
Equity attributable to the Company's shareholders per share				
'A' share		**151.24**	135.88	+11.3
'B' share		**30.25**	27.18	

Underlying Profit and Equity

	Note	HK$M	HK$M	%
Underlying profit attributable to the Company's shareholders	(b)	**17,292**	16,143	+7.1
		HK$	HK$	
Underlying earnings per share	(a)			
'A' share		**11.49**	10.73	+7.1
'B' share		**2.30**	2.15	
Underlying equity attributable to the Company's shareholders per share	(b)			
'A' share		**154.73**	138.67	+11.6
'B' share		**30.95**	27.73	

Notes:

(a) Refer to note 7 for the weighted average number of shares.

(b) Underlying profit and equity attributable to the Company's shareholders have been adjusted for net property revaluation gains and the associated deferred taxation in Mainland China.

Chairman's Statement

Our consolidated profit attributable to shareholders for 2011 was HK$32,210 million, compared to HK$38,252 million in 2010. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$1,149 million to HK$17,292 million in 2011. The 2011 underlying profit included a profit of HK$8,615 million on disposal of the investment property known as Festival Walk. Excluding the effect of this and other non-recurring items, adjusted underlying profit attributable to shareholders decreased by HK$2,371 million to HK$8,728 million.

The increase in underlying profit principally reflects the profit on disposal of Festival Walk and growth in profits from the Property Division, the Marine Services Division and the Hong Kong Aircraft Engineering Company Limited ("HAECO") group. There was a weaker performance from the Cathay Pacific group (which had earned record profits in 2010) and profits fell in the Beverages and Trading & Industrial Divisions.

Key Developments

During 2011, the Group acquired an additional 2% interest in Cathay Pacific for a total cost of HK$1,236 million, increasing its interest to 44.97%.

During 2011, Swire Pacific Offshore ("SPO") committed to purchase an additional 27 vessels for delivery between 2011 and 2015. These commitments reflect SPO's strategy of rebalancing the fleet between anchor handling tug supply vessels and platform supply vessels and focusing the new building programme on vessels capable of operating in deeper waters, where demand is expected to be greatest.

In March 2011, Cathay Pacific announced orders for 27 new aircraft, including two Airbus A350-900s (which had been ordered in December 2010), 15 Airbus A330-300s and 10 Boeing 777-300ERs. In August 2011, Cathay Pacific announced the acquisition of four more Boeing 777-300ERs and eight Boeing 777-200F freighters. In January 2012, Cathay Pacific announced the purchase of six Airbus A350-900s. These new aircraft are expected to be delivered before the end of 2017.

In April 2011, Swire Properties acquired two parcels of land adjoining the existing Brickell CitiCentre development in Miami, USA. Development entitlements have been approved by the City of Miami for a special area plan, which allows for a mixed-use development of approximately 2.9 million square feet of gross floor area (excluding car park and circulation areas).

In August 2011, Swire Properties sold its entire interest in the property in Hong Kong known as Festival Walk for a total net consideration of HK$18.8 billion. A net gain of HK$638 million on this sale, which excludes gains on revaluation of the property previously credited to the income statement up to 30th June 2011, was included in the attributable profit for 2011. The underlying profit on the sale, which is calculated by reference to the original cost of the property to the Group, was HK$8,615 million.

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

In October 2011, the Group submitted a proposal to The Stock Exchange of Hong Kong Limited for the spin-off and separate listing of shares in Swire Properties by way of introduction. The listing of Swire Properties shares, which took effect in January 2012, was achieved by a distribution in specie by Swire Pacific of approximately 18% of the shares in Swire Properties. Following the listing, Swire Pacific's shareholding in Swire Properties was reduced to 82%.

Operating Performance

Underlying profit from the Property Division was HK$12,673 million, a 164% increase from HK$4,794 million in 2010. Underlying profit included the profit of HK$8,615 million on disposal of Festival Walk. Excluding the effect of this and other non-recurring items, the underlying profit of the Property Division was HK$4,113 million, an increase of 6% over 2010. The increase principally reflects positive rental reversions and stronger turnover rents in Hong Kong, resulting in an overall increase of 9% in gross rental income. The operating performance of the owned and managed hotels in Hong Kong and Beijing was much improved. The positive effect of these favourable factors was offset in part by the loss of rental income following the disposal of Festival Walk and worse results from the property trading portfolio as a result of a reduction in sales volumes and sales and marketing costs incurred in connection with the residential developments in Hong Kong.

On an attributable basis, the Property Division's net investment property valuation gain in 2011, before deferred tax in Mainland China, was HK$20,899 million, compared to a net gain in 2010 of HK$22,274 million. The increase in the valuation of the investment property portfolio (most of which took place in the first half of 2011) principally reflects higher rental income.

The Aviation Division recorded an attributable profit of HK$2,999 million in 2011, compared to HK$8,901 million in 2010. Non-recurring items included the attributable profit of HK$825 million arising on the disposal of interests in Hong Kong Air Cargo Terminals Limited ("Hactl") and a gain of HK$2,547 million on the remeasurement of our previously held interest in HAECO to fair value. Excluding the effect of these and other non-recurring items, the attributable profit of the Aviation Division decreased by HK$2,305 million or 42%. Our share of the profit of the Cathay Pacific group was HK$2,405 million in 2011, compared with HK$5,079 million in 2010. In 2011 the core business of the Cathay Pacific group was materially affected by instability and uncertainty in the world's major economies. The business was also adversely affected by natural disasters in Japan and Thailand, the political situation in the Middle East and high jet fuel prices. The passenger business of Cathay Pacific and Dragonair held up relatively well. The cargo business was weak. Cathay Pacific benefited from the strong profits earned by its associated company, Air China.

The results of the HAECO group improved in 2011. Profit attributable to shareholders was HK$615 million in 2011, an increase of HK$173 million or 39% compared with the corresponding figure in 2010. Demand for HAECO's services in Hong Kong remained strong and there was a significant improvement in Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO")'s performance in Mainland China, reflecting better utilisation of its hangars. The results of Hong Kong Aero Engine Services Limited ("HAESL") and Singapore Aero Engine Services Pte. Limited ("SAESL") benefited from an increase in workload. However, other subsidiaries and the joint ventures in Mainland China continued to make losses as a result of the costs of developing capabilities in their operations, high wage inflation, the strength of the Renminbi and increased competition.

The Beverages Division recorded an attributable profit of HK$588 million, a decrease of 16% from 2010 after taking account of the HK$69 million loss incurred in 2011 by the newly formed Campbell Swire joint venture. Overall sales volume grew by 8% to 995 million unit cases, compared with 2% growth in 2010. Profits increased in Mainland China by 31% to HK$265 million due to a 10% increase in volume, higher prices and an improved sales mix. However, in other markets, price increases (where these were possible) and improvements in the sales mix were insufficient to offset the effect of raw material cost increases.

The Marine Services Division recorded an attributable profit of HK$863 million, a 9% increase from 2010. The 2011 result includes a profit of HK$79 million on disposal of seven vessels during the year. Excluding this profit and the impairment of HK$57 million recorded in 2010, attributable profit fell by 8% compared to 2010. 2011 saw a gradual improvement in the offshore energy market. Oil prices of more than US$100 per barrel supported an increase in exploration and production commitments by the oil majors and utilisation improved during the year. However, the over-supply of new tonnage entering the industry continued to restrict the recovery in charter hire rates. An increase of 22% in operating costs also contributed to the decrease in profits.

Disregarding non-recurring items, the attributable profit from the Trading & Industrial Division decreased by 21% in 2011 to HK$339 million. The decrease principally reflected the absence of contributions from PUMA (the interest in which was sold in January 2011) and CROWN Beverage Cans group (the interest in which was sold in September 2010).

Prospects

Demand for the Group's office space in Hong Kong is likely to be affected by uncertain market conditions. Low vacancy rates and the fact that supply of new office space will be modest should mitigate the effect on rental income. The available office space will increase in 2012 with the completion of the 145,390 square foot building at 28 Hennessy Road and the 81,346 square foot building at 8 Queen's Road East, expected to take place in the second half of the year.

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

Retail conditions in Mainland China are expected to remain strong in 2012 as the economy continues to rebalance and grow. Results from Sanlitun Village are expected to continue to improve in 2012, reflecting past and planned investment aimed at enhancing footfall and circulation. TaiKoo Hui and INDIGO, a 1.9 million square foot mixed–use development in Beijing, are expected to contribute to higher rental income in 2012, with TaiKoo Hui in its first full year of operations and the retail component at INDIGO starting to open in March 2012.

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

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

After a record year in 2010, the Cathay Pacific group faced a number of major challenges in 2011. It continues to face challenges in 2012. Economic uncertainties have continued into the first part of this year. While these uncertainties continue, pressure on economy class yields is expected to continue and the cargo business in particular is expected to remain weak. Fuel prices have risen further. As a result, 2012 is looking even more challenging than 2011 and Cathay Pacific is therefore cautious about the prospects for this year. Cathay Pacific will continue to be vigilant in managing costs without compromising the quality of its products and services or the long-term strategic investment in its business. Its financial position remains strong.

Chairman's Statement (continued)

Despite the uncertainty in the world's major economies, demand for HAECO's heavy and line maintenance services in Hong Kong and for TAECO's base maintenance services in Xiamen is expected to grow modestly in 2012. HAESL is also expected to perform well in 2012.

In the Beverages Division, the growth of the Mainland China economy (particularly of manufacturing exports) is expected to slow and may affect beverage sales in the southern and eastern provinces. Overall prospects for growth in beverage sales in Mainland China are nevertheless considered favourable. Taiwan is expected to recover from the difficult trading conditions of 2011 and Hong Kong has potential for growth. Results in 2012 in the USA are likely to be affected by the weakness of the economy and the difficulty of raising prices.

SPO's charter hire and utilisation rates are expected to improve in 2012 as exploration and production spending by oil companies increases. SPO's 2012 results will also reflect the full-year contribution of vessels delivered in 2011 and the delivery of the first D-class and wind farm installation vessels. In the longer-term, diminishing reserves and increasing consumption of oil and gas are expected to lead to increased exploration by energy companies in deeper waters. At the same time, there is growing demand by national governments for local content in offshore supply vessel contracts. With the investments SPO is currently making in larger, more sophisticated vessels and in expanding its network of regional offices and joint ventures, SPO will be well positioned to face both of these developments.

The Trading & Industrial Division expects continued growth in sales for Swire Resources and Taikoo Motors in 2012, 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 Akzo Nobel Swire Paints expect strong growth in sales in Mainland China, but this is likely to be partially offset by high raw material costs and the costs associated with network expansion.

Finance

Net debt at 31st December 2011 was HK$35,679 million, compared with HK$41,181 million at 31st December 2010. The decrease principally reflects the sale of Festival Walk, offset in part by investment in property projects in Mainland China and Hong Kong and in new vessels at SPO. Gearing decreased by 4.3 percentage points from 19.7% to 15.4%. Cash and undrawn committed facilities totalled HK$20,339 million at 31st December 2011, compared with HK$16,323 million at 31st December 2010.

Sustainable Development

Sustainability is integral to Swire Pacific's long-term approach to business. We believe that when the communities in which we operate prosper, so do we. We wish to protect the environment we work in. Our ultimate goal is for our operating companies to achieve zero net impact on the environment. We support community projects with money, products and services and the time and energy of our staff. We are an equal opportunities employer and offer our staff competitive remuneration and benefits. We strive to conduct our operations in a manner which safeguards the health and safety of our employees, those with whom we do business, our visitors and the communities in which we operate.

In 2011, we formed an energy committee and held a sustainable development forum. This helped us to identify opportunities for improving energy efficiency and generating carbon credits. Swire Beverages' bottling plant in Zhengzhou achieved zero wastewater discharge in 2011. The new bottling plant at Luohe was awarded a Platinum LEED rating for its green design. Swire Properties has reduced the time in which it is trying to reduce its energy consumption by 20% from 10 years to five. We are developing a reporting system designed to enable us to quantify the effect of our sustainability efforts on profits and to set targets. This reflects our recognition that sustainability can be profitable if properly managed and funded.

Dividends

During the year, first interim dividends of HK$1.15 per 'A' share and HK$0.23 per 'B' share and special interim dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share, were paid to shareholders on 4th October 2011. On 21st December 2011, the Board declared the Conditional Dividend, which became unconditional on 18th January 2012, and an aggregate of 1,053,234,165 Swire Properties Shares were distributed on 18th January 2012 to shareholders on the register of members as at 6th January 2012.

With effect from the year ended 31st December 2011, the Company intends to pay two interim dividends instead of interim dividends and final dividends. Second interim dividends will be in lieu of final dividends. The total amount of dividends paid to shareholders for a year will be the same with two interim dividends as it would have been with interim dividends and final dividends.

The Directors have declared second interim dividends for 2011 of HK$2.35 per 'A' share and HK$0.47 per 'B' share which, together with the first interim dividends of HK$1.15 per 'A' share and HK$0.23 per 'B' share and the special interim dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share paid on 4th October 2011, make total cash dividends for the year of HK$6.50 per 'A' share and HK$1.30 per 'B' share. This represents a total cash distribution for the year of HK$9,780 million. The second interim dividends will be paid on 4th May 2012 to shareholders registered at the close of business on the record date, being Friday, 13th April 2012. Shares of the Company will be traded ex-dividend as from Wednesday, 11th April 2012.

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

By Order of the Board
SWIRE PACIFIC LIMITED
Christopher Pratt
Chairman
Hong Kong, 15th March 2012

REVIEW OF OPERATIONS

PROPERTY DIVISION

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, hotel interests, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 14.0 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.8 million square feet on completion. Of this, 5.1 million square feet has already been completed. In the United States, Swire Properties owns a mixed-use commercial development, with a residential trading component, at Brickell CitiCentre in Miami, Florida, which, on completion over two phases of development, is expected to comprise approximately 2.9 million square feet (5.5 million square feet including car park and circulation areas).

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.

Swire Properties' trading portfolio comprises land, office and residential apartments under development in Hong Kong, Mainland China and Miami, Florida and the remaining units for sale at two completed developments.

STRATEGY:

The strategic objective of Swire Properties (as a listed company in its own right) is sustainable growth in shareholder value over the long term and as a leading developer, owner and operator of mixed-use commercial properties in Hong Kong and Mainland China. The strategies employed in order to achieve this objective are these:

- The creation of long-term value through conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas.
- Maximisation of the earnings and value of its completed properties through active asset management, including reinforcing its assets through enhancement, redevelopment and new additions.
- Continuing to expand its luxury residential property activities.
- Remaining focused principally on Hong Kong and Mainland China.
- Conservative management of its capital base.

Property Division – Financial Highlights

	2011 HK$M	2010 HK$M
Turnover		
Gross rental income derived from		
Offices	**4,537**	4,222
Retail	**3,710**	3,357
Residential	**310**	296
Other revenue *	**94**	78
Property investment	**8,651**	7,953
Property trading	**213**	400
Hotels	**717**	518
Total turnover	**9,581**	8,871
Operating profit/(loss) derived from		
Property investment	**6,143**	6,009
Valuation gains on investment properties	**20,179**	20,381
Sale of investment properties	**638**	544
Property trading	**(50)**	72
Hotels	**(93)**	(144)
Total operating profit	**26,817**	26,862
Share of post-tax profits from jointly controlled and associated companies	**1,007**	1,686
Attributable profit	**24,999**	25,940

* 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	**2011 HK$M**	2010 HK$M
Reported attributable profit		**24,999**	25,940
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(20,899)**	(22,274)
Deferred tax on revaluation movements	(b)	**523**	852
Realised profit on sale of investment properties	(c)	**-**	211
Realised profit on sale of Festival Walk	(c)	**7,977**	-
Depreciation of investment properties occupied by the Group	(d)	**27**	23
Non-controlling interests' share of revaluation movements less deferred tax		**46**	42
Underlying attributable profit		**12,673**	4,794
Adjustment to reverse fair value loss/(gain) on put option in favour of the owner of a non-controlling interest in Sanlitun Village	(e)	**259**	(12)
Underlying attributable profit after adjusting for Sanlitun Village put option		**12,932**	4,782

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 amended HKAS 12, deferred tax is not 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) 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 Sanlitun Village investment property in which the minority partner is interested.

2011 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$24,999 million compared to HK$25,940 million in 2010. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$20,899 million and HK$22,274 million in 2011 and 2010 respectively.

In August 2011, Swire Properties sold its entire interest in the investment property in Hong Kong known as Festival Walk for a total net consideration of HK$18.8 billion. A net gain of HK$638 million on this sale was included in the attributable profit for 2011. The underlying profit on the sale, which is calculated by reference to the original cost of the property to the Group, was HK$8,615 million.

Excluding the underlying profit of HK$8,615 million on the disposal of Festival Walk in 2011 and other non-recurring items, adjusted underlying profit increased by HK$237 million to HK$4,113 million in 2011.

Gross rental income was HK$8,557 million in 2011, compared with HK$7,875 million in 2010. The increase principally reflects positive rental reversions and higher turnover rents from the Hong Kong portfolio, partially offset by the loss of rental income from Festival Walk following its sale in August 2011. Rental income at Village South at Sanlitun increased due to positive rental reversions. Rental income at Village North increased due to higher occupancy. TaiKoo Hui started generating rental income after its completion in the fourth quarter of 2011.

There was a trading loss of HK$50 million in 2011, due to sales and marketing costs incurred in connection with the residential developments in Hong Kong, partly offset by profits on closings of residential units at Island Lodge in Hong Kong and ASIA in Miami.

The hotel portfolio recorded an operating loss of HK$93 million due to impairment losses at the UK hotels and pre-opening expenses at the hotel in TaiKoo Hui, partially offset by improved performance at the owned and managed hotels (The Upper House and EAST in Hong Kong and The Opposite House in Beijing).

STOCK EXCHANGE LISTING OF THE SHARES OF SWIRE PROPERTIES

In October 2011, a proposal was submitted to The Stock Exchange of Hong Kong Limited for the spin-off and separate listing of shares in Swire Properties by way of introduction. The listing of Swire Properties shares, which took effect in January 2012, was achieved by a distribution in specie by Swire Pacific of approximately 18% of the shares in Swire Properties. Following the listing, Swire Pacific's shareholding in Swire Properties was reduced to 82%.

KEY CHANGES TO THE PROPERTY PORTFOLIO DURING 2011

In April 2011, Swire Properties acquired two parcels of land adjoining the existing Brickell CitiCentre site in Miami, USA, for HK$215 million. The City of Miami has granted approval for the development of a mixed-use complex of 2.9 million square feet of gross floor area (excluding car park and circulation areas). Construction work at the development, which has retail, office, hotel and residential components, is expected to start in 2012.

The acquisition of a residential building at 23 Tong Chong Street in Quarry Bay, Hong Kong, was completed in 2011. The building is to be redeveloped as serviced apartments. Completion is expected in 2014.

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

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

In September 2011, Swire Properties established a representative office in Singapore in order to explore investment opportunities in South East Asia.

Principal Property Investment Portfolio - gross floor area ('000 square feet)

	At 31st December 2011					At 31st December 2010
Location	**Offices**	**Retail**	**Hotels**	**Residential**	**Total**	Total
Completed						
Pacific Place	2,186	711	496	443	3,836	3,836
TaiKoo Place	6,180 *	-	-	-	6,180	6,180
Cityplaza	1,633	1,105	200	-	2,938	2,938
Festival Walk	-	-	-	-	-	1,209
Others	265	608	47	109	1,029	938
- Hong Kong	10,264	2,424	743	552	13,983	15,101
- Mainland China	2,021	2,872	169	-	5,062	1,556
- United States	-	-	259	-	259	259
- United Kingdom	-	-	196	-	196	196
Total completed	**12,285**	**5,296**	**1,367**	**552**	**19,500**	17,112
Under and pending development						
- Hong Kong	145	13	-	62	220	213
- Mainland China	905	1,589	1,144	90	3,728	6,988
- United States	963	520	200	108	1,791	-
Total	**14,298**	**7,418**	**2,711**	**812**	**25,239**	**24,313**

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.
* Includes 1.8 million square feet at the three techno-centres being Somerset House, Warwick House and Cornwall House.

INVESTMENT PROPERTIES

Hong Kong

Offices

Swire Properties' completed office portfolio in Hong Kong comprises 10.3 million square feet of space, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza in Island East and 6.2 million square feet at Taikoo Place in Island East.

Swire Properties has office tenants in Hong Kong operating in different sectors. The top ten office tenants occupied approximately 21% of the office space in Hong Kong at 31st December 2011, compared to 22% in 2010. Approaching one-third of the office space in Hong Kong is occupied by companies operating in the financial services sector, in line with 2010.

2011 Results

Gross rental income for the year increased by 7% over 2010, to HK$4,495 million.

The increase in gross rental income reflects positive rental reversions and strong demand for office space in the portfolio in the first half of 2011. Despite reduced demand in the second half of the year in uncertain market conditions, rental reversions remained positive. At 31st December 2011 the office portfolio was 98% let.

Outlook

The office space available will increase in 2012 with the completion of 28 Hennessy Road and 8 Queen's Road East, both expected to take place in late 2012.

Tenancies accounting for approximately 13% of the rental income in the month of December 2011 are due to expire in 2012, with a further 23% due to expire in 2013.

We remain cautious about the outlook for 2012. The financial services industry is undergoing a period of consolidation. Demand for office space is likely to continue to be affected by uncertain market conditions. Low vacancy rates and the fact that the supply of new office space will be modest should mitigate the effect on rental income.

Swire Properties plans to start redeveloping one of its techno-centres, Somerset House, in 2013 upon obtaining vacant possession. It is doing so with a view to increasing the attractiveness of the Island East portfolio to tenants.

Retail

Swire Properties manages three major 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; 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.

2011 Results

Gross rental income from the retail portfolio was HK$2,961 million in 2011, a decrease of 2% from 2010, due to the loss of contribution from Festival Walk following its disposal, partially offset by stronger performance in other retail properties.

Rental reversions were positive and were particularly strong at Pacific Place, reflecting the strong demand for retail space and increased retail sales during the year.

The Group's wholly-owned malls were effectively fully let throughout the year.

Retail sales in the Group's retail malls were 18% higher in 2011 than in 2010.

Outlook

Consumer demand and accordingly competition for retail space are expected to remain strong in 2012. Active monitoring of consumer preferences and management of the tenant mix should encourage higher retail sales in the Group's malls.

In Hong Kong, tenancies accounting for approximately 20% of rental income in the month of December 2011 are due to expire in 2012, with a further 30% due to expire in 2013.

Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place and a small number of luxury houses and apartments elsewhere on Hong Kong Island.

Gross rental income for 2011 was HK$310 million, an increase of 5% over 2010.

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

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

Investment Properties under Construction

The Pacific Place contemporisation project was substantially completed in October 2011 at a total cost of HK$2 billion.

Superstructure work is progressing at the 145,390 square foot office building at 28 Hennessy Road, with completion expected in the second half of 2012.

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

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

Construction work at OPUS HONG KONG at 53 Stubbs Road was completed in the fourth quarter of 2011. This property is owned by Swire Pacific Limited.

Mainland China

Completed Investment Properties

Swire Properties owns and manages one retail centre and two mixed-use developments in Mainland China.

Sanlitun Village comprises two neighbouring sites in the Chaoyang district of Beijing, Village South (0.8 milllion square feet of retail space) and Village North (0.5 million square feet of retail space). Retail tenants in Sanlitun Village sell internationally branded goods. Village South focuses on global mid-market brands, with tenants including the largest Adidas store in the world and the largest Apple store in Mainland China. Tenants at Village North are principally retailers of international and local designer fashion brands. The Opposite House hotel (see below under "HOTELS – Mainland China") is also at Sanlitun Village.

Gateway China Fund I, a fund managed by Gaw Capital Partners, owns 20% of the Sanlitun Village development (except the Opposite House, which is wholly-owned by Swire Properties). The fund has an option to sell its 20% interest to Swire Properties before the end of 2013.

TaiKoo Hui is a mixed-use development in the Tianhe central business district of Guangzhou. The 3.8 million square foot development comprises a premium shopping mall, two Grade A office towers, a cultural centre and a Mandarin Oriental Hotel with serviced apartments, together with 800 car parking spaces, all of which are interconnected. The shopping mall opened in September 2011, with tenants including retailers of major international brands. Handover of the office space to tenants commenced in August 2011. The hotel and serviced apartments are scheduled to open in the second half of 2012.

INDIGO is a 1.9 million square foot mixed-use development at Jiangtai in the Chaoyang district of Beijing, comprising a retail mall, a Grade A office tower, ONE INDIGO, and a 369-room hotel operated by EAST. ONE INDIGO started to open in late 2011 and the retail mall started to open in March 2012. The hotel is expected to open in the latter part of 2012.

2011 Results

At Sanlitun Village, gross rental income was HK$435 million, an increase of 36% compared to HK$319 million in 2010. The increase reflected improved reversionary base rents from Village South and higher occupancy rates at Village North. At 31st December 2011, 93% of space at Village South and 90% of space at Village North was leased.

Village South has become a popular place to go in Beijing. At Village North some retailers sell exclusive brands which are not available elsewhere in Beijing.

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 an increase in net finance charges of HK$259 million, compared to a decrease of HK$12 million in 2010.

TaiKoo Hui's shopping mall was 99% let at the end of 2011. Approximately 70% of the mall is leased to retailers selling international brand names. Rents at the shopping mall are among the highest per square foot in Guangzhou. As at 31st December 2011, tenants have committed to take up (or have agreed terms in relation to) approximately 68% of total office space. HSBC, the largest tenant, has leased 29 floors, or approximately 47% of the gross floor area within the office towers.

At INDIGO, there were committed tenants (including tenants which have signed letters of intent) for approximately 77% of the retail space and approximately 46% of the office space at 31st December 2011.

Outlook

Retail conditions in Mainland China are expected to remain strong in 2012 as the economy continues to rebalance and grow. The office market has started to slow.

Results from Sanlitun Village are expected to continue to improve in 2012, reflecting significant changes to the tenant mix, past and planned investments made to enhance footfall and circulation and reductions in costs. TaiKoo Hui and INDIGO are expected to contribute to higher rental income in 2012, with TaiKoo Hui in its first full year of operations and the retail component at INDIGO starting to open in March 2012.

Investment Properties under Construction

Mainland China

Site clearance and resettlement works have largely been completed at the Dazhongli project in the Jing'an district of Shanghai. Foundation works commenced at the end of 2011. This 3.5 million square foot mixed-use project, comprising a retail centre, office towers and hotels, is expected to open in phases from 2016 onwards. The project will be linked to Nanjing West Road Station of Metro Line 13.

Site preparation works at the Daci Temple site in Chengdu have commenced. The 2.7 million square foot mixed-use development will comprise a street style retail complex, an office tower, a boutique hotel and serviced apartments. The office tower is intended to be developed for trading purposes. The project is scheduled to open in phases in 2014.

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

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2011 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$191,515 million compared to HK$180,248 million at 31st December 2010 and HK$201,414 million at 30th June 2011.

The increase in the valuation of the investment property portfolio since 31st December 2010 principally reflects higher rental income. The decrease in the valuation of the investment property portfolio since 30th June 2011 principally reflects the sale of Festival Walk in August 2011.

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.

Hong Kong Lease Expiry Profile - at 31st December 2011

% of the total rental income attributable to the Group for the month ended 31st December 2011	2012	2013	2014 and beyond
Office	13%	23%	64%
Retail	20%	30%	50%

Audited financial information Investment Properties	Group Completed HK$M	 Under Construction HK$M	 Total HK$M	Company Total HK$M
At 1st January 2011	**160,763**	**19,485**	**180,248**	**2,295**
Translation differences	**374**	**421**	**795**	**-**
Change in composition of Group	**(18,090)**	**-**	**(18,090)**	**-**
Additions	**141**	**5,084**	**5,225**	**303**
Transfer upon completion	**11,142**	**(11,142)**	**-**	**-**
Other net transfers from property, plant and equipment	**175**	**38**	**213**	**-**
Other net transfers from property held for development	**104**	**249**	**353**	**-**
Fair value gains	**19,521**	**3,250**	**22,771**	**2,668**
	174,130	**17,385**	**191,515**	**5,266**
Add: Initial leasing costs	**290**	**-**	**290**	**-**
At 31st December 2011	**174,420**	**17,385**	**191,805**	**5,266**
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

Geographical Analysis of Investment Properties	Group 2011 HK$M	 2010 HK$M	Company 2011 HK$M	 2010 HK$M
Held in Hong Kong				
On medium-term leases (10 to 50 years)	**25,143**	39,154	-	-
On long-term leases (over 50 years)	**144,751**	123,827	**5,266**	2,295
	169,894	162,981	**5,266**	2,295
Held in Mainland China				
On medium-term leases (10 to 50 years)	**21,230**	17,267		
Held in USA				
Freehold	**391**	-		
	191,515	180,248		

Note:

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

HOTELS

Hong Kong

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place, and EAST Hong Kong, a 345-room hotel at Island East. 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.

The wholly-owned and managed hotels performed significantly better. At The Upper House, revenue per available room increased by 35% from 2010, while at EAST, revenue per available room increased by 51%. All of the non-managed hotels also performed strongly in 2011.

Mainland China

The Opposite House, a 99-room luxury hotel at Sanlitun Village, Beijing, is wholly-owned by Swire Properties and is managed by Swire Hotels. Revenue per available room increased by 33% from 2010.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami. Trading conditions in 2011 improved compared with those in 2010, with higher room and occupancy rates.

United Kingdom

Swire Properties owns four hotels in the United Kingdom, one each in Cheltenham, Bristol, Brighton and Exeter. An impairment charge was recorded against the hotels in December 2011, reflecting the challenging trading environment in the United Kingdom. Despite challenging operating conditions, the hotels performed satisfactorily during the year.

Outlook

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

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

The trading environment in the United Kingdom remains challenging. The Magdalen Chapter Hotel in Exeter was closed in 2011 for refurbishment and is scheduled to reopen in 2012.

CAPITAL EXPENDITURE AND COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

Capital expenditure in 2011 on Hong Kong investment properties and hotels, including completed projects, amounted to HK$3,104 million (2010: HK$3,031 million). Outstanding capital commitments at 31st December 2011 were HK$6,740 million (31st December 2010: HK$1,448 million).

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

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

Profile of Capital Commitments for Investment Properties and Hotels

(HK$M)	Expenditure	Forecast year of expenditure				Commitments	
	2011	2012	2013	2014	2015 & beyond	**At 31st Dec 2011**	
Hong Kong projects	**3,104**	1,099	571	666	4,404	**6,740**	
Mainland China projects	**3,180**	3,321	1,628	2,062	1,419	**8,430**	
USA projects	**7**	491	829	1,102	50	**2,472**	
UK hotels	**95**	38	-	-	-	**38**	
Total	**6,386**	4,949	3,028	3,830	5,873	**17,680**	*

* 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$1,828 million of the capital commitments of jointly controlled companies.

PROPERTY TRADING

Swire Properties' trading portfolio principally comprises land and residential apartments under development in Hong Kong, Mainland China and Miami, Florida. In addition, as at 31st December 2011 there are completed apartments for sale at 5 Star Street in Hong Kong and at the ASIA development in Miami, Florida.

Audited financial information
Property Trading Portfolio at Cost

	Group	
	2011 HK$M	2010 HK$M
Properties held for development		
Freehold land	**124**	443
Properties for sale		
Completed properties - development costs	**270**	388
Completed properties - freehold land	**7**	9
Completed properties - leasehold land	**4**	4
Properties under development - development costs	**1,329**	673
Freehold land under development for sale	**175**	-
Leasehold land under development for sale	**5,025**	4,443
	6,810	5,517

Hong Kong

99 of the 126 units at the AZURA development on Seymour Road have been pre-sold. Construction work is progressing on schedule, with completion expected in the latter part of 2012. Swire Properties has an 87.5% interest in this development.

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

Construction work at the 151,944 square foot residential development at Sai Wan Terrace is in progress. Swire Properties has an 80% interest in this development, with completion expected in 2013.

Foundation work at the 165,792 square foot residential development at 33 Seymour Road is progressing, with completion expected in 2014. Foundation work is also 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 2016.

All remaining residential and retail units at the Island Lodge development in North Point have now been sold. Swire Properties was entitled to reimbursement of redevelopment costs and a share of the net proceeds of sales under an agreement with China Motor Bus Company Limited, which owned the property.

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

Construction work is in progress at the 88,555 square foot residential development at 148 Argyle Street, in which Swire Properties has a 50% interest. Completion is expected in 2013.

USA

Sales of 99 of the 123 units have been closed at the ASIA residential development in Miami since the development was completed in April 2008. A further 11 units have been leased.

The real estate market in South Florida improved in 2011 but remains difficult.

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

Outlook

Profits from property trading are expected to be significant in 2012, with the completion and sale of units at the AZURA development in Hong Kong. Prices of luxury residential properties in Hong Kong are expected to remain steady, underpinned by low interest rates and short supply. In downtown Miami, properties built between 2005 to 2008 have been largely absorbed, with prices starting to rise in certain sectors.

Martin Cubbon

REVIEW OF OPERATIONS

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 ("AHK"), an associate interest in Air China and an interest in the Air China Cargo jointly controlled entity. 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.

STRATEGY:

The strategic objective of Cathay Pacific and HAECO (as listed companies in their own right) is sustainable growth in shareholder value over the long term. The strategies employed in order to achieve this objective are these:

- The development and strengthening of Hong Kong as a hub for aviation services, including passenger, cargo and aircraft engineering services.
- The development and strengthening of the airline (Cathay Pacific and Dragonair) and aircraft engineering (HAECO) brands.
- Developing the airlines' fleets (by investing in modern fuel efficient aircraft) with a view to their becoming one of the youngest, most fuel efficient fleets in the world.
- Maintaining and enhancing high standards of service to passenger, cargo and aircraft engineering customers.
- Strengthening the airlines' passenger and cargo networks and improving what they do on the ground and in the air.
- Continuing to build the strategic relationship with Air China.
- Increasing the range and depth of aircraft engineering services offered by HAECO.
- Endeavouring to minimise the impact of the airlines on the environment by investing in fuel efficient aircraft, by route optimisation and by aircraft weight reduction.

Aviation Division – Financial Highlights

	2011 HK$M	2010 HK$M
HAECO group *		
Turnover	**5,171**	2,574
Operating profit	**532**	229
Attributable profit	**615**	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 **	**2,405**	5,079
HAECO group *	**-**	152
Hactl ***	**-**	26
	2,405	5,257
Attributable profit	**2,999**	8,901

* 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.

Aviation Division – Key Operating Highlights

Cathay Pacific and Dragonair

		2011	2010	Change
Available tonne kilometres ("ATK")	*Million*	**26,383**	24,461	+7.9%
Available seat kilometres ("ASK")	*Million*	**126,340**	115,748	+9.2%
Revenue passenger kilometres ("RPK")	*Million*	**101,536**	96,588	+5.1%
Revenue passengers carried	*'000*	**27,581**	26,796	+2.9%
Passenger load factor	*%*	**80.4**	83.4	-3.0%pt
Passenger yield	*HK¢*	**66.5**	61.2	+8.7%
Cargo and mail carried	*Tonnes '000*	**1,649**	1,804	-8.6%
Cargo and mail load factor	*%*	**67.2**	75.7	-8.5%pt
Cargo and mail yield	*HK$*	**2.42**	2.33	+3.9%
Cost per ATK	*HK$*	**3.45**	3.16	+9.2%
Cost per ATK without fuel	*HK$*	**2.01**	2.02	-0.5%
Aircraft utilisation	*Hours per day*	**12.3**	12.0	+2.5%
On-time performance	*%*	**82.0**	80.9	+1.1%pt

HAECO group

		2011	2010	Change
Base maintenance manhours sold – HAECO	*Million*	**3.00**	2.74	+9.5%
Base maintenance manhours sold – TAECO	*Million*	**3.42**	2.52	+35.7%
Line maintenance movements handled – HAECO	*Average per day*	**306**	278	+10.1%

2011 OVERVIEW

The Aviation Division reported an attributable profit of HK$2,999 million in 2011, compared to an attributable profit of HK$8,901 million in 2010.

During 2011, the group acquired an additional 2% interest in Cathay Pacific for a total cost of HK$1,236 million, increasing its interest in Cathay Pacific to 44.97%.

CATHAY PACIFIC GROUP

2011 Results Summary

The Cathay Pacific group's attributable profit was HK$5,501 million in 2011, compared to a profit of HK$14,048 million in 2010. The 2010 results included significant non-recurring items arising from the sale of shareholdings in Hong Kong Air Cargo Terminals Limited and HAECO and the deemed disposal of part of Cathay Pacific's interest in Air China. Adjusting for these items, the attributable profit decreased by HK$5,514 million. Turnover for 2011 increased by 9.9% to HK$98,406 million.

In 2011 the core business of the Cathay Pacific group was materially affected by instability and uncertainty in the world's major economies. The business was also adversely affected by natural disasters in Japan and Thailand, the political situation in the Middle East and high jet fuel prices. The passenger business of Cathay Pacific and Dragonair held up relatively well. The cargo business was weak.

Passenger revenue for the year was HK$67,778 million, an increase of 14.2% compared with 2010. 27.6 million passengers were carried, a rise of 2.9% compared with 2010. Passenger capacity increased by 9.2%. The load factor fell by 3 percentage points to 80.4%. Yield increased by 8.7% to HK66.5 cents, mainly attributable to higher fuel surcharges and favourable exchange rate movements.

Cargo revenue for 2011 was marginally higher by 0.3% to HK$25,980 million compared with 2010. The cargo business performed reasonably well in the first quarter of 2011. However, from April onwards, demand weakened significantly and remained weak for the rest of the year. The tonnage carried by Cathay Pacific and Dragonair in 2011 fell by 8.6% to 1.6 million tonnes by comparison with 2010. Yield was up by 3.9% to HK$2.42, mainly attributable to higher fuel surcharges and favourable exchange rate movements. Capacity increased by 6.9%. The load factor fell by 8.5 percentage points to 67.2%.

Fuel is the airlines' biggest single cost. High jet fuel prices had a significant effect on operating results in 2011. Disregarding the effect of fuel hedging, the Cathay Pacific group's fuel costs increased by HK$12,455 million (or 44.1%) in 2011. The increase reflected both higher fuel prices and the fact that more flights were operated. Managing the risk associated with changing fuel prices remains a high priority. To this end there is an active fuel hedging programme in place. In 2011 a profit of HK$1,813 million was recognised from fuel hedging activities, with unrealised mark-to-market gains of HK$436 million being recognised in reserves.

Passenger Services

Revenue from Cathay Pacific and Dragonair's passenger services increased between 2010 and 2011. Demand for premium class travel remained robust in 2011. Firm demand for business class seats on short-haul routes reflected the relative strength of the Asian economies. Load factors in economy class remained generally high, particularly on the North American and Southeast Asian routes. However, there was a reduction in economy class yield on long-haul routes. Business to and from Japan was affected by the earthquake and tsunami which took place in March 2011. Business to and from Thailand was affected by the serious floods which took place in October and November. The strength of some currencies in which passenger revenues are received relative to the Hong Kong and US dollars had a positive impact on passenger revenues during 2011.

Two new Cathay Pacific passenger routes were introduced in 2011. In June, coverage in the Middle East was extended with a new four-times-weekly service to Abu Dhabi, the capital of the United Arab Emirates. In September, a daily service to Chicago was introduced.

Cathay Pacific's Milan service increased from four flights per week to daily in July in response to strong demand. Seven more flights per week to Taipei were reinstated, bringing the total back to the pre-financial crisis level of 108 flights per week in each direction. Three more flights per week to New York were added in March and more flights were added in May, so that there is now a four-times-daily service on this route. Three of the four daily flights operate non-stop. Two more flights per week were added to the Toronto route in May, so that a twice-daily service is again being operated on this route. Three more flights per week to Jakarta were added in August 2011, so that there is now a three-times-daily service on this route. In March, one more flight per week was added to the Surabaya route, so that there is now a daily service on this route. Three flights to Penang each week that previously went via Kuala Lumpur now go direct, providing a daily non-stop service to Penang. Singapore became an eight-times-daily service from July. On Southwest Pacific routes, operation from Adelaide was enhanced in November by turning three of the seven flights each week into non-stop services to Hong Kong. The other four flights continue to operate via Melbourne.

Dragonair increased capacity on its Mainland China and Taiwan routes from March 2011 onwards. Ten flights per week were added on the Kaohsiung route, taking the total to 42 per week. One daily flight was added on the Xiamen route, taking the total to four flights per day. The number of flights on the Ningbo route increased from seven to ten flights per week. There are two flights per day on the Chengdu and Nanjing routes and one flight per day on the Chongqing route from March 2011. From October 2011, a fourth daily flight was added to Hangzhou.

Dragonair's capacity was increased on some routes to secondary cities in Mainland China by using larger (Airbus A330-300) aircraft.

Cargo Services

Cathay Pacific and Dragonair

2010's strong growth in the world's air cargo markets continued in the first quarter of 2011. Business in that quarter was solid. However, from April onwards shipments from our two principal markets, Hong Kong and Mainland China, weakened significantly. This weakness continued for the rest of 2011. The normal increase in shipments in the late autumn did not occur. Exports from Mainland China fell as consumer demand weakened in key markets. Demand from Europe was particularly weak. The business was also affected by increased competition from carriers operating from Shanghai. In 2011 services to Bengaluru in India, Chongqing and Chengdu in Western China and Zaragoza in Spain were started.

In Mainland China less manufacturing is being done in the Pearl River Delta and the Yangtze River Delta and more manufacturing (particularly of high technology products) is being done in western and central areas. In order to position the airlines to carry cargo from these areas, scheduled freighter services to Chongqing and Chengdu were started in October 2011.

There is growing demand for high quality foreign products in Mainland China. This reflects the growing numbers and wealth of the middle classes. This growing demand has resulted in more cargo being carried by Cathay Pacific to Hong Kong for transhipment to Mainland China.

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 12 Asian cities with a fleet of eight Airbus A300-600F freighters and three Boeing 747-400BCF freighters dry-leased from Cathay Pacific.

Despite an improvement in yield, AHK recorded a lower profit compared with 2010, due to an increased provision for deferred tax.

Fleet Profile

At 31st December 2011, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 164, an increase of five during the year.

In March 2011, Cathay Pacific announced the acquisition of two more Airbus A350-900s, 15 more Airbus A330-300s and 10 more Boeing 777-300ERs. In August 2011, Cathay Pacific announced the acquisition of four more Boeing 777-300ERs and eight Boeing 777-200F freighters.

In 2011, 13 new aircraft were delivered: three Airbus A330-300s, six Boeing 777-300ERs and four Boeing 747-8F Freighters.

The second of four Boeing 747-400BCF freighters being sold to the cargo joint venture with Air China was sold in July. The remaining two such aircraft will be sold to the cargo joint venture in the second quarter of 2012.

Three Boeing 747-400BCF freighters are being dry-leased to Air Hong Kong in order to increase its capacity.

The four leased Airbus A340-300s parked by Cathay Pacific during the financial crisis of 2008-2009 will not return to service. Two were returned to their lessors in 2011 and the other two returned in January and February 2012. One Dragonair Airbus A330-300 was returned to its lessor in 2011.

It is planned to retire the 21 Boeing 747-400s and 11 Airbus A340-300s in the fleet before the end of the decade as new, more efficient aircraft arrive. One Boeing 747-400 passenger aircraft was deregistered in February 2011.

In January 2012, Cathay Pacific announced the purchase of six Airbus A350-900s for delivery in 2016 and 2017.

In January 2012, Dragonair agreed to lease two Airbus A320-200s for delivery later in 2012.

At 31st December 2011, the Cathay Pacific group had a total of 93 aircraft on firm order for delivery up to 2019.

Air China

Air China, in which Cathay Pacific holds a 19.53% interest, is Mainland China's national flag carrier and a leading provider of passenger, cargo and other airline related services, serving 96 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 2011 annual results include Air China's results for the 12 months ended 30th September 2011 and any significant events or transactions for the period from 1st October 2011 to 31st December 2011.

The Cathay Pacific group recorded a profit of HK$2,013 million from Air China in 2011, a decrease of 18.9% compared with 2010.

Air China plays an increasingly important role in the business of the Cathay Pacific group, having contributed 31.1% of consolidated profits before tax in 2011. Air China and Cathay Pacific continue to work together closely.

Air China Cargo Joint Venture

In May 2011, the cargo joint venture with Air China was launched. The joint venture operates from Shanghai under the Air China Cargo name. Shipments of air cargo between the Yangtze River Delta region and major markets round the world account for two-thirds of Mainland China's air cargo business.

The key markets for the joint venture are expected to be North America, Europe and North Asia. In addition to operating its own freighters, the venture has exclusive rights to carry cargo in the bellies of the Air China passenger fleet.

The Cathay Pacific group recorded a loss of HK$361 million from Air China Cargo in 2011, in its first period in operation. This reflected the current weakness in the global cargo market.

Cargo Terminal

The topping-out ceremony to mark the completion of civil construction of the new Cathay Pacific cargo terminal at Hong Kong International Airport took place in November 2011. The terminal, at which around 1,800 staff will be employed, is expected to start operating in early 2013. When fully operational, it will be one of the biggest and most sophisticated air cargo terminals in the world and will reinforce Hong Kong's position as the world's leading international air cargo hub.

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.

There was an increase in the number of meals sold in 2011 and this was reflected in increased turnover and profit. However, increases in raw material, fuel and employment costs led to a lower profit margin.

The overseas flight kitchens in Asia and Canada performed well in 2011, with improvements in profitability in Asia and a return to profitability in Canada.

Hong Kong Airport Services ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at Hong Kong International Airport.

The 2011 results of HAS were satisfactory, reflecting increased flight movements and an improvement in yield.

Outlook

After a record year in 2010, the Cathay Pacific group faced a number of major challenges in 2011. It continues to face challenges in 2012. Economic uncertainties have continued into the first part of this year. While these uncertainties continue, pressure on economy class yields is expected to continue and the cargo business in particular is expected to remain weak. Fuel prices have risen further. As a result, 2012 is looking even more challenging than 2011 and Cathay Pacific is therefore cautious about the prospects for this year. Cathay Pacific will continue to be vigilant in managing costs without compromising the quality of its products and services or the long-term strategic investment in its business. Its financial position remains strong.

John R Slosar

Fleet profile*

Aircraft type	Number as at 31st December 2011				Firm orders				Expiry of operating leases						Options	Purchase rights
		Leased														
	Owned	Finance	Operating	Total	'12	'13	'14 and beyond	Total	'12	'13	'14	'15	'16	'17 and beyond		
Aircraft operated by Cathay Pacific:																
A330-300	8	15	10	33	6	4	9	19				2	1	7		
A340-300	6	5	2[(a)]	13					2[(a)]							
A350-900							32[(b)]	32							10[(c)]	
747-400	16		5	21					2[(d)]			2	1			
747-400F	3	3		6												
747-400BCF	4[(e)]		4	8						2	1			1		
747-400ERF		6		6												
747-8F	2	2		4	4	2		6								
777-200	5			5												
777-200F							8	8								
777-300	3	9		12												
777-300ER	5	8	11	24	5	8	13	26						11		20[(f)]
Total	52	48	32	132	15	14	62	91	4	2	1	4	2	19	10	20
Aircraft operated by Dragonair:																
A320-200	5		6	11	2[(g)]			2				2	2	2		
A321-200	2		4	6								2	2			
A330-300	4	1	10	15					3	3	1	1	2			
Total	11	1	20	32	2			2	3	3	1	5	6	2		
Aircraft operated by Air Hong Kong:																
A300-600F	2	6		8												
747-400BCF			3	3									1	2		
Total	2	6	3	11									1	2		
Grand total	**65**	**55**	**55**	**175**	**17**[(h)]	**14**	**62**	**93**	**7**	**5**	**2**	**9**	**9**	**23**	**10**	**20**

* Includes parked aircraft. This profile does not reflect aircraft movements after 31st December 2011.

(a) The operating leases of these two aircraft expired in October and December 2011 and they were returned to the lessors in January and February 2012.
(b) Including two aircraft on 12-year operating leases.
(c) Options, to be exercised no later than 2016 for A350 family aircraft.
(d) One aircraft was purchased by Cathay Pacific Airways upon its lease expiry in January 2012.
(e) Two aircraft are expected to be sold to Air China Cargo in the second quarter of 2012.
(f) Purchase rights for aircraft to be delivered by 2017.
(g) Two aircraft on 10-year operating leases were delivered in February 2012.
(h) Two A320-200s on operating lease terms for which letters of intent were signed in December 2011 (with the leases having been signed in January 2012) will be delivered in November and December 2012. With these two additional aircraft, the total aircraft delivered in 2012 will be 19.

Fuel price and Fuel Consumption of Cathay Pacific and Dragonair (2002-2011)

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fuel Price (before hedging)	US$ per barrel (jet fuel)	32.13	38.09	52.46	72.52	85.83	91.45	131.92	73.46	94.00	129.43
Fuel Price (after hedging)	US$ per barrel (jet fuel)	30.62	35.07	47.42	71.38	84.11	88.05	159.12	63.16	94.14	123.54
Fuel comsumption	millions of barrels	20.52	20.64	24.86	27.62	30.48	35.26	37.61	35.29	37.87	39.54

Cathay Pacific and Dragonair - Passenger and Cargo Statistics (2002-2011)

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Passenger load factor	%	77.8	72.2	77.3	78.7	79.5	79.8	78.8	80.5	83.4	80.4
Passenger yield	HK¢	46.2	43.9	46.7	48.9	52.9	60.4	63.5	51.1	61.2	66.5
Cargo load factor	%	71.2	68.7	68.7	67.0	68.6	66.7	65.9	70.8	75.7	67.2
Cargo yield	HK¢	191.0	193.0	202.0	219.0	225.0	226.0	254.0	186.0	233.0	242.0
ASK	millions	63,050	59,280	74,062	82,766	91,769	102,462	115,478	111,167	115,748	126,340
ATK	millions	12,820	13,355	15,794	17,751	19,684	23,077	24,410	22,249	24,461	26,383

Hong Kong Aircraft Engineering Company ("HAECO") group

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 HAECO's subsidiary company, Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO")).

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").

HAECO group – Financial Highlights

	2011 HK$M	2010 HK$M	Change %
Turnover			
HAECO	**3,307**	2,966	+11%
TAECO	**1,581**	1,177	+34%
Others	**283**	123	+130%
Net operating profit	**525**	389	+35%
Profit attributable to the Company's shareholders			
HAECO	**381**	327	+17%
TAECO	**98**	53	+85%
Share of profit/(loss) of:			
HAESL and SAESL	**415**	380	+9%
Other subsidiaries and jointly controlled companies	**(73)**	(59)	-24%
Total	**821**	701	+17%
Swire Pacific Share	**615**	442	+39%

2011 RESULTS SUMMARY

The HAECO group's profit attributable to shareholders was HK$821 million in 2011, an increase of 17% or HK$120 million compared with the corresponding figure for 2010. The results of HAECO and TAECO improved, especially in the first half of 2011. The results of HAESL benefited from more work being done per engine. The other subsidiaries and joint ventures in Mainland China continued to make losses.

HAECO

HAECO recorded a 17% increase in attributable profit in 2011 to HK$381 million. Manhours sold by HAECO for heavy maintenance increased from 2.74 million in 2010 to 3.00 million in 2011. The increase reflected strong demand. Approximately 71% of the work was for airlines based outside of Hong Kong.

Demand for HAECO's line maintenance services in Hong Kong increased in line with the increase in aircraft movements at Hong Kong International Airport. The average daily number of aircraft movements handled by HAECO increased by 10% to 306 per day in 2011 from 2010.

HAECO's operating expenses increased by 10% to HK$2,916 million, in line with the growth in business.

TAECO

TAECO recorded an 85% increase in attributable profit in 2011 to HK$98 million. This reflected better utilisation of its hangars, particularly in the first half of 2011. Manhours sold for heavy maintenance increased from 2.52 million in 2010 to 3.42 million in 2011. TAECO's line maintenance operations also improved. Aircraft movements handled by TAECO at the four airports at which it provides line maintenance services (Xiamen, Beijing, Tianjin and Shanghai) increased by 18% in 2011.

TAECO's operating expenses increased by 32% to HK$1,456 million.

HAESL and SAESL

HAESL recorded a 9% increase in profit to HK$773 million. This principally reflected more work being done per engine.

SAESL, in which HAESL has a 20% interest, recorded a 13% growth in profit in 2011.

Other Subsidiaries and Jointly Controlled Companies

The increased losses from other subsidiaries and jointly controlled companies are principally due to the costs of developing capabilities in their operations in Mainland China, high wage inflation, the strength of the Renminbi and increased competition.

Key Developments

TAECO was approved by Airbus as a corporate and executive jet cabin completion centre in March 2011 – the first such approved centre in the Asia Pacific region. TAECO was also approved by Boeing as a business jet VIP completion centre in October 2011.

TAECO opened its sixth wide-body double bay hangar at Xiamen in June 2011.

HAESL opened its component repair centre of excellence facility, a 13,500 square metre extension to its existing component repair facility, in June 2011.

Taikoo Engine Services (Xiamen) Company Limited completed an extension to its engine overhaul facility in June 2011.

Taikoo Sichuan Aircraft Engineering Services Company Limited's construction of a second hangar has been approved. Construction is expected to commence in 2012.

In November 2011, HAECO entered into a Memorandum of Understanding with Cathay Pacific to provide inventory technical management for the Cathay Pacific and Dragonair fleets.

In December 2011, the HAECO group acquired a 49% shareholding in a provider of line maintenance in Shanghai. The provider was renamed Shanghai Taikoo Aircraft Engineering Services Company Limited.

Outlook

The aviation industry is being affected by instability and uncertainty in the world's major economies. However, demand for HAECO's heavy and line maintenance services in Hong Kong is expected to remain strong in 2012. HAECO will seek to develop its inventory technical management and component and avionics overhaul businesses. HAESL is expected to perform well in 2012. TAECO and the joint ventures in Mainland China are expected to continue to be adversely affected by high wage inflation, the strength of the Renminbi and increased competition.

Augustus Tang

HAECO group Key Operating Highlights (2002 – 2011)

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Base maintenance manhours sold - HAECO	million	1.38	1.35	1.42	1.64	1.85	2.53	2.65	2.39	2.74	3.00
Base maintenance manhours sold - TAECO	million	1.70	1.70	2.11	2.47	3.58	3.87	4.07	2.98	2.52	3.42
Line maintenance movements handled - HAECO	Average per day	199	177	223	253	250	266	274	249	278	306

REVIEW OF OPERATIONS

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.

STRATEGY:

The strategic objective of Swire Beverages is to be a first class supplier of non-alcoholic beverages in its developed and emerging markets. The strategies employed in order to achieve this objective are these:

- Extending the availability and improving the market execution of our beverage brands.
- Building relationships with customers by providing a level of service that is valued by them and creates value for them.
- Effective management of revenues.
- Ensuring that suppliers provide high quality goods and services in a cost efficient manner.
- Attracting, engaging and retaining the best people, making them feel valued and motivating them to perform to the best of their ability.
- Engaging with the communities in which it operates and seeking to reduce the environmental impact of its operations, with a particular focus upon water conservation.

Beverages Division – Financial Highlights

	2011 HK$M	2010 HK$M
Turnover	**9,223**	8,554
Operating profit	**533**	618
Share of post-tax profits from jointly controlled and associated companies	**302**	334
Attributable profit	**588**	699

Beverages Division – Segment information

	Turnover		Attributable Profit / (Loss)	
	2011	2010	**2011**	2010
	HK$M	HK$M	**HK$M**	HK$M
Mainland China *	**1,854**	1,523	**265**	203
Hong Kong	**2,046**	1,883	**164**	173
Taiwan	**1,600**	1,561	**18**	48
USA	**3,723**	3,587	**223**	250
Central costs	**-**	-	**(13)**	25
Swire Beverages	**9,223**	8,554	**657**	699
Campbell Swire	**-**	-	**(69)**	-
Beverages Division	**9,223**	8,554	**588**	699

* 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$14,911 million (2010: HK$11,942 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$5,659 million (2010: HK$4,287 million).

2011 RESULTS SUMMARY

Swire Beverages

Swire Beverages made an attributable profit of HK$657 million in 2011, a 6% decrease from 2010. Excluding a profit of HK$40 million on the sale of long-term investments from the 2010 result, attributable profit declined marginally by HK$2 million or 0.3%.

Overall sales volume grew by 8% to 995 million unit cases compared with 2010. Volume grew in Mainland China and Hong Kong and declined marginally in the USA and Taiwan. Profit margins improved in Mainland China due to higher prices and an improved sales mix. In other markets, price increases (where these were possible) and improvements in the sales mix were insufficient to offset the effect of raw material cost increases.

Mainland China

2011 Results

Attributable profit from the Mainland China operations was HK$265 million, a 31% increase from 2010. Sales volumes increased by 10%, with all franchise areas performing strongly. This strong performance reflected better weather, focused sales efforts on core brands and stronger consumer marketing promotions. Sparkling sales volumes increased by 10%. Still sales volumes increased by 10%, which comprised a 13% increase in juice sales volumes partially offset by a decrease, reflecting competitive pressures, in tea sales volumes. Sales revenue growth of 19% exceeded volume growth due primarily to an improvement in the sales mix and higher prices.

Margins improved by 13% per unit case. Raw material costs increased by 7% per unit case or HK$2,067 million in total despite efficiency savings. The effect of cost increases was more than offset by an improved sales mix and higher prices. Sales of higher margin single serve items grew by 4% by volume and represented 50% of total sales volumes.

Retail market conditions were strong, reflecting government support for domestic consumption growth. Sales growth was supported by concentrating on restaurant outlets and extending distribution in rural areas.

Eight new production lines were installed in Mainland China, six by the associated company responsible for manufacturing still beverages.

Hong Kong

2011 Results

Attributable profit from the Hong Kong operations was HK$164 million, a 5% decrease from 2010.

Sales volumes increased by 7% compared to a 0.4% increase in the total beverage market. Sparkling sales grew by 7% and benefited from the growth of the Schweppes +C sparkling lemon drink that was launched in late 2010. Still sales increased by 7%, with satisfactory growth in the core beverage categories, supplemented by the effect of the launch of Aquarius, a sports drink.

Margins fell by 3% per unit case. Raw material costs increased by 7% per unit case. This increase more than offset the favourable effect of improvements in the sales mix and higher prices, which in turn reflected an increase in the number of package types, such increase being intended to enable different prices to be charged in different sales channels.

There was little change in total volumes sold in the Hong Kong market. Sales for immediate consumption benefited from growth in the number of tourists. This was offset by weaker sales for home consumption.

Taiwan

2011 Results

Attributable profit from the Taiwan operations was HK$18 million, a 63% decrease from 2010.

Sales volumes decreased by 1% compared with 2010. Consumer confidence was weak and peak season summer sales were badly affected by a food ingredient scandal, which did not directly involve any Coca-Cola products. The adverse market conditions made it difficult to increase prices in order to offset the effect of increased raw material costs.

The decreased profit reflected in part a restructuring charge of HK$24 million. This charge was incurred in order to reduce costs in response to the challenging operating environment.

USA

2011 Results

Attributable profit from the US operations was HK$223 million, an 11% decrease from 2010.

Sales volumes were down marginally by 0.5%. This reflected an adverse economic environment, poor weather in the early summer and reduced promotional activity by key retailers. Sparkling sales volumes were down by 5%. Still sales volumes were up by 15%.

Margins per unit case were in line with 2010. Raw material costs increased by 7% per unit case. The effect of cost increases was offset by an improved sales mix and higher prices.

The US company has started an expansion of its warehousing capacity (which will include automated handling capability) in Salt Lake City. The project will cost HK$340 million and is expected to improve efficiency from 2013.

Outlook

The growth of the Mainland China economy (particularly of manufacturing exports) is expected to slow in 2012. This may affect beverage sales in the southern and eastern provinces as they will be more affected than other areas by the expected slowdown. Overall prospects for growth in beverage sales are nevertheless considered favourable, particularly in rural areas and the central provinces due to government policies to encourage domestic consumption in less developed regions. The rate of increase in raw material costs is expected to slow. However, the effect of increases in 2011 will continue to be felt in 2012, so increasing revenue and controlling costs will remain a critical focus.

Taiwan is expected to recover from the difficult trading conditions of 2011. Hong Kong has potential for growth through continued expansion into new drink categories.

Because the US population is young and growing the medium term prospects in the US are good. However, the 2012 results will be affected by the weakness of the economy and the difficulty of raising prices.

Campbell Swire

The joint venture with The Campbell Soup Company was established in January 2011 to manufacture, sell and distribute soup and broth products in Mainland China. Swire Foods Holdings Limited (a wholly-owned subsidiary of Swire Pacific Limited) has a 40% shareholding. An attributable loss of HK$69 million was incurred in 2011. This was in line with expectations.

Outlook

Campbell's local recipe soups will have expanded distribution in Shanghai and northern provinces in 2012. Swanson's broth will be introduced in affordable sachets. Marketing and distribution of ready-to-drink soup (a new concept in Mainland China) will remain the focus.

Geoff L Cundle

Franchise Territories

	Population (millions)	GDP per capita (US$)	Sales volume (million unit cases) 2011	Sales volume (million unit cases) 2001	Per capita consumption* (8 oz servings) 2011	Per capita consumption* (8 oz servings) 2001
Mainland China						
Guangdong	78.3	9,002	206	56	63	22
Zhejiang	50.7	9,206	154	40	73	22
Anhui	69.2	3,905	62	7	22	3
Jiangsu	57.0	7,649	119	25	50	12
Fujian	37.1	6,421	80	17	52	12
Shaanxi	37.5	4,927	63	13	40	9
Henan	94.0	4,559	104	15	27	4
Hong Kong	7.1	33,299	65	43	219	148
Taiwan	23.2	19,690	61	42	64	43
USA	6.2	40,137	81	76	315	334

* Per capita consumption of Coca-Cola beverages.

Sales volume in million unit cases	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mainland China	201	237	287	348	415	500	600	700	719	788
USA	79	79	77	79	84	86	86	82	82	81
Taiwan	45	45	46	44	41	46	58	61	62	61
Hong Kong	45	46	46	48	50	55	57	61	60	65
	370	407	456	519	590	687	801	904	923	995

Capital expenditure by operation (HK$'M)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mainland China	74	129	176	265	343	464	924	758	1,060	577
USA	140	100	100	89	121	126	147	154	141	334
Taiwan	36	44	64	40	34	50	50	44	48	31
Hong Kong	29	39	36	45	59	64	51	56	76	51
	279	312	376	439	557	704	1,172	1,012	1,325	993

Breakdown of volume by channel	Mainland China 2011	HK 2011	Taiwan 2011	USA 2011	Total 2011
Modern Trade	25%	37%	72%	67%	32%
General Trade	25%	11%	23%	0%	22%
Other channels	50%	52%	5%	33%	46%
	100%	100%	100%	100%	100%

Breakdown of volume by category	2011	2001
Sparkling	60%	86%
Juice	19%	1%
Tea	4%	6%
Other still (excluding water)	4%	2%
Water	13%	5%
	100%	100%

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 group ("HUD"), in ship repair and harbour towage services in Hong Kong.

STRATEGY:

The strategic objective of the Marine Services division is to maintain and strengthen (i) Swire Pacific Offshore's position as a leader in the offshore energy supply industry and (ii) HUD's strong position in ship repair and harbour towage services in Hong Kong. The strategies employed in order to achieve this objective are these:

- Substantial and continuous investment by Swire Pacific Offshore in new vessels, especially those designed to operate in deeper waters, where the fastest growth in oil and gas exploration is expected.
- Selective investment in the provision of complementary marine services with a view to increasing returns from Swire Pacific vessels.
- A commitment to operational excellence and to maintaining and enhancing high standards of service to customers, including by placing major emphasis on safety and training.
- Strengthening the global and local network of Swire Pacific Offshore, both by entry into new areas and by developing the network in existing areas.
- Doing business through operating commercial joint ventures where necessary or appropriate.
- Diversifying into the servicing of offshore wind farm developments (as an end in itself and as a contribution to the development of sustainable energy).
- Maintaining an appropriate level of investment by HUD in new vessels and facilities.

Marine Services Division – Financial Highlights

	2011 HK$M	2010 HK$M
Swire Pacific Offshore group		
Turnover	**3,505**	3,046
Operating profit	**819**	732
Attributable profit	**785**	709
Share of post-tax profits from jointly controlled companies		
HUD group	**78**	82
Attributable profit	**863**	791

Marine Services Division – Fleet Size

	2011	2010
Fleet size (number of vessels)		
Swire Pacific Offshore group	**77**	76
HUD group - Hongkong Salvage & Towage	**19**	17
Total	**96**	93

SPO – Fleet Size Growth

			Vessels in operation			Vessels expected to be received in:			
			Additions	Disposals	Year-end				
Vessel class	**Brake horse power**	**2010**	**2011**			**2012**	**2013**	**2014**	**2015**
Anchor Handling Tug Supply Vessels									
J-class	2,600-4,200	11	-	4	7	-	-	-	-
T-class	3,600-4,000	4	-	-	4	-	-	-	-
P-class	4,800-4,830	11	5	-	16	-	-	-	-
S-class	5,440	4	-	-	4	-	-	-	-
6000 series	6,000-6,500	2	-	1	1	-	-	-	-
UT704	8,000-9,000	2	-	1	1	-	-	-	-
R-class	7,100-7,210	8	-	-	8	-	-	-	-
V-class	8,810	10	-	-	10	-	-	-	-
W-class	10,800	8	-	-	8	-	-	-	-
B-class	12,240	6	-	-	6	-	-	-	-
C-class	16,310	-	1	-	1	1	2	-	-
D-class	17,860-18,250	-	-	-	-	2	3	3	-
Platform Supply Vessels									
A-class	6,310	5	-	-	5	-	2	4	4
H-class*	11,500	-	1	-	1	-	1	6	1
Ice Breaking Supply Vessels									
E-class*	23,170	3	-	-	3	-	-	-	-
Seismic and Hydrographic Survey Vessels									
Survey	5,000-7,720	2	1	1	2	-	-	-	-
Accommodation Barges									
I-class		-	-	-	-	2	-	-	-
Wind Farm Installation Vessels									
O-class	32,900	-	-	-	-	2	-	-	-
Inspection, Maintenance and Repair Vessel **				-	-	1	-	-	-
		76	8	7	77	8	8	13	5

* SPO's fleet includes one H-class vessel and one E-class vessel chartered from external parties.
The H-class vessel was delivered during 2011.

**Vessel owned by Seabed AS, which was acquired by SPO in February 2012.

2011 RESULTS SUMMARY

The attributable profit of the Marine Services Division in 2011 was HK$863 million, an increase of 9% from 2010.

Swire Pacific Offshore group

2011 Results

SPO reported an attributable profit of HK$785 million in 2011, an increase of 11% compared to 2010. The result includes a profit of HK$79 million on the disposal of seven vessels in the year. Disregarding this capital profit and the impairment of HK$57 million recorded in 2010, the attributable profit fell by 8% compared to 2010.

During the year, eight new vessels were delivered, consisting of five P-class 4,800 brake horse power ("BHP") anchor handling tug supply ("AHTS") vessels, one C-class 16,310 BHP AHTS vessel, one H-class 11,500 BHP platform supply vessel ("PSV") and one seismic survey vessel. The contribution from these new vessels was HK$59 million. In line with SPO's strategy of phasing out its older tonnage, seven older vessels were sold during the year. The fleet size at 31st December 2011 was 77 vessels.

2011 saw a gradual improvement in the offshore energy market. Oil prices of more than US$100 per barrel supported an increase in exploration and production commitments by the oil majors. However, the over-supply of new tonnage entering the industry continued to restrict the recovery in charter hire rates.

Average daily charter hire rates for SPO's vessels were 11% higher than in 2010. The average fleet utilisation during the year was 86%, six percentage points higher than in 2010, with total charter hire revenue in 2011 increasing by 15%.

Total operating costs increased by HK$496 million. This was mainly due to an increase in manning costs as well as the cost of chartering vessels from external parties.

Total capital expenditure on new vessels and other fixed assets in 2011 amounted to HK$2,992 million, compared to HK$1,328 million in 2010.

During 2011, SPO committed to purchase an additional 27 vessels. This comprised a second wind farm installation vessel for delivery in late 2012, four C-class AHTS vessels, one of which has been delivered and the remaining three of which will (subject to negotiations with the insolvency officer of the shipyard building them) be delivered in 2012 and 2013, four D-class AHTS vessels for delivery in 2013 and 2014, and eight H-class and ten A-class PSVs for delivery between 2013 and 2015. These commitments reflect SPO's strategy of rebalancing the fleet between AHTS vessels and PSVs and focusing the new building programme on vessels capable of operating in deeper waters, where demand is expected to be greatest.

Outlook

SPO's charter hire and utilisation rates are expected to improve in 2012 as exploration and production spending by energy companies increases. SPO's 2012 results will also reflect the full-year contribution of vessels delivered in 2011 and the delivery of the first D-class and wind farm installation vessels.

In the longer-term, diminishing reserves and increasing consumption of oil and gas are expected to lead to increased exploration by energy companies in deeper waters. At the same time, there is growing demand by national governments for local participation in offshore supply vessel contracts. With the investments SPO is currently making in larger, more sophisticated vessels and in expanding its network of regional offices and joint ventures, SPO will be well positioned to face both of these developments.

41% of SPO's 2012 fleet capacity was pre-booked at 31st December 2011.

In January 2012, SPO acquired a 70% controlling interest in Altus Logistics Pte. Ltd., a Singapore-based logistics group focused on the oil and gas industry. In February 2012, SPO completed the acquisition of a 100% interest in Seabed AS, a Norwegian company which specialises in providing inspection, maintenance and repair services to the offshore oil and gas industry. The two acquisitions will enable SPO to provide a more comprehensive range of services to offshore energy customers, and will give SPO access to a number of new markets.

SPO - Profile of Capital Commitments (HK$M)

	Expenditure	Forecast year of expenditure				Commitments
	2011	2012	2013	2014	2015	at 31st Dec 2011
Vessels	2,930	6,370	3,212	2,994	857	13,433
Other fixed assets	62	33	2	1	-	36
Total	2,992	6,403	3,214	2,995	857	13,469

1. SPO – Fleet Size and Average Age of Vessels*

Year category	Dec 2002	Dec 2003	Dec 2004	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Dec 2015
0-5	15	18	17	19	28	33	33	27	31	27	31	32	42	41
6-10	3	6	9	10	10	10	15	18	17	29	25	26	27	30
11-15	-	-	-	-	-	-	3	8	10	10	15	18	16	19
16-20	6	4	2	2	1	1	-	-	2	2	5	8	10	10
21-25	26	26	24	23	14	11	3	2	1	-	-	-	2	2
26-30	-	1	2	2	9	8	14	14	14	5	-	-	-	-
31-35	-	-	-	-	-	-	1	1	1	4	5	1	1	1
36-40	-	-	-	-	-	-	-	-	-	-	-	1	1	1
Total	50	55	54	56	62	63	69	70	76	77	81	86	99	104
Average age	14.7	13.9	13.9	14.0	12.4	11.0	10.4	10.8	10.7	9.3	8.4	7.8	7.7	8.3

** Includes two vessels chartered from external parties.*

2. SPO – 2011 Turnover by Region

Region	2011 HK$M	2011 %
North Sea & West Africa	**989**	**28%**
Asia	**2,017**	**58%**
Middle East	**499**	**14%**
	3,505	**100%**

3. SPO – Average Utilisation Rates (2002 – 2011)

YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Average utilisation rate	90%	86%	88%	91%	94%	92%	91%	89%	80%	86%

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 13 tugs. HKST also manages six container vessels which are on long-term contracts to transport refuse for the Hong Kong Government.

2011 Results

The attributable profit of the HUD group for 2011 was HK$78 million compared to a comparable 2010 figure of HK$82 million.

The ship repair division recorded a loss (before tax and interest) for 2011 of HK$5 million, compared with a profit of HK$12 million in 2010. Margins declined as operating costs (particularly labour costs) increased but prices, reflecting the difficult economic background and increased competition, did not.

In 2011, HKST's profit (before tax and interest) was HK$210 million, compared with the corresponding 2010 figure of HK$200 million. Total tug movements increased by 1% in 2011, with those at container terminals increasing by 5%. The first two (of four) 5000 bhp tugs were delivered in September and November of 2011. The other two will be delivered in 2012.

Outlook

2012 is expected to be another difficult year for the shipping industry and consequently for the ship repair division. Operating costs are expected to remain high and it will be difficult to increase prices.

Tug movements are expected to be similar to those in 2011. HKST will continue to position itself as the market leader for tug operations in Hong Kong.

J B Rae-Smith

REVIEW OF OPERATIONS

TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in a number of wholly-owned companies 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 in Taiwan and Hong Kong
- 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

STRATEGY:

The strategic objective of the Trading & Industrial Division is to develop and strengthen the trading and industrial businesses which it operates. The strategies employed in order to achieve this objective are these:

- Strengthening the capability of Swire Resources in the distribution of branded sports and apparel goods in the Greater China region, including by expanding the range and quality of those branded goods.
- Continuing to increase the number of retail outlets operated by Swire Resources, particularly in Mainland China.
- Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to the portfolio of brands represented and expanding into Mainland China.
- Increasing the volume of sugar sold by Taikoo Sugar, particularly by further investment in its facilities and distribution capabilities in Mainland China.
- Expanding the distribution network of Akzo Nobel Swire Paints in smaller cities and towns in Mainland China.

Trading & Industrial Division - Financial Highlights

	2011 HK$M	2010 HK$M
Turnover		
Swire Resources group	**2,914**	2,135
Taikoo Motors group	**5,336**	3,588
Taikoo Sugar	**732**	594
Other subsidiary companies	**-**	4
	8,982	6,321
Operating profits/(losses)		
Swire Resources group	**192**	183
Taikoo Motors group	**121**	125
Taikoo Sugar	**(2)**	5
Other subsidiary companies and central costs	**(29)**	(14)
	282	299
Attributable profits/(losses)		
Swire Resources group*	**149**	177
Taikoo Motors group	**93**	89
Taikoo Sugar	**(3)**	5
Other subsidiary companies and central costs	**(30)**	(14)
	209	257

* Including post-tax profits from jointly controlled and associated companies within the Swire Resources group shown below.

Attributable profits from jointly controlled and associated companies		
Swire Resources group	**2**	35
Akzo Nobel Swire Paints	**130**	114
CROWN Beverage Cans group	**-**	56
	132	205
Attributable profit (excluding profit on sale of interest in PUMA & CROWN Beverage Cans group)	**339**	427
Profit on sale of interest in CROWN Beverage Cans group	**-**	771
Profit on sale of interest in PUMA	**148**	-
Attributable profit	**487**	1,198

Trading & Industrial Division - Key Operating Highlights

	2011	2010
Shoes sold (millions of pairs) *	**2.8**	3.1
Items of apparel sold (millions) *	**3.9**	5.3
Retail outlets in Hong Kong	**160**	125
Retail outlets in Mainland China	**109**	87

* The 2010 figures include 0.8 million pairs of shoes and 2.0 million items of apparel sold by the PUMA associate.

Vehicles sold :		
- to third party distributors	**9,534**	6,768
- to retail customers	**6,559**	4,525
Motorbikes sold	**2,007**	350
Sugar sold (millions of pounds) :		
- to bulk users	**170.7**	177.5
- to retail and catering users:		
- Hong Kong	**16.3**	14.8
- Mainland China	**26.0**	20.6

2011 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2011 decreased by 59% to HK$487 million. Excluding the gain on disposal of the Group's interest in PUMA in January 2011 of HK$148 million and the HK$771 million gain on disposal of its interest in CROWN Beverage Cans in 2010, profit decreased by 21% to HK$339 million. The decrease principally reflected the absence of contributions from PUMA as the interest was sold in January 2011 and CROWN Beverage Cans group which was sold in the second half of 2010.

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 17 brands in Hong Kong and 6 brands in Mainland China.

2011 Results

Attributable profit (excluding the gain on disposal of the interest in PUMA) for 2011 was HK$149 million, a decrease of 16% from 2010. Results from the multibrand store chains in Hong Kong and the distribution of Columbia products were very good. However, the effect of this was more than offset by the absence of a contribution from the PUMA associate and expenditure on acquiring and developing new distributorships.

In November 2011, the group acquired an 85% interest in the company which sells Chevignon denim products in Hong Kong and Mainland China under a long term licence agreement with the French owner of the brand. The group started to sell Repetto shoes in December 2011.

Turnover in Hong Kong was 26% higher than in 2010. The trading environment in Hong Kong was buoyant. Retail sales benefited from strong demand from visitors from Mainland China and prolonged cold weather in the first half of 2011. Margins benefited from less discounting and promotions, though this was partly offset by the effect of increased staff and occupancy costs. The group managed 160 retail outlets in Hong Kong at the end of 2011.

Turnover increased by 55% in Mainland China. This principally reflected increased sales of Columbia products. Gross margins declined as lower margin wholesale sales accounted for a higher proportion of total sales. The group managed 109 retail outlets in Mainland China at the end of 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 the group's distribution network and of developing its portfolio of brands (in particular the newly acquired Chevignon brand) and its multibrand stores are expected to increase.

<u>Taikoo Motors group</u>

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

2011 Results

Attributable profit of HK$93 million for 2011 was 4% higher than the comparable figure of HK$89 million for 2010. This increase in attributable profit reflects good growth in the car business in Taiwan, partly offset by the cost of developing sales of Vespa motor scooters in Taiwan and of developing the new Fiat and Alfa Romeo businesses in Hong Kong.

Taikoo Motors sold 16,093 cars and commercial vehicles in 2011, 43% more than in 2010. Total car registrations in the Taiwan market increased by 16% over 2010 to over 326,000 units.

Volkswagen passenger car sales in Taiwan increased by 24% over 2010 to 10,383 units.

2,047 Škoda cars were sold in Taiwan in 2011, compared with 795 in 2010 (the year in which Taikoo Motors took responsibility for the brand).

Taikoo Motors took responsibility for sales of Fiat and Alfa Romeo passenger cars in Hong Kong in the second half of 2011. 236 cars were sold in the remainder of the year.

2,064 Volkswagen light commercial vehicles were sold in Taiwan in 2011, 48% more than in 2010. The overall market for imported light commercial vehicles in Taiwan increased by 25%.

Sales of Volvo commercial vehicles in Taiwan increased by 20% compared to 2010. 248 Volvo trucks and buses were sold in the year.

Sales of Harley-Davidson motorcycles continued to grow. 500 units were sold in Taiwan, an increase of 43%.

Sales of Vespa scooters started in Taiwan in April 2011. 1,507 scooters were sold in the year.

The group operated 22 showrooms and 15 service centres at the end of 2011.

Outlook

Taikoo Motors is cautiously optimistic about the prospects for 2012, although growth may be affected by economic uncertainty. Volkswagen cars will remain Taikoo Motors' principal brand.

The group will continue to seek to broaden its product portfolio and geographical coverage. The costs of developing sales of new brands, including Fiat, Alfa Romeo and Vespa, and of expanding showrooms are expected to increase.

Taikoo Sugar

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

2011 Results

Taikoo Sugar reported a loss of HK$3 million in 2011, compared to a profit of HK$5 million in 2010.

Taikoo Sugar sold 16.3 million pounds of sugar to retail and catering customers in Hong Kong, an increase of 10% compared with 2010. In Mainland China, Taikoo Sugar sold 26.0 million pounds of sugar in 2011, an increase of 26% compared with 2010. Profitability was adversely affected by high sugar costs in the first half of 2011. Price increases enabled Taikoo Sugar to offset part of the effect of high sugar costs in the second half of 2011.

A new packaging plant in Shanghai was opened during 2011, with the capacity to package 6.2 million pounds of sugar per annum. Taikoo Sugar sold sugar in 83 cities in Mainland China at the end of 2011.

Outlook

Taikoo Sugar plans to increase the number of cities in which it sells sugar in Mainland China to 113 in 2012 and to increase the volume of sales in Mainland China by 20%. Margins are expected to benefit from higher prices and a return to profitability is expected.

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.

2011 Results

Attributable profit increased by 14% from 2010 to HK$130 million.

Sales volume grew by 16% from 2010, 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, with a higher proportion of lower margin products having been sold.

The Hong Kong market remained stable.

Outlook

Sales are expected to grow by over 10% in 2012 as a result of further network expansion. However, cost increases are expected to result in profits being similar to those of 2011.

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		**2011**	2010
	Note	**HK$M**	HK$M
Profit attributable to the Company's shareholders per accounts		**32,210**	38,252
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(23,491)**	(23,237)
Deferred tax on revaluation movements	(b)	**523**	852
Realised profit on sale of investment properties	(c)	**7,977**	211
Depreciation of investment properties occupied by the Group	(d)	**27**	23
Non-controlling interests' share of revaluation movements less deferred tax		**46**	42
Underlying profit attributable to the Company's shareholders		**17,292**	16,143
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 interest in Festival Walk		**(8,615)**	-
Profit on sale of investment properties		**-**	(576)
Profit on sale of interest in PUMA		**(148)**	-
Profit on sale of property, plant and equipment and other investments		**(91)**	(40)
Net impairment of property, plant and equipment, leasehold land and intangible assets		**290**	57
Adjusted Underlying profit		**8,728**	11,099
Underlying equity			
Equity attributable to the Company's shareholders per accounts		**227,559**	204,452
Deferred tax on revaluation of investment properties		**3,284**	2,766
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**912**	535
Revaluation of investment properties occupied by the Group		**997**	833
Cumulative depreciation of investment properties occupied by the Group		**63**	63
Underlying equity attributable to the Company's shareholders		**232,815**	208,649
Underlying non-controlling interests		**4,961**	4,637
Underlying equity		**237,776**	213,286

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. In accordance with the provisions 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.

Consolidated Income Statement
For the year ended 31st December 2011

	Note	**2011 HK$M**	2010 HK$M
Turnover	2	**36,286**	29,201
Cost of sales		**(21,359)**	(15,958)
Gross profit		**14,927**	13,243
Distribution costs		**(3,959)**	(3,245)
Administrative expenses		**(3,084)**	(2,697)
Other operating expenses		**(250)**	(312)
Profit on sale of interests in associated and jointly controlled companies		**149**	2,008
Gain on remeasurement of previously held interest in HAECO on acquiring control		**-**	2,547
Other net gains		**870**	1,083
Change in fair value of investment properties		**22,771**	21,344
Operating profit	3	**31,424**	33,971
Finance charges		**(1,687)**	(1,317)
Finance income		**77**	58
Net finance charges	4	**(1,610)**	(1,259)
Share of profits less losses of jointly controlled companies		**1,801**	2,263
Share of profits less losses of associated companies		**2,570**	5,552
Profit before taxation		**34,185**	40,527
Taxation	5	**(1,630)**	(1,638)
Profit for the year		**32,555**	38,889
Profit for the year attributable to:			
The Company's shareholders		**32,210**	38,252
Non-controlling interests		**345**	637
		32,555	38,889
Dividends			
First Interim - paid		**1,730**	1,505
Special Interim - paid		**4,514**	-
Second Interim - declared/Final - paid		**3,536**	3,761
	6	**9,780**	5,266
		HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	7		
'A' shares		**21.41**	25.42
'B' shares		**4.28**	5.08

Consolidated Statement of Comprehensive Income
For the year ended 31st December 2011

	2011	2010
	HK$M	HK$M
Profit for the year	**32,555**	38,889
Other comprehensive income		
Cash flow hedges		
- gains recognised during the year	**88**	110
- transferred to net finance charges	**5**	12
- transferred to operating profit - exchange differences	**-**	(34)
- transferred to initial cost of non-financial assets	**1**	26
- deferred tax	**(46)**	(15)
Net fair value changes on available-for-sale assets		
- net losses recognised during the year	**(100)**	(30)
- net gains transferred to operating profit	**(3)**	(44)
Revaluation of property previously occupied by the Group		
- gain recognised during the year	**188**	1,462
Share of other comprehensive income of jointly controlled and associated companies	**208**	93
Net translation differences on foreign operations	**698**	615
Other comprehensive income for the year, net of tax	**1,039**	2,195
Total comprehensive income for the year	**33,594**	41,084
Total comprehensive income attributable to:		
The Company's shareholders	**33,142**	40,431
Non-controlling interests	**452**	653
	33,594	41,084

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 2011

	Note	**2011 HK$M**	2010 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**27,288**	24,125
Investment properties		**191,805**	180,418
Leasehold land and land use rights		**969**	928
Intangible assets		**4,270**	4,435
Properties held for development		**124**	443
Jointly controlled companies		**18,866**	16,567
Associated companies		**27,145**	25,486
Available-for-sale assets		**188**	302
Long-term receivables		**6**	7
Long-term security deposits		**-**	42
Derivative financial instruments		**785**	611
Deferred tax assets		**305**	327
Retirement benefit assets		**600**	548
		272,351	254,239
Current assets			
Properties for sale		**6,810**	5,517
Stocks and work in progress		**3,287**	2,104
Trade and other receivables	8	**6,275**	4,499
Derivative financial instruments		**18**	36
Cash and cash equivalents		**3,707**	3,809
Short-term deposits		**215**	371
		20,312	16,336
Current liabilities			
Trade and other payables	9	**14,179**	10,156
Taxation payable		**557**	595
Derivative financial instruments		**207**	11
Bank overdrafts and short-term loans		**1,333**	5,283
Long-term loans and bonds due within one year		**8,750**	9,101
		25,026	25,146
Net current liabilities		**(4,714)**	(8,810)
Total assets less current liabilities		**267,637**	245,429
Non-current liabilities			
Perpetual capital securities		**2,331**	2,332
Long-term loans and bonds		**27,237**	28,738
Receipt in advance from an associated company		**58**	69
Derivative financial instruments		**119**	204
Deferred tax liabilities		**5,050**	4,605
Deferred profit		**108**	128
Retirement benefit liabilities		**258**	302
		35,161	36,378
NET ASSETS		**232,476**	209,051
EQUITY			
Share capital	10	**903**	903
Reserves	11	**226,656**	203,549
Equity attributable to the Company's shareholders		**227,559**	204,452
Non-controlling interests		**4,917**	4,599
TOTAL EQUITY		**232,476**	209,051

Consolidated Statement of Cash Flow
For the year ended 31st December 2011

	2011 HK$M	2010 HK$M
Operating activities		
Cash generated from operations	**9,204**	7,627
Interest paid	**(1,690)**	(1,491)
Interest received	**88**	44
Tax paid	**(913)**	(682)
	6,689	5,498
Dividends received from jointly controlled and associated companies and available-for-sale assets	**2,859**	1,705
Net cash from operating activities	**9,548**	7,203
Investing activities		
Purchase of property, plant and equipment	**(4,735)**	(2,586)
Additions of investment properties	**(4,993)**	(4,366)
Purchase of intangible assets	**(28)**	(22)
Proceeds from disposals of property, plant and equipment	**84**	69
Proceeds from disposals of vessels	**86**	3
Proceeds from disposals of investment properties	**-**	1,194
Purchase of shares in existing subsidiary companies	**-**	(201)
Net cash outflow on purchase of shares in new subsidiary companies	**(39)**	(208)
Net cash (outflow)/inflow on disposal of subsidiary companies	**(6)**	4
Net cash inflow from sale of interest in Festival Walk	**18,305**	-
Purchase of shares in jointly controlled companies	**(77)**	(306)
Purchase of shares in associated companies	**(1,299)**	(994)
Net cash outflow on purchase of additional shares in HAECO	**-**	(4,531)
Purchase of available-for-sale assets	**(3)**	(5)
Purchase of shares in PCCW Tower	**-**	(1,824)
Proceeds from disposal of interests in jointly controlled companies	**2**	1,175
Proceeds from disposal of interest in an associated company - Hactl	**-**	1,339
Proceeds from disposal of interest in an associated company - PUMA	**413**	-
Proceeds from disposals of available-for-sale assets	**22**	65
Proceeds from disposals of shares in PCCW Tower	**-**	1,353
Loans to jointly controlled companies	**(2,339)**	(1,055)
Loan to associated companies	**(26)**	(1)
Repayment of loans by jointly controlled companies	**1,169**	431
Repayment of loans by associated companies	**17**	386
Loan from an associated company	**24**	-
Net decrease/(increase) in deposits maturing after more than three months	**36**	(2)
Initial leasing costs incurred	**(193)**	(122)
Net cash generated from/(used in) investing activities	**6,420**	(10,204)
Net cash inflow/(outflow) before financing	**15,968**	(3,001)
Financing activities		
Loans drawn and refinancing	**6,998**	13,302
Repayment of loans and bonds	**(13,078)**	(3,717)
	(6,080)	9,585
Security deposits uplifted	**170**	169
Capital contribution from non-controlling interests	**24**	13
Dividends paid to the Company's shareholders	**(10,005)**	(4,815)
Dividends paid to non-controlling interests	**(146)**	(490)
Net cash (used in)/generated from financing activities	**(16,037)**	4,462
(Decrease)/increase in cash and cash equivalents	**(69)**	1,461
Cash and cash equivalents at 1st January	**3,790**	2,322
Currency adjustment	**(15)**	7
Cash and cash equivalents at 31st December	**3,706**	3,790
Represented by:		
Bank balances and short-term deposits maturing within three months	**3,707**	3,809
Bank overdrafts	**(1)**	(19)
	3,706	3,790

1. Segment information

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

Year ended 31st December 2011	External turnover	Inter-segment turnover	Operating profit	Finance charges	Finance income	Share of profits less losses of jointly controlled companies	Share of profits less losses of associated companies	Tax (charge)/ credit	Profit for the year	Profit attributable to the Company's shareholders	Depreciation and amortisation charged to operating profit
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property											
Property investment	8,591	60	6,781	(1,464)	24	123	-	(759)	4,705	4,695	(170)
Change in fair value of investment properties	-	-	20,179	-	-	676	1	(480)	20,376	20,330	-
Property trading	210	3	(50)	(5)	3	59	-	(3)	4	7	(9)
Hotels	717	-	(93)	(35)	-	(7)	155	(53)	(33)	(33)	(121)
	9,518	**63**	**26,817**	**(1,504)**	**27**	**851**	**156**	**(1,295)**	**25,052**	**24,999**	**(300)**
Aviation											
Cathay Pacific group	-	-	-	-	-	-	2,405	-	2,405	2,405	-
HAECO group	5,171	-	532	(25)	18	435	-	(84)	876	615	(419)
Others	-	-	(52)	-	-	4	-	-	(48)	(21)	(52)
	5,171	**-**	**480**	**(25)**	**18**	**439**	**2,405**	**(84)**	**3,233**	**2,999**	**(471)**
Beverages											
Mainland China	1,854	-	22	(48)	8	355	7	(43)	301	265	(95)
Hong Kong	2,045	1	197	-	-	-	-	(16)	181	164	(64)
Taiwan	1,600	-	28	(6)	-	-	-	(4)	18	18	(59)
USA	3,723	-	303	-	3	-	-	(83)	223	223	(136)
Central costs	-	-	(13)	-	-	-	-	-	(13)	(13)	-
Campbell Swire	-	-	(4)	(5)	-	(60)	-	-	(69)	(69)	-
	9,222	**1**	**533**	**(59)**	**11**	**295**	**7**	**(146)**	**641**	**588**	**(354)**
Marine Services											
Swire Pacific Offshore group	3,505	-	819	(5)	2	-	2	(26)	792	785	(481)
HUD group	-	-	-	-	-	78	-	-	78	78	-
	3,505	**-**	**819**	**(5)**	**2**	**78**	**2**	**(26)**	**870**	**863**	**(481)**
Trading & Industrial											
Swire Resources group	2,914	-	192	-	3	2	-	(50)	147	149	(20)
Taikoo Motors group	5,336	-	121	(2)	2	-	-	(28)	93	93	(38)
Taikoo Sugar	612	120	(2)	(1)	-	-	-	-	(3)	(3)	(1)
Akzo Nobel Swire Paints	-	-	-	-	-	136	-	(6)	130	130	-
Sale of interest in PUMA	-	-	148	-	-	-	-	-	148	148	-
Other activities	-	-	(29)	-	-	-	-	(1)	(30)	(30)	(1)
	8,862	**120**	**430**	**(3)**	**5**	**138**	**-**	**(85)**	**485**	**487**	**(60)**
Head Office											
Net income/(expenses)	8	40	(247)	(1,245)	1,168	-	-	6	(318)	(318)	(1)
Change in fair value of investment properties	-	-	2,592	-	-	-	-	-	2,592	2,592	-
	8	**40**	**2,345**	**(1,245)**	**1,168**	**-**	**-**	**6**	**2,274**	**2,274**	**(1)**
Inter-segment elimination	**-**	**(224)**	**-**	**1,154**	**(1,154)**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**36,286**	**-**	**31,424**	**(1,687)**	**77**	**1,801**	**2,570**	**(1,630)**	**32,555**	**32,210**	**(1,667)**

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.

1. Segment information (continued)

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

	External turnover	Inter-segment turnover	Operating profit	Finance charges	Finance income	Share of profits less losses of jointly controlled companies	Share of profits less losses of associated companies	Tax (charge)/ credit	Profit for the year	Profit attributable to the Company's shareholders	Depreciation and amortisation charged to operating profit
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Year ended 31st December 2010											
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	2	72	(6)	3	30	-	(12)	87	87	-
Hotels	518	-	(144)	(25)	-	(23)	132	(49)	(109)	(109)	(120)
	8,809	**62**	**26,862**	**(1,264)**	**27**	**1,461**	**225**	**(1,322)**	**25,989**	**25,940**	**(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	-	(258)	(1,237)	1,260	-	-	(5)	(240)	(240)	-
Change in fair value of investment properties	-	-	963	-	-	-	-	-	963	963	-
	7	**-**	**705**	**(1,237)**	**1,260**	**-**	**-**	**(5)**	**723**	**723**	**-**
Inter-segment elimination *	-	**(172)**	-	**1,257**	**(1,257)**	-	-	-	-	-	-
Total	**29,201**	**-**	**33,971**	**(1,317)**	**58**	**2,263**	**5,552**	**(1,638)**	**38,889**	**38,252**	**(1,328)**

* The 2010 comparative figures have been restated from those in the Group's 2010 statutory accounts to reflect certain adjustments made in preparing the listing document for Swire Properties Limited which was issued on 21st December 2011.

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.

1. Segment information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2011

	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	190,072	11,303	55	1,003	202,433	5,117
Property trading and development	7,479	842	-	76	8,397	2
Hotels	5,165	855	584	101	6,705	586
	202,716	**13,000**	**639**	**1,180**	**217,535**	**5,705**
Aviation						
Cathay Pacific group	-	-	25,596	-	25,596	-
HAECO group	7,663	1,100	-	1,345	10,108	608
Others	4,778	2,817	-	-	7,595	-
	12,441	**3,917**	**25,596**	**1,345**	**43,299**	**608**
Beverages						
Swire Beverages	5,419	1,551	899	696	8,565	495
Campbell Swire	-	4	-	-	4	-
	5,419	**1,555**	**899**	**696**	**8,569**	**495**
Marine Services						
Swire Pacific Offshore group	12,597	-	11	386	12,994	2,968
HUD group	-	(2)	-	-	(2)	-
	12,597	**(2)**	**11**	**386**	**12,992**	**2,968**
Trading & Industrial						
Swire Resources group	854	15	-	188	1,057	53
Taikoo Motors group	2,057	-	-	17	2,074	158
Taikoo Sugar	160	-	-	41	201	3
Akzo Nobel Swire Paints	-	381	-	-	381	-
Other activities	6	-	-	18	24	2
	3,077	**396**	**-**	**264**	**3,737**	**216**
Head Office	**6,430**	**-**	**-**	**101**	**6,531**	**380**
	242,680	**18,866**	**27,145**	**3,972**	**292,663**	**10,372**

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						
Swire Beverages	4,989	1,413	822	731	7,955	412
Campbell Swire	-	-	-	-	-	-
	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**

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.

1. Segment information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2011

	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	6,085	4,664	16,411	6,440	33,600	532
Property trading and development	1,721	19	5,003	406	7,149	-
Hotels	183	-	-	619	802	-
	7,989	**4,683**	**21,414**	**7,465**	**41,551**	**532**
Aviation						
HAECO group	**1,216**	**354**	**-**	**1,447**	**3,017**	**3,929**
Beverages						
Swire Beverages	**2,046**	**317**	**1,474**	**144**	**3,981**	**448**
Marine Services						
Swire Pacific Offshore group	**1,265**	**72**	**1,740**	**42**	**3,119**	**(2)**
Trading & Industrial						
Swire Resources group	714	17	(24)	-	707	10
Taikoo Motors group	964	26	-	13	1,003	-
Taikoo Sugar	80	-	-	-	80	-
Other activities	24	5	-	-	29	-
	1,782	**48**	**(24)**	**13**	**1,819**	**10**
Head Office	**631**	**133**	**(24,604)**	**30,540**	**6,700**	**-**
	14,929	**5,607**	**-**	**39,651**	**60,187**	**4,917**

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						
Swire 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**

1. 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 reportable segments within each of the five 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.

Swire Beverages 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 1(a) presents the results of Swire Beverages by geographical location in order to provide further information to the user of this analysis.

(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*	
	2011	2010	**2011**	2010
	HK$M	HK$M	**HK$M**	HK$M
Hong Kong	**15,794**	13,535	**181,374**	174,996
Asia (excluding Hong Kong)	**13,004**	8,906	**29,514**	24,524
United States of America	**3,872**	3,640	**1,555**	1,234
United Kingdom	**111**	74	**517**	538
Ship owning and operating activities	**3,505**	3,046	**11,496**	9,057
	36,286	29,201	**224,456**	210,349

* 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.

2. Turnover

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

	2011	2010
	HK$M	HK$M
Gross rental income from investment properties	**8,502**	7,819
Property trading	**210**	398
Hotels	**717**	518
Aircraft and engine maintenance services	**5,034**	2,519
Sales of goods	**18,107**	14,784
Charter hire and related income	**3,505**	3,046
Rendering of other services	**211**	117
	36,286	29,201

3. Operating profit

	2011 HK$M	2010 HK$M
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,527**	1,244
Amortisation of leasehold land and land use rights	**27**	16
Amortisation of intangible assets	**48**	31
Amortisation of initial leasing costs and others	**65**	37
And after crediting:		
Remeasurement gains and profit on disposal relating to the change of shareholding in PCCW Tower	**-**	342
Profit on sale of interest in Festival Walk *	**638**	-
Profit on sale of available-for-sale assets	**7**	45
Profit on sale of investment properties	**-**	544
Profit/(loss) on sale of property, plant and equipment	**82**	(5)

* In July 2011, an agreement was entered into with an Independent Third Party for the disposal of the Group's entire interest in Festival Walk for a cash consideration of HK$18,800 million, subject to adjustment by reference to net current assets and liabilities at completion. The adjustment resulted in an additional receipt of approximately HK$116 million. Completion took place on 18th August 2011. The profit on the sale, which excludes gains on revaluation of the property previously credited to the income statement up to 30th June 2011 (of which HK$1,087 million arose in the six months ended on that date), is HK$638 million.

4. Net finance charges

	2011		2010	
	HK$M	HK$M	HK$M	HK$M
Interest charged on:				
Bank loans and overdrafts		**(566)**		(392)
Other loans, bonds and perpetual capital securities:				
Wholly repayable within five years	**(391)**		(134)	
Not wholly repayable within five years	**(743)**		(985)	
		(1,134)		(1,119)
Fair value (losses)/gains on derivative instruments:				
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**(5)**		(12)	
Interest rate swaps: fair value hedges	**(3)**		5	
		(8)		(7)
Adjustments to financial liabilities - fair value hedges		**13**		13
Amortised loan fees - loans at amortised cost		**(66)**		(56)
Fair value loss on put option over non-controlling interest in Sanlitun Village		**(259)**		-
Other financing costs		**(58)**		(55)
Capitalised on:				
Investment properties	**197**		180	
Properties for sale	**155**		101	
Hotel and other properties	**24**		18	
Vessels	**15**		-	
		391		299
		(1,687)		(1,317)
Interest income on:				
Short-term deposits and bank balances	**40**		22	
Other loans	**37**		24	
Fair value gain on put option over non-controlling interest in Sanlitun Village	**-**		12	
		77		58
Net finance charges		**(1,610)**		(1,259)

5. Taxation

	2011		2010	
	HK$M	**HK$M**	HK$M	HK$M
Current taxation:				
Hong Kong profits tax	**(711)**		(747)	
Overseas taxation	**(256)**		(251)	
Over-provisions in prior years	**23**		11	
		(944)		(987)
Deferred taxation:				
Changes in fair value of investment properties	**(384)**		(379)	
Origination and reversal of temporary differences	**(302)**		(272)	
		(686)		(651)
		(1,630)		(1,638)

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

6. Dividends

	Company	
	2011	2010
	HK$M	HK$M
First Interim dividend paid on 4th October 2011 of HK¢115.0 per 'A' share and HK¢23.0 per 'B' share (2010: HK¢100.0 and HK¢20.0)	**1,730**	1,505
Special interim dividend paid on 4th October 2011 of HK¢300.0 per 'A' share and HK¢60.0 per 'B' share (2010: nil)	**4,514**	-
Second interim dividend (in lieu of a final dividend) declared on 15th March 2012 of HK¢235.0 per 'A' share and HK¢47.0 per 'B' share (2010 actual final dividend paid: HK¢250.0 and HK¢50.0)	**3,536**	3,761
	9,780	5,266

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

7. Earnings per share (basic and diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK$32,210 million (2010: HK$38,252 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2010 and 2011 in the proportion five to one.

8. Trade and other receivables

	2011	2010
	HK$M	HK$M
Trade debtors	**2,610**	2,108
Amounts due from fellow subsidiary companies	**4**	-
Amounts due from jointly controlled companies	**330**	179
Amounts due from associated companies	**185**	105
Prepayments and accrued income	**1,309**	971
Other receivables	**1,837**	1,136
	6,275	4,499

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

	2011	2010
	HK$M	HK$M
Under three months	**2,488**	1,876
Between three and six months	**99**	105
Over six months	**23**	127
	2,610	2,108

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.

9. Trade and other payables

	2011	2010
	HK$M	HK$M
Trade creditors	**3,576**	1,850
Amounts due to immediate holding company	**149**	191
Amounts due to jointly controlled companies	**81**	48
Amounts due to associated companies	**19**	10
Interest-bearing advances from jointly controlled companies at 1.55% (2010: 2.66%)	**244**	17
Interest-bearing advances from associated companies at 1.83% (2010: 0.54%)	**24**	149
Advances from non-controlling interests	**383**	368
Rental deposits from tenants	**1,780**	1,810
Put option over non-controlling interest in Sanlitun Village	**937**	678
Accrued capital expenditure	**1,484**	1,318
Other accruals	**3,247**	2,604
Other payables	**2,255**	1,113
	14,179	10,156

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

	2011	2010
	HK$M	HK$M
Under three months	**3,161**	1,717
Between three and six months	**403**	113
Over six months	**12**	20
	3,576	1,850

10. 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 2011 and 2010	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 31st December 2011 and 2010	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.

11. Reserves

	Revenue reserve	Share premium account	Capital redemption reserve	Properties revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Group								
At 1st January 2010	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)
- net gains 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	(3,310)	-	-	-	-	-	-	(3,310)
2010 interim dividend (note 6)	(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
At 1st January 2011	**199,044**	**342**	**49**	**1,462**	**635**	**(455)**	**2,472**	**203,549**
Profit for the year	**32,210**	**-**	**-**	**-**	**-**	**-**	**-**	**32,210**
Other comprehensive income								
Cash flow hedges								
- recognised during the year	**-**	**-**	**-**	**-**	**-**	**88**	**-**	**88**
- transferred to net finance charges	**-**	**-**	**-**	**-**	**-**	**5**	**-**	**5**
- transferred to operating profit - exchange differences	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**4**
- transferred to initial cost of non-financial assets	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
- deferred tax	**-**	**-**	**-**	**-**	**-**	**(46)**	**-**	**(46)**
Net fair value changes on available-for-sale assets								
- net losses recognised during the year	**-**	**-**	**-**	**-**	**(100)**	**-**	**-**	**(100)**
- net gains transferred to operating profit	**-**	**-**	**-**	**-**	**(3)**	**-**	**-**	**(3)**
Revaluation of property previously occupied by the Group								
- gain recognised during the year	**-**	**-**	**-**	**188**	**-**	**-**	**-**	**188**
Share of other comprehensive income of jointly controlled and associated companies	**(10)**	**-**	**-**	**-**	**(97)**	**(303)**	**614**	**204**
Net translation differences on foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**591**	**591**
Total comprehensive income for the year	**32,200**	**-**	**-**	**188**	**(200)**	**(251)**	**1,205**	**33,142**
Change in tax treatment for retirement benefits	**(30)**	**-**	**-**	**-**	**-**	**-**	**-**	**(30)**
2010 final dividend (note 6)	**(3,761)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,761)**
2011 first interim dividend (note 6)	**(1,730)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,730)**
2011 special interim dividend (note 6)	**(4,514)**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,514)**
At 31st December 2011	**221,209**	**342**	**49**	**1,650**	**435**	**(706)**	**3,677**	**226,656**

12. 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 2011:

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

The improvements to HKFRSs 2010 consist of amendments to existing standards. They have had no effect on the Group's annual accounts.

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

HKAS 24 (Revised) has clarified and simplified the definition of a related party. It has had no effect on the Group's annual accounts.

(b) 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. The revised 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 introduced 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 the amendment.

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 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 and 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 in Mainland China is recovered through use.

13. Events after the reporting period

(a) In October 2011, the Group submitted a proposal to The Stock Exchange of Hong Kong Limited ("The Stock Exchange") for the spin-off and separate listing of shares in Swire Properties by way of introduction. The listing of Swire Properties shares, which took effect in January 2012, was achieved by a distribution in specie by Swire Pacific of approximately 18% of Swire Properties' shares. Qualifying Swire Pacific Shareholders were entitled to 7 Swire Properties Shares for every 10 'A' Shares held and 7 Swire Properties Shares for every 50 'B' Shares held as at the Record Date. Following completion of the proposed spin-off, Swire Pacific's percentage shareholding in Swire Properties was reduced by approximately 18%. Swire Properties remains a subsidiary of the Company and the Group continues to be engaged (through subsidiaries and associated companies) in its existing airline, aircraft engineering, beverages, marine services and trading and industrial businesses. Completion of the proposed spin-off did not affect the listing of Swire Pacific shares on the Main Board of the Stock Exchange.

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

(c) In January 2012, the Cathay Pacific group entered into an agreement to purchase six Airbus A350-900 aircraft. The catalogue price of these aircraft is approximately HK$12,698 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.

(d) In January 2012, the Swire Pacific Offshore group ("SPO") acquired a 70% controlling interest in Altus Logistics Pte. Ltd., a Singapore-based logistics group focused on the oil and gas industry. In February 2012, SPO completed the acquisition of a 100% interest in Seabed AS, a Norwegian company which specialises in providing inspection, maintenance and repair services to the offshore oil and gas industry. The accounting for these business combinations was incomplete at the date of the Group's results announcement.

(e) In February 2012, US$500 million 4.50 per cent Guaranteed Notes due in 2022 were issued under Swire Pacific MTN Financing Limited's US$3.5 billion Medium Term Note Programme, guaranteed by Swire Pacific Limited.

Sources of finance

At 31st December 2011, committed loan facilities and debt securities amounted to HK$54,581 million, of which HK$16,459 million (30%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$6,373 million. Sources of funds at 31st December 2011 comprised:

	Available	Drawn	Undrawn expiring within one year	Undrawn expiring beyond one year
	HK$M	HK$M	HK$M	HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	16,527	16,527	-	-
Bank loans, overdrafts and other loans	35,723	19,264	4,465	11,994
Perpetual capital securities	2,331	2,331	-	-
Total committed facilities	54,581	38,122	4,465	11,994
Uncommitted facilities				
Bank loans, overdrafts and other loans	8,059	1,686	6,373	-
Total	62,640	39,808	10,838	11,994

At 31st December 2011, 59% of the Group's gross borrowings were on a fixed rate basis and 41% were on a floating rate basis (2010: 56% and 44% respectively).

Corporate Governance

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

The annual results have been reviewed by the Audit Committee of the Company.

Annual Report

The 2011 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Group website www.swirepacific.com. Printed copies will be available to shareholders on 11th April 2012.

List of Directors

As at the date of this announcement, the Directors of the Company are:

Executive Directors: C D Pratt (Chairman), M Cubbon, P A Kilgour, J R Slosar, I S C Shiu, G L Cundle, A K W Tang

Non-Executive Directors: Baroness Dunn, J W J Hughes-Hallett, P A Johansen, M B Swire

Independent Non-Executive Directors: T G Freshwater, C K M Kwok, C Lee, M Leung, M C C Sze, M M T Yang