



Swire Pacific
Annual Report 1999

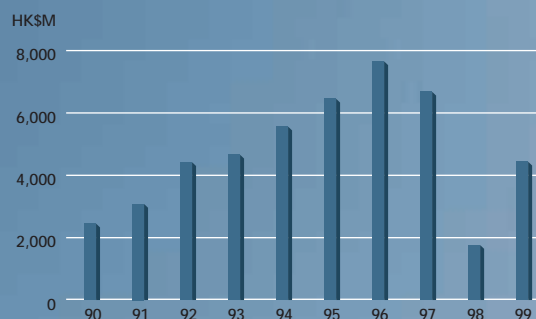


Swire Pacific Limited is one of Hong Kong's leading listed companies, with diversified interests under the following operating divisions: Property, Aviation, Beverages, Industrial, Trading and Marine Services. The company is primarily focused in the Hong Kong, Mainland China and Taiwan region where the Swire group has been established for over 125 years. Details of the activities of these divisions are contained in the Review of Operations.

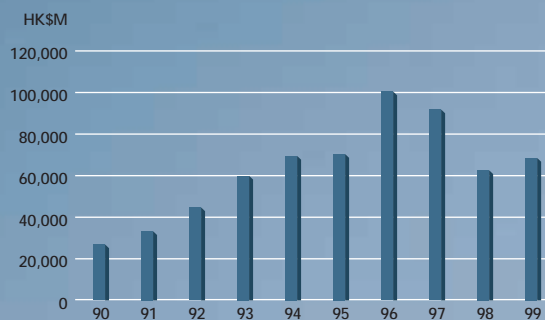
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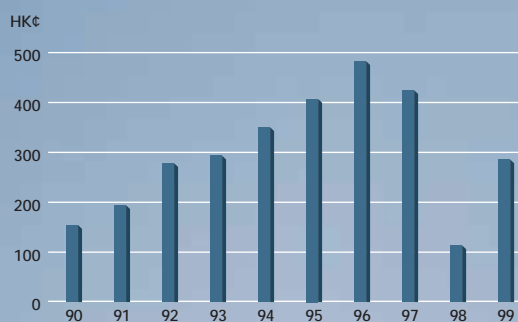
Profit attributable to shareholders



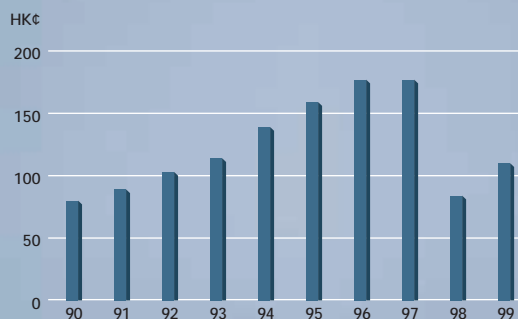
Shareholders' funds



Earnings per 'A' share



Dividend per 'A' share



Financial Highlights

Note		1999 HK\$M	1998 HK\$M	Change %
	Turnover	16,862	16,901	-0.2
	Operating profit	3,884	2,722	+42.7
	Profit attributable to shareholders	4,435	1,763	+151.6
	Net cash inflow from operating activities	5,635	6,120	-7.9
	Shareholders' funds and minority interests	72,789	66,311	+9.8
	Consolidated net borrowings	16,882	18,012	-6.3
		HK¢	HK¢	
1	Earnings per share			
	'A' shares	285.8	113.6) +151.6
	'B' shares	57.2	22.7)
		HK¢	HK¢	
	Dividends per share			
	'A' shares	110.0	84.0) +31.0
	'B' shares	22.0	16.8)
		HK\$	HK\$	
	Shareholders' funds per share			
	'A' shares	44.14	40.33) +9.4
	'B' shares	8.83	8.07)
2	Gearing ratio	0.23/1	0.27/1	
3	Interest cover – times	8.01	8.67	
4	Cash interest cover – times	2.93	2.04	
5	Dividend cover – times	2.60	1.35	

Notes:

1. Earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during each year.
2. Gearing represents the ratio of net borrowings to shareholders' funds and minority interests.
3. Interest cover is calculated by dividing operating profit by net finance charges.
4. Cash interest cover is calculated by dividing operating profit by net finance charges and capitalised interest.
5. Dividend cover is calculated by dividing profit attributable to shareholders by total dividends paid and proposed for the year.

Ten-Year Financial Summary

	1999 HK\$M	1998 HK\$M	1997 HK\$M	1996 HK\$M
Turnover	16,862	16,901	22,083	35,533
Profit attributable to shareholders	4,435	1,763	6,678	7,654
Dividends	1,707	1,304	2,756	2,806
Retained profit for the year	2,728	459	3,922	4,848
Net assets employed:				
Fixed assets	65,393	61,132	86,856	94,457
Jointly controlled companies	8,196	6,866	7,011	3,215
Associated companies	15,307	14,828	14,769	14,158
Long-term investments and receivables	502	806	656	639
Current and other assets less current liabilities	(3,140)	(4,276)	690	1,296
Deferred items	221	290	278	166
Net assets	86,479	79,646	110,260	113,931
Financed by:				
Shareholders' funds	68,509	62,591	91,820	100,464
Minority interests	4,280	3,720	3,646	2,991
Long-term financing	13,690	13,335	14,794	10,476
	86,479	79,646	110,260	113,931
	HK¢	HK¢	HK¢	HK¢
Earnings per share				
'A' shares	285.8	113.6	424.6	482.8
'B' shares	57.2	22.7	84.9	96.6
Dividends per share				
'A' shares	110.0	84.0	177.0	177.0
'B' shares	22.0	16.8	35.4	35.4
Dividend cover – times	2.60	1.35	2.42	2.73
	HK\$	HK\$	HK\$	HK\$
Shareholders' funds per share				
'A' shares	44.14	40.33	59.16	63.37
'B' shares	8.83	8.07	11.83	12.67

Notes:

- Turnover, net assets employed items, minority interests and long-term financing for the years 1990 to 1996 inclusive have incorporated the results of Cathay Pacific and HAECO as subsidiaries. Subsequent to the placement of new shares by Cathay Pacific on 10th June 1996, both companies became associated companies and therefore their figures were not consolidated thereafter.
- Fixed assets for the years 1990 to 1993 inclusive have been restated to include advance payments on aircraft and related equipment and the profit on sale and leaseback of fixed assets previously included under current assets and deferred items respectively.

1995 HK\$M	1994 HK\$M	1993 HK\$M	1992 HK\$M	1991 HK\$M	1990 HK\$M
52,158	46,554	40,263	38,754	33,491	31,058
6,454	5,561	4,658	4,419	3,080	2,450
2,521	2,207	1,810	1,635	1,413	1,270
3,933	3,354	2,848	2,784	1,667	1,180
98,256	93,739	82,740	63,171	51,052	42,210
2,938	1,631	797	659	614	470
1,933	1,724	1,419	1,011	874	828
1,893	1,650	1,136	952	719	813
9,120	11,727	11,041	11,841	7,650	3,750
(3,823)	(2,862)	(1,768)	(772)	(217)	(672)
110,317	107,609	95,365	76,862	60,692	47,399
70,387	69,492	59,942	44,724	33,262	26,906
10,247	8,809	8,854	6,293	4,857	3,854
29,683	29,308	26,569	25,845	22,573	16,639
110,317	107,609	95,365	76,862	60,692	47,399
HK¢	HK¢	HK¢	HK¢	HK¢	HK¢
407.0	350.3	293.4	278.3	194.0	154.3
81.4	70.1	58.7	55.7	38.8	30.9
159.0	139.0	114.0	103.0	89.0	80.0
31.8	27.8	22.8	20.6	17.8	16.0
2.56	2.52	2.57	2.70	2.18	1.93
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
44.40	43.77	37.75	28.17	20.95	16.95
8.88	8.75	7.55	5.63	4.19	3.39

- Shareholders' funds and shareholders' funds per share for 1990 have been restated to reflect the elimination of goodwill against reserves on acquisition of jointly controlled and associated companies.
- Turnover, net assets employed items, minority interests and long-term financing for the years 1990 to 1997 inclusive have been restated to reflect the reclassification of certain partly-owned subsidiaries and associated companies as jointly controlled companies.
- Shareholders' funds and shareholders' funds per share for the years 1990 to 1998 have been restated to reflect prior year adjustments on the unrealised exchange differences on hedges of foreign currency and the investment revaluation reserve in shareholders' funds.

Chairman's Statement

The group profit attributable to shareholders for 1999 was HK\$4,435 million, an increase of 151.6% from 1998 (HK\$1,763 million). These results are after non-recurring net profits of HK\$111 million in 1999 and charges of HK\$2,486 million in 1998. Excluding these items from both years, the group's attributable profit increased by 1.8%; largely as a result of an improved performance by Cathay Pacific, offset by lower net rental income and profits from property trading.

Dividends

Interim dividends of HK¢34.0 per 'A' share and HK¢6.8 per 'B' share were declared on 12th August 1999. Directors have recommended final dividends for 1999 of HK¢76.0 per 'A' share and HK¢15.2 per 'B' share. The total distribution per share paid and proposed for 1999 is 31.0% higher than that for 1998. Subject to approval by shareholders, dividend payments will be made on 1st June, 2000.

Operating results

Occupancy levels in Swire Properties' investment property portfolio have been reasonable, in a difficult market. As the supply of high-quality space in the Central business district reduces, and the available space in Island East is increasingly let, we may expect some firming of rental levels. Margins in the trading portfolio were lower than in previous years, although demand has recently shown some sign of firming.

Companies within the Aviation Division have continued their efforts to control and reduce costs. Cathay Pacific saw a welcome return to profitability after a most difficult year in 1998. With continuing strong demand for cargo in particular, the airline is well placed, although rising fuel costs remain a worry. The **oneworld** alliance is expected to continue to demonstrate its value with significant revenue benefits during 2000. The growth in cargo traffic has also had a very positive effect on HACTL and Air Hong Kong. HAECO will start to benefit from structural cost-saving measures effected in 1999. The airport at Chek Lap Kok is operating well and we have every expectation that it will provide the efficient aviation hub that Hong Kong deserves.

The Beverages Division businesses as a whole suffered from slower growth in all markets, with a consequent impact on profitability. Nevertheless, Beverages Division's operations in Mainland China are now generating good operating cash flows, which are being reinvested in improving its distribution network.

In the Industrial Division, with the exception of Swire SITA, operating losses continued to be incurred by the industrial associates and jointly controlled companies, although these reduced significantly in 1999. However, the markets in which these businesses operate, principally Mainland China, continue to be oversupplied.

Three businesses in the Trading Division were sold during the year: Swire & Maclaine, Camberley Enterprises and The Eagle's Eye. A fourth company, Swire Loxley, was sold shortly after the year-end. The remaining businesses in motor vehicle and sports shoe distribution performed satisfactorily despite weak consumer demand.

Within the Marine Services Division, Swire Pacific Offshore reported reduced profits, reflecting a downturn in oil exploration which resulted in lower vessel utilisation and charter rates. Contributions from marine associates, with the exception of Hongkong United Dockyards, showed satisfactory growth. The Division is expecting a recovery in oil exploration activity in the second half of 2000, which should feed through to the support industry.

Finance

At 31st December 1999, consolidated net borrowings amounted to HK\$16,882 million. When related to shareholders' funds and minority interests totalling HK\$72,789 million, this resulted in a gearing ratio of 0.23. The decrease in the gearing ratio from that of 31st December 1998 reflects decreased borrowings during 1999, largely due to the increased profitability of a number of businesses, the inflow of sales proceeds from trading developments by Swire Properties and a small increase in property investment revenue. As at 31st December 1999, the group had committed loan facilities and other financing in place amounting to HK\$20,293 million, of which 17% remained undrawn. In addition, there were uncommitted facilities undrawn at the year-end of HK\$2,110 million.

Community Relations

During the year, Swire Pacific has continued its charitable activities in Hong Kong. These included support for the Community Chest, the Hong Kong Association for the Mentally Handicapped, the Society for the Promotion of Hospice Care, the Hong Kong Red Cross and the Sunnyside Club.

We have committed further funding to environmental research facilities at the Swire Institute of Marine Science, in association with the University of Hong Kong. We are a major sponsor of the Life Education Activity Programme (LEAP), which educates young people on the dangers of drug abuse. Swire Pacific also funds a number of university scholarships in a range of disciplines in Hong Kong and overseas.

Environment

As a major group involved in operations that include aviation, shipping, property development and manufacturing we are conscious of the potential impact of these activities upon the environment. In Hong Kong, Swire Pacific is a founder member of the Private Sector Committee on the Environment, and we are committed to ensuring that we apply environmental best practices wherever we can.

Staff

The Swire Pacific group of companies employs some 60,000 people and their hard work and dedication have helped the group to weather the recent Asian economic downturn. On behalf of the shareholders, I would like to take this opportunity to thank them for their efforts, often under trying circumstances, during the past year. The improvement we have seen over 1998's results is a credit to their commitment.

Prospects

There are encouraging signs of recovery in economic activity in the region. Although average achieved rentals in the Property Division are still declining as older leases come up for renewal, conditions in the Hong Kong property market have stabilised and medium-term prospects have improved. The more positive environment in Asia, together with Cathay Pacific's continued focus on cost-containment combined with a first-rate product, augurs well for further growth in profits in the Aviation Division.

The economy of Mainland China has achieved a high level of growth, and market reforms should accelerate as a result of the proposed accession of the People's Republic of China to the World Trade Organisation. The group's beverage, aviation and industrial interests should benefit accordingly and we look for further growth in our Mainland China businesses.

The extraordinary growth in e-commerce awareness and activity in Asia presents a range of opportunities for all our businesses. We are fully committed to investment in e-business where we can identify opportunities to enhance our existing business activities.

Swire Pacific remains in a strong financial position; our focus will continue to be on growth in those sectors where the group has existing positions of strength or expertise.

J W J Hughes-Hallett

Chairman

Hong Kong, 10th March 2000

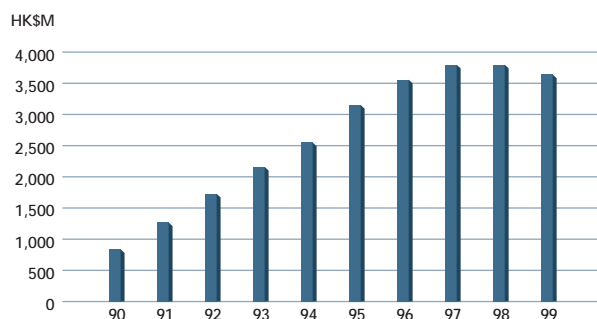
Review of Operations

Property Division

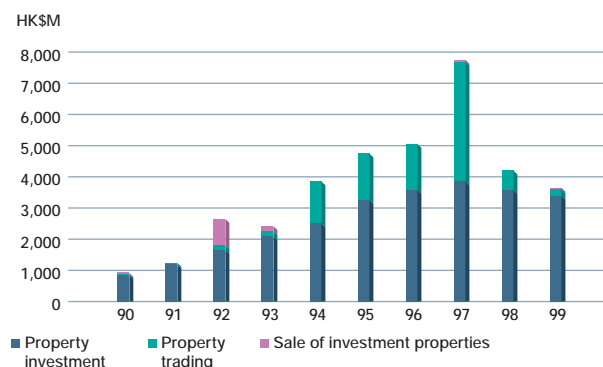


	1999 HK\$M	1998 HK\$M
Turnover	7,040	6,378
Operating profit from:		
Property investment	3,384	3,574
Property trading	209	623
Sale of investment properties	54	–
Share of profits/(losses) before taxation of jointly controlled companies		
– property investment and trading	51	(14)
Share of profits before taxation of associated companies – hotels	34	11
Attributable profit	3,002	1,505

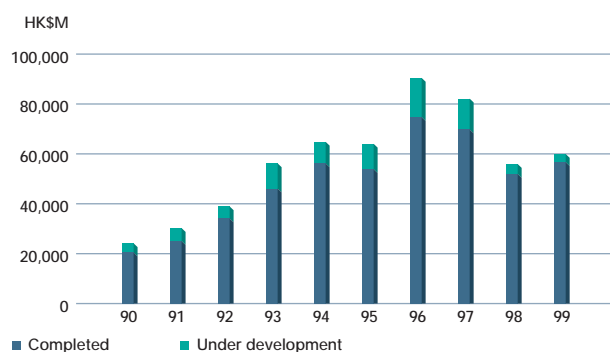
Net rental income



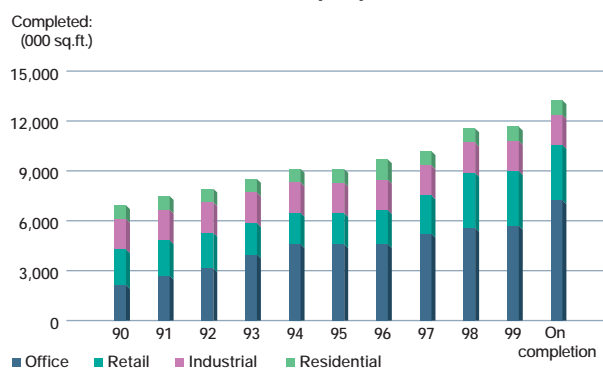
Operating profit before non-recurring items



Valuation of investment properties



Floor area of investment properties



The Hong Kong Property Market

Investment Property

1999 saw further pressure on rental levels in the investment property sector. Market rents have fallen from the highs seen in mid-1997, and rent reviews and relettings during the course of 1998 and 1999 were agreed at appreciably lower levels. This has resulted in a progressive reduction in the contribution from net rental income over the past two years, particularly in the office sector. New office supply, mainly in Central District, has been more than sufficient to satisfy current demand. Nevertheless, vacancy levels in more recently completed buildings have now fallen and there is some prospect of improvement in rental levels.

Although retail market rents have also fallen, they did not suffer the severe adjustment faced by the office sector. While weak in the early months, consumer demand in Hong Kong started to recover in the latter part of 1999, and continues to do so. It is encouraging that sales growth in recent months in Swire Properties' shopping centres has been significantly higher than in comparable months in 1998, and continues to outperform market averages.

Property Trading

The residential market in Hong Kong showed some recovery in transaction volumes in the earlier part of 1999, but sentiment weakened again in the latter part of the year. Prices have, however, stabilised since the sharp falls of 1998. There remains strong demand for better housing in Hong Kong and mortgage rates are keenly competitive, reflecting ample liquidity in the banking sector. Nevertheless, buying sentiment is likely to remain cautious until there is further improvement in the economy.

Activities in the year

Investment Properties

Overview

Swire Properties' completed investment portfolio in Hong Kong comprises prime office, retail, industrial and residential

properties with a total gross floor area of 11.7 million square feet, with a further 1.6 million square feet under or pending development. In addition, Swire Properties owns a 20% interest in each of the three hotels in Pacific Place, and an interest in a commercial property in Shanghai. The Swire Pacific group owns investment properties in Miami, Florida.

Net rental income from the Hong Kong investment portfolio amounted to HK\$3,635 million in 1999, compared with a contribution of HK\$3,788 million in 1998. In spite of a difficult market, the overall vacancy levels in Swire Properties' established portfolio were relatively low during the course of 1999, and there has been considerable success in attracting tenants to office space completed since 1997, mainly located in Island East. The contributions from newer properties, in particular the Festival Walk shopping centre, are helping to offset the effect of reduced contributions from the more established portfolio.

Whilst the net rental income for 2000 may continue to see some further modest reduction, mainly due to the renewal of the remainder of those leases secured at market highs, the performance of the investment portfolio has now largely adjusted to current market circumstances. Disruptions to overall market sentiment seem increasingly unlikely, and Swire Properties is well-positioned to benefit from any improvement, especially in the technology sector which is focusing on Island East.

Offices

Swire Properties' portfolio in Island East is centred on TaiKoo Place and Cityplaza. Island East is fast gaining a reputation as the region's leading telecoms hotelling port, supported by a dedicated satellite farm and a unique fibre network which connects the individual properties in the portfolio together.

Island East now comprises 5.7 million square feet of space, following the completion of the Oxford House office tower in August 1999. Oxford House, which comprises 500,000 square feet of space in 40 storeys, also provides an important pedestrian link between Cityplaza/Taikoo Shing and TaiKoo Place.

In spite of the difficult market, the Island East properties achieved fresh or renewed lettings covering some 1.5 million square feet of lettable floor space during 1999. 75% of Oxford House had been let by the end of 1999, and the Cityplaza One office tower, which was completed in 1997, was fully let by the end of 1999. Further progress was also made in marketing Lincoln House, which is now 82% let. Occupancy levels in the remainder of the Island East portfolio held up well.

The tenancy profile of Warwick, Somerset and Cornwall Houses is now focused on the telecommunications and technology sectors. Although the occupancy level decreased during the earlier part of the year, following a resurgence of interest from telecom companies seeking to establish gateway and hosting facilities it has now recovered to 87%. The 625 King's Road office tower, which is 50% owned by Swire Properties, also made some progress in securing new tenancies during 1999, and is now 66% let.

Occupancy in One and Two Pacific Place, which comprise 1.6 million square feet of space, was generally maintained at high levels during 1999 in the face of keen competition from new supply in Central District, although market rates

continued to soften. There is now a diminishing supply of new quality office space, which should underpin rentals at current levels.

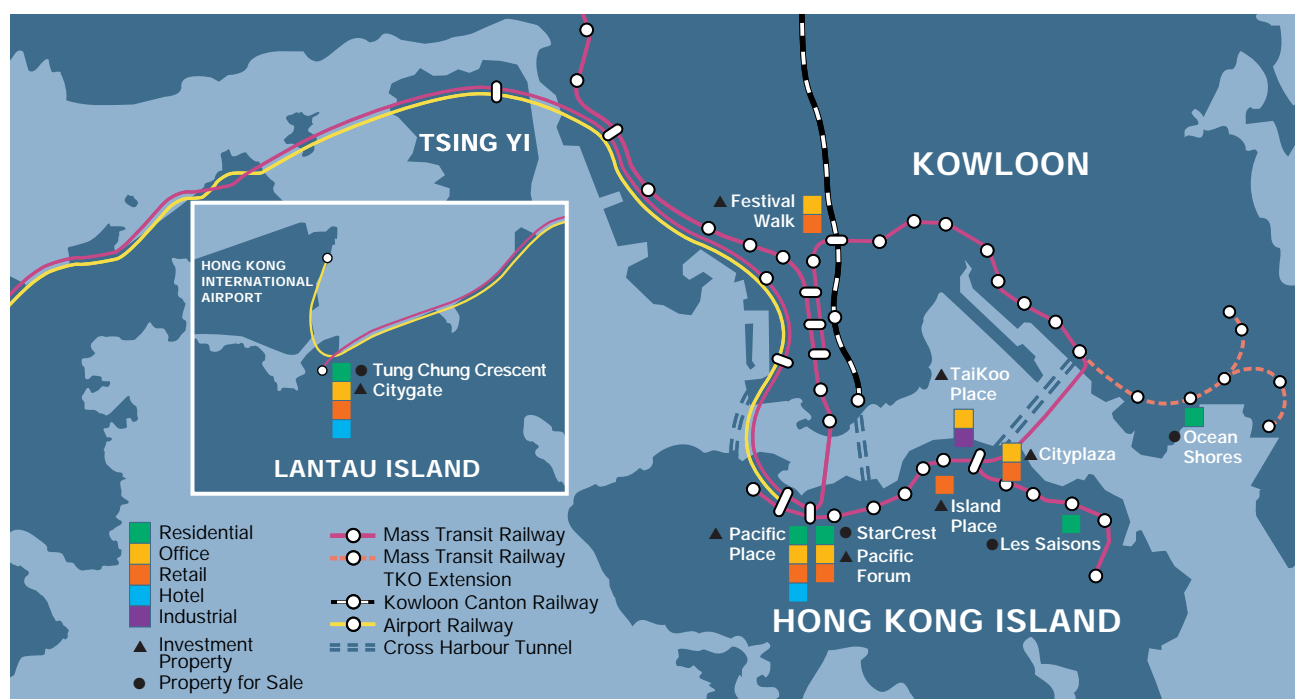
Festival Walk Tower, comprising 232,000 square feet of office space above the retail centre, was virtually fully-let by the end of 1999, although at lower effective rentals than had previously been expected.

Retail

Although lower than in 1998, the contribution from Swire Properties' established retail centres held up relatively well in 1999. Retail sales trends recorded by The Mall at Pacific Place and Cityplaza are appreciably better than the market average.

The bulk of the renovation work at Cityplaza was completed in time for the December 1999 shopping season, with the exception of the seven-screen "Cineplex" which will be completed in the latter part of 2000. Uny, Wing On and Marks & Spencer remain the major anchor tenants at Cityplaza; in addition there are over 150 retail and catering outlets and the Cityplaza Ice Palace.

Map showing locations of Swire Properties' major Hong Kong property interests



The trade mix at Pacific Place also remains largely unchanged and comprises Seibu, Lane Crawford, Marks & Spencer and United Artists' cinemas as anchor tenants, as well as over 150 other retail and catering outlets.

Festival Walk, which is owned 50:50 by Swire Properties and CITIC Pacific, opened in November 1998 and was substantially fully-let throughout 1999. It has become a major shopping attraction in Kowloon, and has consistently exceeded expectations for rental income for the year. The centre comprises 981,000 square feet of space on seven levels, 830 car-park spaces and a public transportation terminal. It is directly linked to the MTRC/KCRC Kowloon Tong interchange station by an underpass and a recently-completed bridge link. The trade mix comprises major tenants such as ParkNShop, Marks & Spencer, Page One Books and an eleven-screen cinema operated by AMC, plus over 200 other retail and catering outlets and The Glacier ice rink. The finishing work of the arcade flooring was unsatisfactory on completion, and has now been entirely replaced with minimal disruption to tenants.

Residential

Overall rental income from the residential portfolio was lower in 1999, mainly due to lower occupancy levels in The Atrium and Parkside serviced apartments at Pacific Place. Occupancies have, however, improved recently, as has average length of stay. The Albany residential apartments in Mid-Levels continued to maintain high occupancy in a difficult market, although their net rental contribution was somewhat lower than in 1998. Swire Properties' other luxury residential properties on Hong Kong Island continued to enjoy virtually full occupancy during 1999.

Investment properties under development

Planning approval has been obtained for the construction of a single 630,000 square foot office tower on the two sites at One Queen's Road East, near to Pacific Place. This is in place of the twin-tower scheme previously approved. Subsequent to the year-end, the remaining units in the existing building

at 15-19 Queen's Road East have been acquired. Subject to consolidation of the two sites, which requires approval by Government, this will enable implementation of the single tower scheme to proceed. Although foundation and basement excavation work is in progress, no decision will be taken to proceed with the main contract for this scheme, which will be known as "Pacific Forum", until clearer signs of improvement in the office market have been identified.

Demolition of Mount Parker House was completed in December 1999 to make way for the Cityplaza Two office tower. The new tower is planned to comprise 575,000 square feet of office space in 34 storeys. General building plans approval has also been obtained for the construction of a 16 storey, 448,000 square foot vertical extension to the Cityplaza One office tower. No firm commitment will be made to proceed with the main building contracts for either of these schemes until market conditions improve, though preparatory work and preliminary contracts will proceed.

It has been decided to proceed with the construction of a luxury residential project at 3 Coombe Road, The Peak. Comprising 14,500 square feet in four houses, the scheme is expected to be completed in 2001.

Citygate, the commercial centre of Tung Chung on Lantau, is being developed under an agreement with the MTRC, in which Swire Properties has a 20% interest. It comprises a 463,000 square foot shopping centre, a 161,000 square foot office tower and provision for a 350-room hotel. The retail and office components received their occupation permits around the end of 1999. Although the main building contract for the hotel is on hold, it is likely to be completed by 2003 at the latest. The retail centre will be opening in phases during 2000/2001 and 39% has so far been let.

1999 valuation of investment properties

The portfolio of investment properties in Hong Kong, both complete and under development, was valued at 31st December 1999 by professionally-qualified executives of the group. An independent valuation will be carried out at the end of 2000 in accordance with the group's policy of carrying

out such independent valuations every three years, with in-house valuations in intervening years. As a result of this year's valuation, Swire Pacific's property revaluation reserve has increased by HK\$2,716 million, following the reduction of HK\$29,793 million at the end of 1998. As at 31st December 1999, the Hong Kong portfolio was valued at HK\$59,946 million, compared with HK\$55,406 million at the end of 1998. Although market rents weakened further in 1998, capital values have recovered to some extent because of lower Hong Kong interest rates. Particulars of the properties in Hong Kong and the USA, both for investment and development for sale, are set out on pages 66 to 73.

Taikoo Shing Arbitration

Swire Properties has received from the Hong Kong SAR Government Lands Department a claim for payment of land premium and interest, principally in relation to the Cityplaza Four, Cityplaza Three and Cityplaza One office towers. No premium has ever before been demanded in respect of these properties and, having taken separate legal advice from three leading counsel, the Directors consider that the claim is ill-founded and do not accept that there is any liability. It has been agreed that this matter will be settled by arbitration.

Property Trading Portfolio

Swire Properties' portfolio of developments for sale comprises mainly residential apartments. Nearly 9,500 apartments in Hong Kong are under or pending development for sale through subsidiary or jointly controlled companies. Net profits before tax from property trading in 1999 amounted to HK\$205 million, compared with HK\$593 million in 1998.

During 1999, Swire Properties sold 141 units in its "StarCrest" residential scheme near to Pacific Place. StarCrest received its occupation permit in November 1999 and a further 74 units have been sold since the year-end, leaving 114 units to sell. The 10,700 square feet of ground-floor retail space and the 83 car-park spaces will be retained for investment.

The Tseung Kwan O residential scheme is being undertaken in joint venture with Sun Hung Kai Properties.

Known as "Ocean Shores", the scheme comprises 15 towers with some four million square feet of residential accommodation in 5,728 flats, plus 32,000 square feet of neighbourhood shopping space and 1,176 car-park spaces. The main building contract for Phase 1, comprising 1,920 units, is expected to be completed early in 2001. The whole scheme should be completed before the end of 2002. Marketing of Phase 1 has commenced.

A joint venture company owned by Swire Properties, Sun Hung Kai Properties and China Motor Bus in the proportions 50:30:20 is developing a residential scheme in Aldrich Bay. To be known as "Les Saisons", the four-tower scheme comprises 742,000 square feet of accommodation in 864 flats, plus 216 car-park spaces. The main building contract was awarded in August 1999, for completion in mid-2001. Marketing of units is expected to start in the second half of 2000.

The 2,158-unit Tung Chung Crescent residential scheme on Lantau being undertaken in conjunction with the Citygate commercial centre project under an agreement with the MTRC is now complete. 1,160 units were sold by the end of 1999. A second residential phase within the Tung Chung scheme, comprising over one million square feet of accommodation in 1,344 units, is now under construction and is expected to be completed in 2001. The development consortium has agreed in principle with the MTRC that the floor area of this second residential phase will be increased by 505,000 square feet, provided that an acceptable land premium can be agreed with Government.

Swire Properties hopes shortly to reach agreement with Government on terms for the modification of its lease on Taikoo Valley Site V, on King's Road. Plans for this scheme comprise two residential towers with 395,000 square feet of space in 432 flats, plus 144 car-park spaces, a new school and a community centre.

All 381 car-park spaces within the Lei King Wan residential scheme in Quarry Bay, which have been retained since the scheme was completed in 1989, were offered for sale to owners in December 1999. 91 spaces were sold prior to the year-end.

A further 18 units in the Sunningdale residential tower on Sai Yee Street, Mongkok, were sold in 1999, leaving eight units still to sell. All 1,650 units in the “Belair Monte” residential scheme in Fanling were sold in 1999, and 469 out of 480 units in the “Greenfields” residential scheme in Yuen Long were also sold in 1999. Swire Properties holds equity interests of 8% and 7% respectively in the Fanling and Yuen Long schemes.

The former bus depot site on Wong Chuk Hang Road, Aberdeen, which is owned 50:50 by Swire Properties and China Motor Bus, will not be developed until market conditions improve. The site is currently let to a car-park operator and has industrial development potential of 382,000 square feet.

Hotels

The JW Marriott, Conrad International and Island Shangri-La hotels at Pacific Place were affected by lower room rates and occupancy levels through most of 1999. However, occupancy levels picked up sharply towards the end of the year, in line with a more general improvement in the Hong Kong hotel industry.

Shanghai

Completion of the 1.1 million square foot retail/office scheme on Nanjing Road West, known as CITIC Square, in which Swire Properties has a 10% interest, has been deferred to

April 2000. This decision has been taken in the light of continuing concerns over new supply in Shanghai, particularly in the office sector. CITIC Square is in an excellent location, has been constructed to a high standard of finishes, and is attracting a number of leasing prospects. Although only 20% of the retail space has so far been committed, discussions with prospective tenants for leasing of a further 55% are at an advanced stage. Marketing of the 767,000 square foot office tower will be pursued more actively once the retail podium is open.

U.S.A.

The Courvoisier Centre I and II office towers on Brickell Key, Miami were sold early in 1999 to LaSalle Advisors, and the group’s remaining office investment in Tampa was also sold in December 1999. The funds from these sales are being redeployed into the development of the group’s remaining land holdings on Brickell Key.

Construction of the 234-unit Three Tequesta Point condominium tower started in 1999 and is expected to be completed before the end of 2001. The neighbouring Two Tequesta Point condominium tower, completed in December 1998, comprises 268 units, of which 240 units had been handed over to purchasers by the end of 1999. The main building contract for the Mandarin Oriental, Miami, which is 75%-owned by the group, is in progress and the hotel is expected to open before the end of 2000.



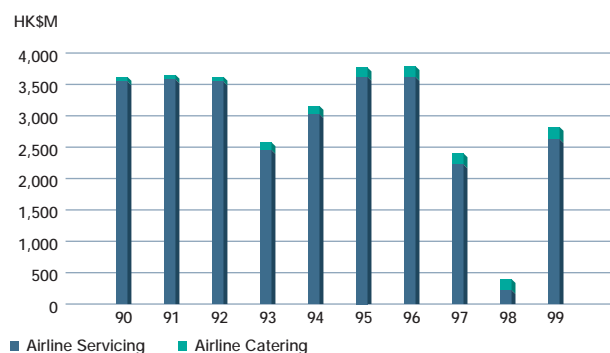
Swire Properties has a portfolio of high quality office, retail and residential properties.

Aviation Division

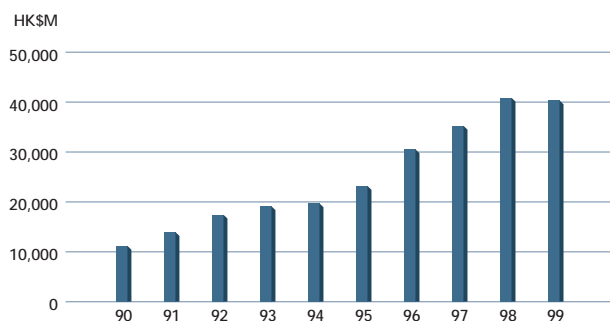


	1999 HK\$M	1998 HK\$M
Shares of profits/(losses) before taxation of associated companies:		
Airline services and airline catering	1,110	(289)
Aircraft engineering	27	63
Cargo and passenger handling	(8)	65
Attributable profit/(loss)	1,038	(108)

Operating profit* – Cathay Pacific Airways Limited



Net assets employed** – Cathay Pacific Airways Limited



* Operating profit is stated before non-recurring items.

** Net assets employed comprise shareholders' funds, minority interests and net external borrowings of the Cathay Pacific Airways Group.

Key Performance Measures

Cathay Pacific	1999	1998	Growth
Available tonne km (ATK) (million)	10,867	10,857	0.1%
Available seat km (million)	58,114	60,295	-3.6%
Revenue passenger km (million)	41,502	40,679	2.0%
Revenue passengers ('000)	10,516	10,299	2.1%
Passenger load factor (%)	71.4	67.5	3.9%pts
Cargo & mail tonne km (million)	3,817	3,339	14.3%
Cargo carried ('000 tonnes)	672	580	15.9%
Cargo & mail load factor (%)	71.5	65.2	6.3%pts
Passenger yield (HK¢)	45.4	45.2	0.4%
Cargo yield (HK\$)	1.9	1.7	11.8%
Cost per ATK (HK\$)	2.24	2.34	-4.3%

The Aviation Industry In 1999

The aviation industry in Asia is showing some recovery from the very difficult days of 1997/1998. Cathay Pacific saw load factors increase across most routes, but yields have remained under pressure. The development of strategic alliances has continued to change the face of the industry, with a move towards codesharing and passenger feed altering the focus of customer loyalty programmes. Pressure to reduce costs has

remained, and rising oil prices are of particular concern.

The Mainland China business of Dragonair also experienced increased competition, which has led to reduced yields. In the first full year of operations at Hong Kong International Airport, competition from new entrants has added pressure to the incumbent service providers, in particular HAECO, HACTL and Cathay Pacific Catering Services.

The increase in aircraft movements seen in 1999 should lead to additional revenue opportunities for aviation industry service providers.

Divisional Overview

Notwithstanding a pick-up in economic activity in many of the locations served by group companies, it will be necessary to continue to improve efficiency if acceptable returns are to be achieved.

During the year, the terms of service for many Cathay Pacific aircrew were renegotiated as an essential element of the ongoing efficiency drive. HAECO, also, has restructured its line maintenance operations involving a reduction in manning levels so as to bring down its cost base to competitive levels.

The **oneworld** alliance, of which Cathay Pacific is a founder member, is central to the positioning of Cathay Pacific within a global network, feeding into its **oneworld** partners, and benefiting in turn from passenger feed from them. Cathay Pacific and Dragonair operate two of the youngest fleets of aircraft in the industry which, together with an active fuel hedging policy, has helped to contain operating costs. Cathay Pacific has been able to respond to the downturn of the last two years by curtailing capacity growth, but has now placed several new orders to be in a position to take advantage of the upturn in the market as the Asian economic position improves.

In line with its commitment to its passengers, Cathay Pacific has also significantly upgraded its First Class product with the introduction of the new service in May. This, combined with the new staff uniforms launched in October, the new corporate headquarters, the redesigned corporate livery and the new airport lounges at Hong Kong International

Airport mark the completion of a major repositioning campaign which will help maintain Cathay Pacific's leadership position among international airlines.

Other Aviation Division companies, with their lower cost structures, will be able to take advantage of new opportunities as market conditions improve.

Cathay Pacific Airways Limited

Cathay Pacific's consolidated profit for the year was HK\$2,191 million compared with a loss of HK\$542 million in 1998. The results reflected a recovery in most Asian economies, with load factors improving across most routes, though yields remained under pressure.

Traffic turnover improved by 7.3% to HK\$26,050 million as a result of a strong performance by cargo services and a slight improvement in passenger services.

Routes

European routes were adversely affected by the softening of the Euro and weakness in first and business class, while economy class travel was boosted by "sixth freedom" traffic – the use of Hong Kong International Airport as a long-haul transit hub. North American routes performed well with strong growth in traffic in transit to South East Asian destinations. Australian routes still faced severe price competition.

Although Japanese routes have not recovered to the levels enjoyed in 1996 and early 1997, the appreciation of the Japanese Yen has helped outbound traffic and maintained yields on those routes. The recovery of the Korean economy has led to very strong demand on Korean routes and although Taiwanese routes remained busy, yields have declined.

Cargo

The cargo business had a good year, fuelled by the strong growth in exports from Asia, helped by the depreciation of Asian currencies over the past two years. Cargo carried increased by 15.9%. Cargo load factors and yields increased over last year by 6.3% points and 11.8% respectively.

New Aircraft

Cathay Pacific took delivery of three new B777 aircraft during the year. Towards the end of the year, the company agreed to purchase three new A330s from Airbus Industrie in addition to leasing three A340s from Air China. The airline has also placed an order to purchase two new B747-400 freighter aircraft. At the year-end, the airline operated a fleet of 62 aircraft, comprising 19 B747 passenger aircraft, 11 B777s, 12 A330s, 14 A340s and six B747 freighters. In addition, as at the year-end, three B747 freighters were on lease to the airline's subsidiary company, Air Hong Kong, and 11 B747 classic passenger aircraft were leased out to various carriers.

Alliances

The continued development of the **oneworld** global airline alliance, with its associated codeshare arrangements, has helped to grow revenue. In February, the new frequent flyer programme, Asia Miles, was launched with very encouraging membership growth.

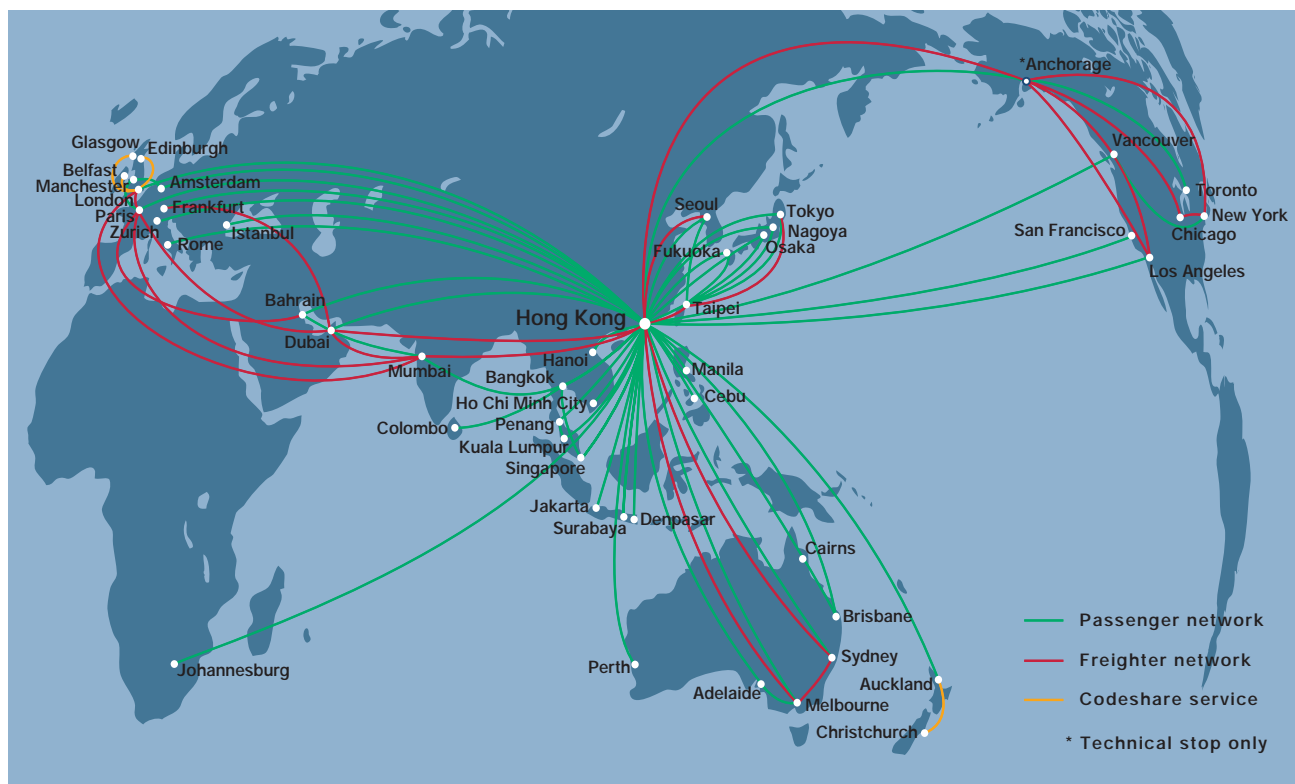
Hong Kong Aircraft Engineering Company Limited

HAECO's profit for 1999 attributable to shareholders was HK\$59 million. This represents a decrease of 59.6% from that of 1998 (HK\$146 million). Attributable profit before staff retrenchment costs, which were incurred in both 1999 and 1998, decreased by 25.6%.

The company's operating profitability declined during 1999 as revenues and margins in both technical and non-technical line maintenance remained under severe competitive pressure. The airframe heavy maintenance facilities have been reasonably busy, but world-wide rates for such facilities remain soft.

A comprehensive restructuring of HAECO's operations was carried out during the fourth quarter of 1999. This involved the realignment of wage and salary structures to meet market conditions, and a reduction of 16% in staff numbers across the company through a combination of voluntary severance and involuntary retrenchment.

Cathay Pacific Network



Contributions from jointly controlled companies have improved, with the major portion of the increase provided by Taikoo (Xiamen) Aircraft Engineering Company Limited.

AHK Air Hong Kong Limited

Air Hong Kong's fleet consists of three B747-200 freighters leased from Cathay Pacific. The company achieved good profit growth in 1999, reflecting the strong cargo market. Favourable currency movements also led to improvements in yield.

Airline Catering

The airline catering operations have five kitchens worldwide. The performance of the catering operations in 1999 was satisfactory. During the year, the kitchens in Darwin and Sydney were sold.

Cathay Pacific Catering Services (HK) Limited, a wholly-owned subsidiary of Cathay Pacific, had a smooth first full year of operations at its new facility at Hong Kong International Airport. During the year, it served 33 scheduled carriers and produced 15 million meals.

Hong Kong Airport Services Limited

HAS is owned 70% by Cathay Pacific and 30% by Dragonair, and is one of the three ramp handling companies at Hong Kong International Airport. It provides aircraft loading, aerobridge and passenger step operations, together with mail, cargo and baggage delivery services.

In its first full year of operations, the company achieved a small profit.

Hong Kong Dragon Airlines Limited

Cathay Pacific and Swire Pacific hold 18.7% and 7.7% respectively of Dragonair, which now operates scheduled and charter services to 25 destinations in Asia, of which 16 are in Mainland China.

A significant increase in capacity to Mainland China destinations had an adverse impact on passenger yields, though this was largely offset by a good performance from cargo. Demand for air services between Hong Kong and Mainland China is expected to grow in line with the development of China's economy. Although 1999 was a difficult year, management remains optimistic about the future of the airline.

In 1999, Dragonair carried 2.3 million passengers and uplifted 65,900 tonnes of cargo, representing an increase of 13.3% and 51.1% respectively over 1998. The total number of aircraft operated at the year-end was 12, comprising seven A320s/A321s and five A330s. These are held under operating leases, with the exception of two of the A330s which are held under finance leases. In 1999 the company completed the A320 fleet renewal by replacing A320s under operating leases with new A320 and A321 aircraft powered by International Aero A5 engines.

Hong Kong Air Cargo Terminals Limited

HACTL has benefited from the strong growth in cargo throughput at Hong Kong International Airport, particularly during the last quarter of 1999. In addition to the company's satisfactory operational performance, the cost base has been substantially reduced through restructuring and the renegotiation of contracts with suppliers and service providers.



*(left) HAECO performs both base and line maintenance at Hong Kong International Airport.
(right) Dragonair flies to 25 destinations in Asia, 16 of which are in China.*

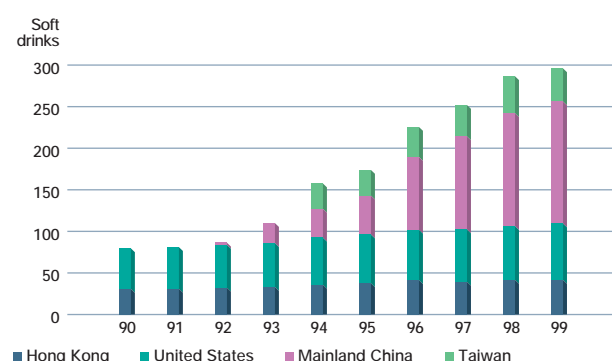
Beverages Division



	1999 HK\$M	1998 HK\$M
Turnover*	4,590	4,704
Operating profit	211	322
Share of profit before taxation of jointly controlled companies	81	74
Attributable profit	187	251

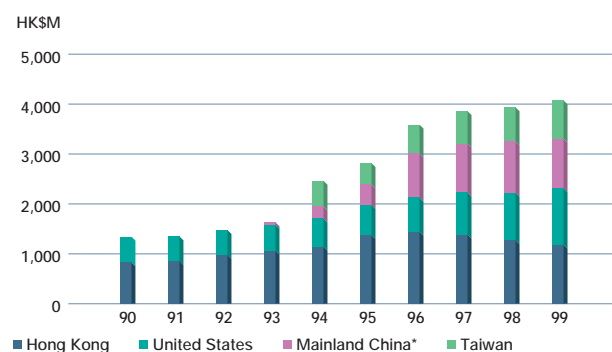
* Turnover excludes the sales of Beverages Division Mainland China operations which are made by jointly controlled companies.

Sales volume in million unit cases



	Total	Mainland China	Hong Kong	Taiwan	USA
Sales volume (million cases)	296	146.8	41.6	39.8	67.8
Franchise population (million)	411	377.0	6.8	22.1	5.1
Per capita consumption per annum (8 oz serving)		9.3	146.9	43.2	321.2

Net assets employed



* All Mainland China companies are jointly controlled companies.

1999 Results Overview

1999 was a difficult year for the Beverages Division. Although overall sales volume grew by 3.3% to 296 million unit cases during 1999, the contribution to Swire Pacific attributable profit declined from HK\$251 million in 1998 to HK\$187 million in 1999, due to competitive pressure on prices in most of the Beverages Division's markets. In addition to the general effects of the Asian economic downturn, difficulties encountered included a weakening of

consumer demand in Mainland China and the impact of the earthquake in Taiwan.

The Beverages Division is one of ten Coca-Cola anchor bottlers world-wide, with rights to manufacture, market and distribute the products of The Coca-Cola Company in a franchise territory that includes seven provinces in Mainland China, Hong Kong, Taiwan and an extensive area in the western United States of America. The division's strategy is to work in close partnership with The Coca-Cola Company to be the leading soft-drink supplier in all the markets in which it operates. To this end, new brands are being developed and launched, and there is close co-operation with The Coca-Cola Company in marketing and brand development. During 1999 this co-operation was extended to launch Minute Maid juices in Hong Kong and Taiwan. Significant resources continue to be committed to improving the distribution network, particularly in Mainland China. This should improve market penetration and assist with the containment of costs as a percentage of sales.

Swire Coca-Cola Hong Kong Limited

The company's Hong Kong operation was significantly affected by the supermarket price war in the second half of the year. Although volume was maintained, the pressure on prices led to reduced profits in comparison to 1998.

Swire Coca-Cola USA

This division of Swire Pacific Holdings Inc. is based in Salt Lake City, Utah, and serves parts of ten of the western states of the United States of America. It achieved moderate volume growth, but reported slightly lower profits due to continuing competitive pressure on pricing. During the year, it acquired franchises in Glenwood Springs in Colorado and Lewiston in Idaho. Just before the year-end, it signed a letter of intent to acquire the Ogden franchise in Utah. These three acquisitions will represent an increase of approximately 13% in the size of Swire Coca-Cola USA's operations.

Swire Coca-Cola Taiwan Limited

Progress was made during 1999 in strengthening distribution in the Taiwan business. However, a number of external factors, including adverse publicity surrounding soft drinks during the summer and the earthquake in Taiwan in September, led to a 10.6% decline in unit case volume sold and consequently lower profits.

Beverages Division – Mainland China Operations

The Beverages Division's development in Mainland China during 1999 focused on improved distribution. The number of sales offices was increased to 109, and progress was made on developing closer co-operation with an increasing number of wholesalers and distributors across its franchise territory. Weak consumer spending led to overall volume growth declining from 12.4% in the first half to 8.1% for the year as a whole. Profitability increased slightly.

The Beverages Division's soft drink operations in Mainland China comprise:

B C Development Company Limited

BCD has five operations in Mainland China. These are:

Hangzhou BC Foods Company (Zhejiang Province); Nanjing BC Foods Company (Jiangsu Province); Xian BC Hans Foods Co (Shaanxi Province); Swire Coca-Cola Beverages Zhengzhou (Henan Province) and Swire Coca-Cola Beverages Hefei (Anhui Province). The company reported modest increases in total sales volume and profit. Nanjing BC Foods Company Limited will commission its second production plant in mid-2000.

Swire Coca-Cola Beverages Xiamen Limited (Fujian Province)

The Xiamen operation achieved moderate volume growth but reported marginally lower profits due to the cost of the first full year of depreciation of its new production facility.

Swire Guangdong Coca-Cola Limited
(Guangdong Province)

This company, located in Guangzhou, grew in volume but reported lower profits due to increased competitive pressure on pricing and the cost of the first full year of depreciation of its new production facility.

Guangmei Foods Company Limited
(Guangdong Province)

This company distributes “Meijin” brand soft drinks and the

Coca-Cola “Smart” brand soft drinks. The company experienced increased competition resulting in reduced sales volume and a small loss for the year.

Swire Beverages (Dongguan) Limited
(Guangdong Province)

Sales of Tian Yu Di teas, juices and mineralised water for the Mainland China market grew during the year. This resulted in an improved result for the year, with a reduction in the reported loss.

Beverages operations in Hong Kong, Mainland China and Taiwan

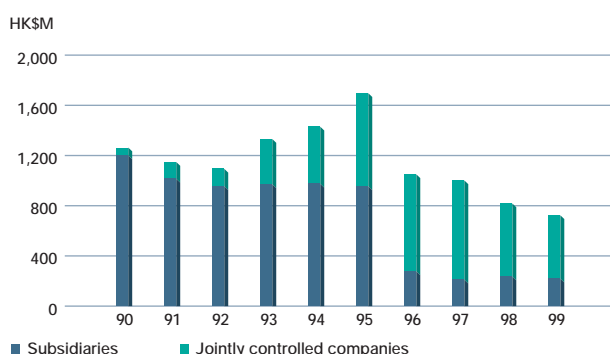


Industrial Division



	1999 HK\$M	1998 HK\$M
Turnover	680	715
Operating profit	24	33
Share of profit/(loss) before taxation of jointly controlled companies	70	(110)
Attributable profit/(loss)	81	(97)

Net assets employed



Review of 1999

1999 continued to be a difficult year for the companies in the Industrial Division. Although adverse trading conditions caused a decline in operating profits from subsidiaries to HK\$24 million (1998: HK\$33 million), losses in jointly controlled companies were significantly reduced following cost reduction initiatives taken in 1998. In addition, non-recurring gains were reported by the paints and brewing businesses.

Weak markets, especially for those companies providing

services to the construction industry, led to reduced business volumes and pressure on margins. A continued excess supply of processed sugar in the Mainland China market has depressed results in the sugar businesses, and the premium beer business in China continued to suffer from oversupply and a contraction of the market.

A combination of growing market share, increased awareness of brands and tight control of costs is expected to enable the companies in the Industrial Division to take advantage of the upturn in market conditions.

Subsidiaries

Swire Engineering Services Limited

Swire Engineering Services operates and maintains the baggage handling system at Hong Kong International Airport. In 1999, satisfactory results were achieved.

Swire Engineering Limited

Depressed trading conditions in the Hong Kong construction market had an adverse effect on sales. Consequently, the company incurred a loss in 1999.

Swire Duro Limited

Profitability was down as a result of the slowdown in the Hong Kong property construction market. This had a negative impact on marble fabrication and installation activities.

Taikoo Sugar Limited

The company's performance improved in 1999 due to tighter cost controls.

Jointly Controlled Companies

Carlsberg Brewery Hong Kong Limited

Carlsberg ceased production in Hong Kong in April 1999, thereby effecting significant cost savings. A non-recurring gain was recorded on the sale of the Singapore and Taiwan sales and distribution operations to Carlsberg A/S as part of a restructuring following the closure of the Hong Kong brewery. Significant losses continue to be incurred in China as the premium beer market contracted as a result of weak consumer sentiment.

Crown Can Hong Kong Limited

The two-piece aluminium beverage can market remains oversupplied in China, but the company's performance improved as a result of tighter cost controls and improved trading conditions in the first half of the year. A second can manufacturing line was commissioned at the Huizhou plant in September.

Crown Vinalimex Packaging Limited

Reduced losses were achieved at the company's two-piece

aluminium can plant in Hanoi as a result of cost savings and increased export sales. The domestic market continues to experience weak demand.

ICI Swire Paints Limited

A non-recurring gain was reported on the sale of the Refinish and Industrial paints business as part of a global disposal by ICI plc to PPG Industries. Trading conditions remained difficult in Hong Kong, but an improved result was achieved due to sales growth in the decorative paints segment. Sales in Mainland China grew in line with expectations.

Swire SITA Waste Services Limited

Satisfactory results were achieved as a result of a continued focus on stringent cost controls. CSR Macau secured a seven-year renewal of its waste collection contract with the Macau Government.

Schneider Swire Limited

The company continued to strengthen its market position in Hong Kong, although trading conditions were depressed in line with the construction industry. Sales in Mainland China recorded satisfactory growth whilst increased sourcing of raw materials from within China produced improved margins.

Tate & Lyle Swire Limited

Losses at the company's two sugar mills in Guangxi Province were reduced due to tight cost controls and improved productivity. Prospects for the sugar industry in Mainland China remain depressed due to the continued excess of processed sugar.



(left) Taikoo Sugar processes, packages and distributes more than 35 varieties of sugar and non-sugar products.
(right) Carlsberg Brewery Hong Kong distributes various premium brands of beer in Hong Kong.

Marine Services Division



	1999 HK\$M	1998 HK\$M
Turnover	812	975
Operating profits	210	375
Share of profits before taxation of jointly controlled companies	67	122
Share of profit before taxation of associated companies	276	247
Attributable profit	472	626

Review of 1999

1999 was a difficult year for the shipping industry generally, although throughput in the container terminals at Kwai Chung in Hong Kong and Shekou in Mainland China increased. In line with a reduction in oil exploration activity, demand for oil rigs and offshore support vessels declined, with a consequent impact on Swire Pacific Offshore's operations. The international ship repair market was also very weak, which had an impact on demand at Hongkong United Dockyards.

As the oil price increases feed through to oil exploration, demand for support vessels is expected to pick up. In order to benefit from this anticipated upturn, Swire Pacific Offshore has taken delivery of three new vessels in 1999, with delivery of a fourth in January 2000. The decline in dockyard business has been countered by a major retrenchment and the development of new ventures at the Hongkong United Dockyards site. Hongkong Salvage & Towage has looked to markets outside Hong Kong to maintain income levels, and

has placed orders for two new vessels combining harbour and sea-going design features.

Offshore Support

Following the weak demand for offshore services in the oil industry, vessel utilisation and charter rates fell, leading to a drop in Swire Pacific Offshore's operating profits to HK\$210 million (1998 HK\$375 million). While there has been a recent increase in the oil price, this has not yet been reflected in a market pick-up in oil exploration activity, and weakness in the market is expected to continue until the second half of 2000.

During the year, the company took delivery of three 5,400 BHP anchor handling tug supply vessels from Imamura Shipbuilding Company of Japan. A fourth sister vessel was delivered in January 2000.

Ship Repair

In addition to its ship repair activities, Hongkong United Dockyards provides land-based engineering activities at its

facility on Tsing Yi Island. Continuing pressure on rates in the depressed international ship repair market eliminated gains achieved by increases in productivity and savings from a major retrenchment exercise, leading to a loss in 1999. The impact on earnings was exacerbated by an erratic order pattern fluctuating with seasonal demand in the container liner trades, the mainstay of the business, and by a halving of land engineering revenue in the wake of Hong Kong's economic downturn. Revenue from container handling also declined from 1998, but has subsequently steadied. On a smaller scale, income derived from several new ventures began to show a measurable and growing benefit to the company.

Harbour Towage

Hongkong Salvage & Towage maintains its position as the largest operator of tugs in the Hong Kong harbour, albeit with a reduced fleet of 12 vessels deployed locally. Reduced demand for tugs in the harbour has led to further redeployment overseas, resulting in record revenue from that sector. This has matched the local decline to maintain budgeted income overall. The fleet of tugs operating overseas numbers eight, and further growth in this area is expected. Hongkong Salvage & Towage also operates six

shallow-draft container vessels in Hong Kong.

One new tug was sold at a profit during the year, and an order placed with Imamura Shipbuilding Company of Japan for two newbuildings, which combine harbour and sea-going design features. Delivery is scheduled for the second quarter of 2000.

Container Terminals

Modern Terminals Limited recorded a strong performance during 1999. The phasing-in of new customers resulted in throughput growth as well as an increase in market share. Further cost rationalisation was carried out during the year, which, combined with savings in previous years, has led to significant improvements in productivity. Towards the end of the year, the company made its first investment in Kaifeng Container Terminal in Western Shenzhen.

Shekou Container Terminals Limited saw a substantial increase in throughput during 1999 to over 570,000 TEU, as a result of which operating profits increased. In order to cope with the additional throughput, the container yard was enlarged and the operational systems upgraded. The project to develop two more berths is being examined by the relevant Government agencies in Beijing, and formal approval is expected in 2000.



(left) "United" is Hongkong United Dockyards' floating dock with 40,000 tonnes lifting capacity.

(right) "Lam Tong" is a Hongkong Salvage & Towage harbour tug.

Trading Division



	1999 HK\$M	1998 HK\$M
Turnover	3,808	4,219
Operating profit	48	22
Attributable profit	114	1

Review of 1999

Market conditions have continued to be very difficult in the areas where the Trading Division principally does business – Hong Kong, Mainland China and Taiwan – although the improvement in the economy in the second part of the year helped to improve profits in the sportswear and apparel businesses. The car business in Taiwan was adversely affected by the earthquake in September, and import restrictions continue to hamper growth in Mainland China. Although the regional economy is improving, a continuation of the difficult trading conditions is expected in 2000.

The Trading Division continues to concentrate on the Greater China region by taking advantage of growth opportunities as the economy improves. The proposed entry of China to the World Trade Organisation is expected to stimulate growth and demand, as well as easing restrictions on imports which currently hamper business.

Sale of companies

During the year, certain businesses within the Trading Division were sold. A loss of HK\$393 million was realised on the sale of The Eagle's Eye in August 1999, offset by a profit of HK\$329 million on the sale of Swire & Maclaine Limited and Camberley Enterprises Limited on 31st December 1999. The apparel business of Camberley Enterprises Limited and the supply chain management services offered by Swire & Maclaine Limited, although profitable, were viewed as mature businesses, and the decision was made to sell them. The Eagle's Eye had, for a number of years, suffered from very difficult trading conditions and losses had been incurred; the Trading Division ended its involvement in the business through a management buy-out.

Since the year-end, agreement has been reached to sell Swire Loxley for a consideration of HK\$86 million.

Motor Vehicles Group

The Taikoo Motors Group operates as the exclusive authorised distributor for Volvo passenger cars in Mainland China, Taiwan, Hong Kong and Macau, for Volvo trucks in Taiwan and Hong Kong, and for Volvo buses in Taiwan. Through Taikoo Asian Motors, it also operates the exclusive distributorship for Hyundai cars in Hong Kong. In Taiwan, the Chrysler dealerships were replaced in July by the Volkswagen dealerships in Taipei and Taichung, with the Kia distributorship being added in September.

Hong Kong

In Hong Kong, despite the difficult market conditions and severe price competition, the Volvo car distributorship performed well, and in its second full year of operation reported a profit. The Hyundai distributorship suffered a loss during its first full year of operation, and no significant profit is expected over the next two years due to the initial investment required to build the brand. The heavy duty truck distributorship continued to perform unfavourably as the total market continued to shrink.

Taiwan

In Taiwan, the business performed better at the operating level than in 1998, despite the difficult market conditions and the reduction in sales volumes consequent on the September earthquake. The continued emphasis on customer satisfaction and service was rewarded when the company

won the J. D. Power Sales Satisfaction Award for Volvo cars in May 1999.

Mainland China

The business continues to face difficulties caused by high import duties and restrictions on licences for imported cars.

Swire Resources Limited

Swire Resources operates 29 Marathon Sports retail shops in Hong Kong and Mainland China, as well as four larger sports shops, GigaSports, in Hong Kong. The modest attributable profit made in 1999 represents a significant turnaround from the losses reported in 1998 and 1997. Healthier inventory management and avoidance of aggressive price discounting at both wholesale and retail levels have managed significantly to improve the sales mix.

The existing portfolio of internationally recognised brand names sold by Swire Resources was enhanced by adding four new brands during the year. The addition of DKNY, Diesel, Royal Elastics and Champion will help strengthen and improve opportunities in the casual footwear and active apparel market.

One new Marathon store was opened in Taipo in June, and one in Beijing Yangwhatang in October 1999.

Swire Loxley Limited

In spite of increased competition in Mainland China from parallel products, attributable profit increased slightly in 1999.



*(left) Beldare is a major dealer of Volkswagen vehicles in Taiwan.
(right) GigaSports is a sports and casual wear chain store.*

Financial Review

Commentary on major variances in the Consolidated Profit and Loss Account and Balance Sheet

Detailed analyses of the numbers described follow the commentary.

Consolidated Profit and Loss Account

	1999 HK\$M	1998 HK\$M
<p>Turnover</p> <p>In the Property Division, there were moderately higher sales proceeds from property trading. Subsidiaries in the Beverages Division recorded a moderate decrease in turnover in Taiwan and Hong Kong, partially offset by an increase in the USA; whilst the Trading Division suffered a decrease due to a decline in sales of general merchandise exports and healthcare products, together with the discontinuation in August of retail sales of branded apparel in the USA. Reduced vessel utilisation and charter rates in Swire Pacific Offshore led to a drop in revenue in the Marine Services Division.</p>	16,862	16,901
<p>Operating profit</p> <p>After excluding the non-recurring provision against the value of trading property of HK\$2,072 million made in 1998, operating profit fell by HK\$910 million in 1999. In the Property Division, operating profits from development properties for sale and net rental income dropped when compared with last year. The Beverages Division experienced a decline in profits in Taiwan, USA and Hong Kong due to continuing competitive pressure on pricing and the impact of the earthquake in Taiwan. The increase in the Trading Division profits is mainly attributable to better operating results from sportswear and apparel markets in Hong Kong and the reduction of operating losses from the apparel business in the USA, offset by the fall in sales volume for motor vehicle sales in Taiwan consequent on the September earthquake. The operating profit of the Trading Division also includes the loss on sale of The Eagle's Eye, partially offset by the profit on sale of Swire & Maclaine and Camberley Enterprises. The Marine Services Division recorded a decrease in operating profit due to the reduction in demand for offshore support vessels as a result of reduced oil exploration activities. The loss on the sale of the remaining stake in Swire Blanch Insurance (Holdings) is included under the category of "other net expenses and consolidation adjustments".</p>	3,884	2,722
<p>Net finance charges</p> <p>The increase of HK\$171 million in net finance charges was due to a reduction in capitalised interest on investment properties, partially offset by lower floating interest rates.</p>	(485)	(314)
<p>Share of profits less losses of jointly controlled companies</p> <p>The increase of HK\$210 million is mainly due to a reduction in the level of losses incurred by companies within the Industrial Division, boosted by a non-recurring profit on the sale of Carlsberg's Singapore business. There were also good results from the sale of trading properties within the Property Division.</p>	256	46
<p>Share of profits less losses of associated companies</p> <p>Share of profits less losses of associated companies increased by HK\$1,320 million this year. Cathay Pacific contributed a significant increase in profit; this turnaround from a loss recorded in 1998 was due to improvements in load factors across most routes and the profit arising on the sale of part of the investment in Equant. HAECO's operating profit declined due to the continuing severe competition and increased provisions for retrenchment costs incurred during the year.</p>	1,432	112
<p>Taxation</p> <p>If the effect of the tax rebate for 1999 were to be excluded, the effective tax rate for 1999 would be increased from 8.2% to 10.1%. The effective tax rate for 1998 was 21.5%, which would be reduced to 10.9% by excluding the non-recurring items not deductible for tax purposes.</p>	416	552

	1999 HK\$M	1998 HK\$M
Minority interests		
The decrease in minority interests of HK\$15 million is primarily due to weaker results from the Beverage operations in Taiwan.	236	251
Profit attributable to shareholders		
Profit attributable to shareholders increased by 151.6% to HK\$4,435 million, primarily due to a significant increase in profit contribution from Cathay Pacific and the fact that a significant non-recurring provision for losses in property trading was recorded in 1998.	4,435	1,763

Consolidated Balance Sheet

	1999 HK\$M	1998 HK\$M
Fixed assets		
The increase in fixed assets was mainly due to the upward valuation of the property portfolio in Hong Kong following a modest recovery in the property market.	65,393	61,132
Investments in jointly controlled companies		
The increase of HK\$1,330 million reflects loans advanced to jointly controlled companies in the Property Division and profits retained during the year.	8,196	6,866
Investments in associated companies		
The increase of HK\$479 million in investments in associated companies reflects profits retained during the year, which were partially offset by the share of the decrease in the valuation of property in the Property Division's associated companies.	15,307	14,828
Properties for sale		
The decrease of HK\$757 million in properties for sale was mainly due to the sale of apartments within the StarCrest development in Hong Kong and the sale of other trading properties in the USA.	1,625	2,382
Bank overdrafts and short-term loans – unsecured		
The decrease in unsecured bank overdrafts and short-term loans was mainly due to the cash inflow from the sale of trading properties in Hong Kong during the year.	441	2,030
Long-term loans and bonds		
Long-term loans and bonds increased by HK\$355 million. This increase relates to term loans arranged during the year, which were partially offset by the reclassification of certain long-term loans, now due within one year, into current liabilities.	9,048	8,693
Minority interests		
The increase in minority interests of HK\$560 million relates principally to the minorities' share of an increase in the valuation of property, and profits retained during the year.	4,280	3,720
Shareholders' funds		
The increase relates principally to an increase in the property valuation reserve and to profits retained during the year.	68,509	62,591

Set out below is further information which will assist in the formation of a balanced assessment of the financial position and results for the year of the Swire Pacific group.

Review of Operating Results

The principal activities of the Swire Pacific group together with the contribution of each activity to group results are as follows:

The Company and its subsidiaries:

	Turnover		Operating profit/(loss)	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
Property:				
Property investment	4,776	4,723	3,384	3,574
Property trading	1,749	1,655	209	623
Sale of investment properties	515	—	54	—
Provision for diminution in value of property development sites	—	—	—	(2,072)
Beverages	4,590	4,704	211	322
Industrial	680	715	24	33
Trading	3,808	4,219	48	22
Marine services	812	975	210	375
Other net expenses and consolidation adjustments	(68)	(90)	(256)	(155)
	16,862	16,901	3,884	2,722

Jointly controlled companies:

	Share of profits/(losses) before taxation	
	1999 HK\$M	1998 HK\$M
Property:		
Property investment and trading	51	(14)
Beverages	81	74
Industrial	70	(110)
Trading	(8)	(26)
Marine services:		
Ship repairing and harbour towage	58	94
Container handling	13	9
Shipowning and operating	(4)	19
Others	(5)	—
	256	46

Associated companies:

	Share of profits/(losses) before taxation	
	1999 HK\$M	1998 HK\$M
Property:		
Hotels	34	11
Aviation:		
Airline services and airline catering	1,110	(289)
Aircraft engineering	27	63
Cargo and passenger handling	(8)	65
Marine services:		
Container handling	276	247
Insurance	(7)	15
	1,432	112

The activities of the Swire Pacific group are mainly based in Hong Kong. An analysis of group turnover and contribution to group operating profit by principal markets is outlined below:

	Turnover		Operating profit/(loss)	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
Hong Kong	8,916	9,376	3,578	2,089
Asia (excluding Hong Kong)	2,596	2,709	51	161
North America	3,937	3,335	121	109
Europe	604	517	(76)	(13)
Shipowning and operating	809	964	210	376
	16,862	16,901	3,884	2,722

Shipowning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

An analysis of group attributable profit/(loss) by division is as follows:

	Attributable profit/(loss)	
	1999 HK\$M	1998 HK\$M
Property	3,002	1,505
Aviation	1,038	(108)
Beverages	187	251
Industrial	81	(97)
Trading	114	1
Marine services	472	626
Other net expenses and consolidation adjustments	(459)	(415)
	4,435	1,763

Financial Risk Management Policy

Financing for Swire Pacific subsidiaries in Hong Kong is provided primarily by Swire Pacific, which raises funds both directly and through wholly-owned finance subsidiaries. Small working capital lines and overdraft facilities are arranged by individual subsidiaries. All areas of financial risk management activity are subject to policies, guidelines, exposure limits, and systematic authorisation and reporting. The group's listed associated companies, Cathay Pacific and HAECO arrange their financial affairs on a stand-alone basis. Their financing activities are undertaken in a manner consistent with the overall financial policies of the group.

Use of Derivatives

In the normal course of business, Swire Pacific and Cathay Pacific use interest rate and currency swaps in connection with their borrowings. Such derivative transactions are entered into in order to manage exposure to fluctuations in foreign currency exchange rates and interest rates. In addition, Cathay Pacific is a party to

forward contracts and options for the purchase of aviation fuel. It is the policy of the Swire Pacific group not to enter into derivative transactions for speculative purposes. The implementation of the hedging policy is only undertaken following approval from the Board.

Derivatives involve, to varying degrees, credit and market risk. With regard to credit risk, the group would be exposed to loss in the event of non-performance by a counter party. The group controls credit risk through approved counter party limits and monitoring procedures.

Market risk is the possibility that a movement in interest rates or currency rates will cause the value of a derivative to fluctuate or change the cost of settling the underlying obligations. Derivatives are used solely for management of an underlying risk and the group is not exposed to market risk since gains and losses on the derivatives offset losses and gains on the assets, liabilities or transactions being hedged. The group is not required by its counter parties to provide collateral or any other form of security against any change in the market value of a derivative.

Management of Currency Exposure

Exposure to movements in exchange rates on individual transactions in the Swire Pacific group is minimised using forward foreign exchange contracts where active markets for the relevant currencies exist. With the exception of the Perpetual Capital Securities, which have no scheduled maturity, all significant foreign currency borrowings are covered by appropriate currency hedges.

Translation exposure arising on consolidation of the group's overseas net assets is reduced where practical by broadly matching assets with borrowings in the same currency. A substantial proportion of the revenues, costs, assets and liabilities of Swire Pacific and its subsidiary companies are denominated in Hong Kong dollars.

The long-term financial obligations of Cathay Pacific have been arranged primarily in currencies in which it has substantial positive operational cash flows, thus establishing a natural currency hedge. The policy adopted requires that anticipated surplus foreign currency earnings should be at least sufficient to meet the foreign currency interest and principal repayment commitments in any year.

Capital Resources & Liquidity

Swire Pacific's total shareholders' funds have increased to HK\$68,509 million at the end of 1999 compared with HK\$62,591 million at the end of 1998, mainly due to the upward revaluation of the group's investment property portfolio.

At 31st December 1999 the Swire Pacific group held cash deposits of HK\$660 million whilst bank loans and other borrowings due within one year amounted to HK\$3,852 million.

An analysis of the group's net borrowings by currency at 31st December 1999, including the US\$600 million Perpetual Capital Securities issued, is shown below:

Currency	HK\$M	
Hong Kong Dollar	10,654	63%
United States Dollar	5,838	34%
New Taiwan Dollar	443	3%
Others	(53)	0%
	16,882	100%

Sources of Finance

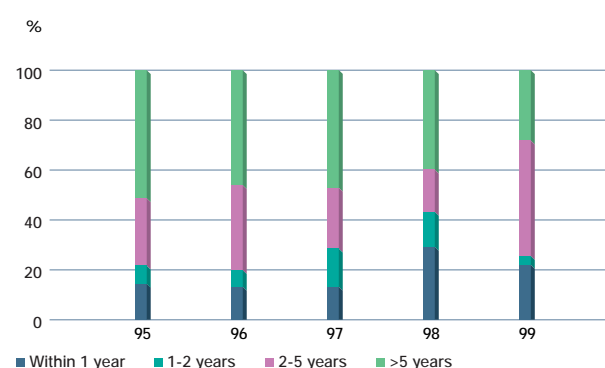
At 31st December 1999, committed loan facilities and other financing in place amounted to HK\$20,293 million, of which 17% remained undrawn. In addition, there were uncommitted facilities undrawn at year-end amounting to HK\$2,110 million. Sources of funds at the end of 1999 comprised:

	Available HK\$M	Drawn HK\$M	Undrawn HK\$M
<i>Committed facilities</i>			
Perpetual Capital Securities	4,642	4,642	–
Bonds	3,071	3,071	–
Private Placement	852	852	–
Floating Rate Notes	3,000	3,000	–
Bank and other loans	8,728	5,287	3,441
	20,293	16,852	3,441
<i>Uncommitted facilities</i>			
Money market & others	2,800	690	2,110

Maturity Profile

It is group policy to secure adequate funding so as to match cash flows associated with both current and planned investments. The maturity profile of the group's gross borrowings at the end of each of the last five years is set out below:

Maturity profile



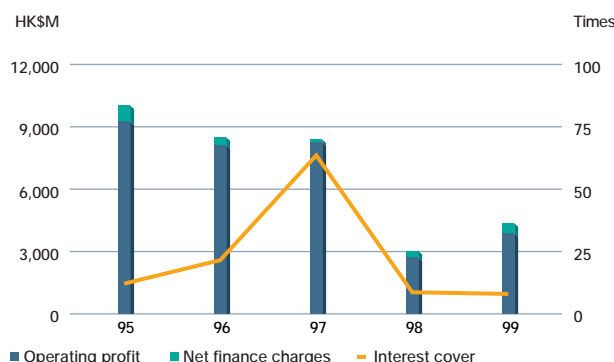
Interest Rate Profile

In addition to raising funds on a fixed rate basis, the group uses interest rate swaps and other instruments where appropriate in the management of its interest rate profile. At 31st December 1999, 58.1% of the group's gross borrowings were on a floating rate basis and 41.9% were on a fixed rate basis.

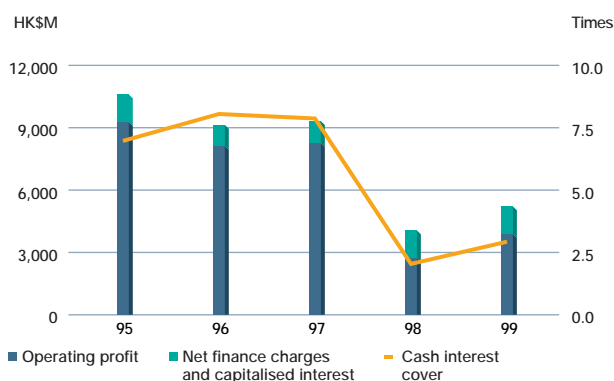
Interest Cover and Gearing

The following graphs illustrate interest cover, cash interest cover and gearing ratios for each of the last five years. Interest cover for the year ended 31st December 1999 was 8.01 times while cash interest cover, calculated by reference to total interest charges including those capitalised, was 2.93 times. The gearing ratio was 0.23/1 at the end of 1999.

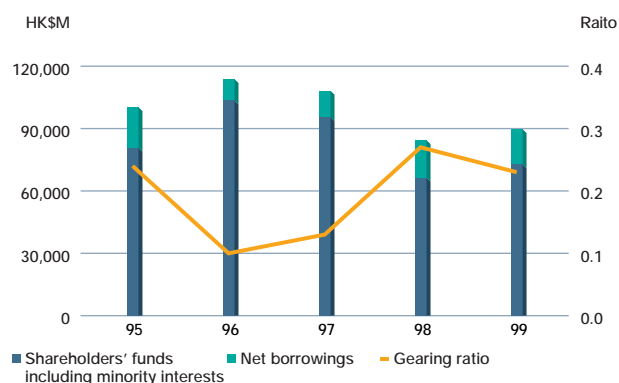
Interest cover



Cash interest cover



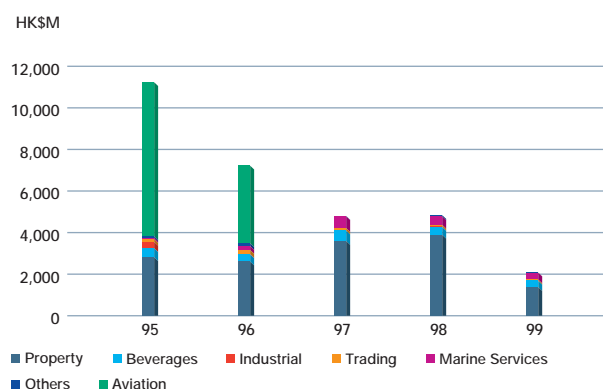
Gearing ratio



Capital Expenditure

Capital expenditure incurred by the group in 1999 was HK\$2,077 million. The following graph illustrates capital expenditure by division over the last five years:

Capital expenditure by division



The major outgoings during 1999 in the Property Division related to expenditure on Festival Walk, Lincoln House, Oxford House and the Cityplaza One redevelopment. Expenditure in the Beverages Division was mainly on property, plant and equipment in beverages' operations. Within the Marine Services Division, capital expenditure related principally to expenditure on three new offshore support vessels delivered during the year and a fourth sister vessel was delivered in January 2000. Subsequent to Cathay Pacific becoming an associated company on 10th June 1996, its capital expenditure has been excluded from the consolidated capital expenditure statistics.

Directors and Advisers

Executive Directors

- * **J W J Hughes-Hallett**, aged 50, has been a Director of the Company since January 1994. He was appointed Deputy Chairman in March 1998 and Chairman in June 1999. He is also Chairman of Cathay Pacific Airways Limited and Swire Properties Limited. He joined the Swire group in 1976 and has worked with the group in Hong Kong, Taiwan, Japan and Australia.
- * **M J Bell**, aged 52, has been a Director of the Company since April 1997 and was Finance Director until August 1999 when he assumed the position of Staff Director of John Swire & Sons (H.K.) Limited. He joined the Swire group in 1972 and has worked with the group in the United Kingdom, Hong Kong and Japan.
- * **M Cubbon**, aged 42, has been a Director of the Company since September 1998 with responsibility for Group Finance. In October 1999, he assumed the position of Finance Director of the Company. He is also a Director of Cathay Pacific Airways Limited, and Swire Properties Limited. He joined the Swire group in 1986.
- * **D Ho**, aged 52, has been a Director of the Company since March 1997. He is Chairman of the group's Taiwan operations and of a number of Swire group companies with shipping and travel interests. He is also a Director of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1970 and has worked with the group in Hong Kong and Taiwan.
- * **K G Kerr**, aged 47, has been a Director of the Company with responsibility for the Property Division since January 1991. He joined Swire Properties Limited in 1975 and has been its Managing Director since February 1989.
- * **D M Turnbull**, aged 44, has been a Director of the Company since November 1996 and has responsibility for the Aviation Division. He is Deputy Chairman and Chief Executive of Cathay Pacific Airways Limited and Chairman of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1976.

Non-Executive Directors

- * **Baroness Dunn**, DBE, aged 60, has been a Director of the Company since February 1981 and until January 1996 had responsibility for the Trading Division. She is also a Director of John Swire & Sons Limited and Marconi plc and is Deputy Chairman of HSBC Holdings plc. She joined the Swire group in 1963.
- + **D G Eldon**, aged 54, has been a Director of the Company since June 1996. He is also a Director of HSBC Holdings plc and The Hongkong and Shanghai Banking Corporation Limited. He has been with the HSBC Group since 1968. He is also Non-Executive Chairman of Hang Seng Bank Limited.
- + **P A Johansen**, aged 57, has been a Director of the Company since January 1983 and was Finance Director until April 1997. He joined the Swire group in 1973 and has worked with the group in Hong Kong and Japan. He is also a Director of John Swire & Sons Limited, Swire Properties Limited and Hong Kong Aircraft Engineering Company Limited.
- + **C Lee**, aged 46, has been a Director of the Company since January 1993 and previously was Alternate Director for J S Lee from January 1987. He is also a Director of Hysan Development Company Limited.
- T S Lo**, GBM, CBE, aged 65, has been a Director of the Company since July 1975 and is the senior partner of Lo & Lo, Solicitors. He is also Vice-Chairman of Henderson Land Development Company Limited and a Director of CLP Holdings Limited.
- * **E J R Scott**, aged 61, is Chairman of John Swire & Sons Limited and has been a Director of the Company since January 1993. He is also a Director of Cathay Pacific Airways Limited and James Finlay PLC. He joined the Swire group in 1960.
- * **P D A Sutch**, CBE, aged 54, has been a Director of the Company since January 1984. He was appointed Deputy Chairman in June 1988 and was Chairman of the Board from June 1992 to June 1999. He is also a Director of John Swire & Sons Limited and Cathay Pacific Airways Limited. He joined the Swire group in 1966.
- * **Sir Adrian Swire**, aged 68, was Chairman of John Swire & Sons Limited from July 1987 to December 1997 and currently is a Director and Honorary President of that company. He joined the Swire group in 1956 and has been a Director of the Company since October 1978. He is also a Director of Cathay Pacific Airways Limited and HSBC Holdings plc.

* These Directors are also Directors of John Swire & Sons (H.K.) Limited.

+ Members of the Audit Committee, of which D G Eldon is Chairman

Secretary

P A Moore, aged 42, has been Company Secretary since October 1997. He joined the Swire group in 1989 and has worked with the group in Hong Kong and Japan.

Registered office

35th Floor, Two Pacific Place, 88 Queensway, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Solicitors

Johnson Stokes & Master

Auditors

PricewaterhouseCoopers

Registrars

Central Registration Hong Kong Limited

19th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

Depository

The Bank of New York

American Depositary Receipts

101 Barclay Street

22nd Floor West

New York, NY 10286

U.S.A.

Website: <http://www.bankofny.com/adr>

(Toll free) 1-888-BNY-ADRS

Investor Relations

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Manager

Group Public Affairs

Swire Pacific Limited

35th Floor, Two Pacific Place

88 Queensway

Hong Kong

Tel: (852) 2840 8098

Fax: (852) 2526 9365

Website: <http://www.swirepacific.com>

Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31st December 1999, which are set out on pages 38 to 63 and 74 to 83.

Principal activities

The principal activity of the Company is investment holding and the principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 74 to 83. An analysis of group turnover and operating profit, share of profits of jointly controlled and associated companies before taxation by principal activities, and an analysis of group turnover and operating profit by principal markets, and group attributable profit by division are set out on pages 27 to 28.

Dividends

The Directors recommend the payment of final dividends for 1999 of HK\$76.0 per 'A' share and HK\$15.2 per 'B' share which, together with the interim dividends paid on 4th October 1999 of HK\$34.0 per 'A' share and HK\$6.8 per 'B' share, make total dividends for the year of HK\$110.0 per 'A' share and HK\$22.0 per 'B' share: an increase of 31.0% over those for 1998. This represents a total distribution for the year of HK\$1,707 million. Subject to the approval of the 1999 final dividends by the shareholders at the Annual General Meeting on 18th May 2000, it is expected that those dividends will be paid on 1st June 2000 to shareholders registered on 18th May 2000. The share registers will be closed from 15th May 2000 to 18th May 2000, both dates inclusive.

Reserves

Movements in the reserves of the group and the Company during the year are set out in note 25 to the accounts.

Accounting policies

The principal accounting policies of the group are set out on pages 38 to 40.

The reason for a departure from HK SSAP No.11 is set out in principal accounting policy no.4.

Donations

During the year, the Company and its subsidiaries made donations for charitable purposes of HK\$8.0 million and donations towards various scholarships of HK\$0.8 million. In addition, The Swire Educational Trust, of which the Company is a founding contributor, funded scholarships of HK\$6.9 million.

Fixed assets

Details of movements in fixed assets are shown in note 12 to the accounts. An analysis of capital expenditure by division is shown on page 30.

Properties

The annual valuation of the group's property portfolio, whether complete or in the course of development, was carried out by professionally qualified executives of the group on the basis of open market value at 31st December 1999. The valuations have been recorded in the accounts of the individual companies concerned and an overall increase of HK\$2,716 million in respect of these properties is reflected in group reserves.

A schedule of the principal properties of Swire Pacific Limited and its subsidiary, jointly controlled and associated companies is given on pages 66 to 73.

Bank and other borrowings and Perpetual Capital Securities

The bank loans and overdrafts, other borrowings and Perpetual Capital Securities of Swire Pacific Limited and its subsidiaries are shown in notes 21 and 22 to the accounts.

Interest

A statement of the amount of interest capitalised by Swire Pacific Limited and its subsidiaries is included in note 4 to the accounts.

Financial summary

A ten-year financial summary of the results and of the assets and liabilities of the group is shown on pages 2 to 3.

Major customers and suppliers

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

Connected transaction

On 6 March 2000, the Company entered into an agreement ("the Agreement") for the sale of the entire share capital of Swire Loxley Limited ("Swire Loxley") to Sparkle Light Enterprises Inc. ("the Purchaser"), a wholly-owned subsidiary of CITIC Pacific Limited. Swire Loxley is a wholly-owned subsidiary of the Company and carries on the business of distributing pharmaceutical products and medical equipment in Hong Kong, Macau and Mainland China.

The consideration of HK\$86 million (subject to adjustment in accordance with the audited net asset value of Swire Loxley) was paid in cash upon signing of the Agreement, and was arrived at after arm's length negotiations based on normal commercial terms.

The Company's Directors, including the non-executive independent Directors, considered that the consideration and the terms of the Agreement were fair and reasonable and were in the best interests of the shareholders and the Company.

As CITIC Pacific Limited is a substantial shareholder of Festival Walk Holdings Limited, which is a non-wholly-owned subsidiary of Swire Pacific Limited, this was a connected transaction under the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and a press notice was published on 7th March 2000.

Other significant transactions

- (1) In April 1999, Carlsberg Brewery Hong Kong Limited ("CBHK"), in which the Company has a 49% interest, sold its 100% interest in Carlsberg Marketing (Singapore) Pte Limited to Carlsberg International A/S, a wholly-owned subsidiary of the majority shareholder of CBHK.
- (2) In August 1999, the Company sold The Eagle's Eye to management.
- (3) In September 1999, the Company sold its remaining 30% interest in Swire Blanch Insurance (Holdings) Limited to the majority shareholder of the company, EW Blanch International Inc. This completed the disposal of the group's insurance interests which commenced in 1997.
- (4) In December 1999, the Company entered into an agreement to sell its entire interests in Swire & Maclaine Limited and Camberley Enterprises Limited, both wholly-owned subsidiary companies in the Trading Division.

Share capital

During the year under review, the group did not purchase, sell or redeem any shares in Swire Pacific Limited.

Agreements for services

There are agreements for services, in respect of which John Swire & Sons Limited provides services to various companies in the group and under which costs are reimbursed and fees payable. These agreements can be terminated by either party giving not less than twelve months' notice of termination expiring on 31st December 2001 or any subsequent 31st December. Baroness Dunn, P A Johansen, E J R Scott, P D A Sutch and Sir Adrian Swire, as directors and shareholders of John Swire & Sons Limited, are interested in these agreements.

Directors

The names of the Company's present Directors are listed on page 31. In addition, H M P Miles and H J Conybeare also served as Directors of the Company until their retirement on 13th May 1999 and 31st December 1999, respectively.

J W J Hughes-Hallett succeeded P D A Sutch as Chairman of the Company on 1st June 1999.

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, M J Bell, D G Eldon, D Ho, J W J Hughes-Hallett, K G Kerr, T S Lo and D M Turnbull retire this year and being eligible offer themselves for re-election.

No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Corporate governance

The Company has complied throughout the year with the Code of Best Practice as set out in the Listing Rules.

In compliance with the Code of Best Practice, the Company has established an Audit Committee, with written terms of reference, comprising D G Eldon as Chairman and C Lee and P A Johansen as members.

Directors' interests

At 31st December 1999, the interests of the Directors in the shares of Swire Pacific Limited and in its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI")), as recorded in the register maintained under section 29 of the SDI were as follows:

	Personal Interests	Family Interests	Other Interests	Total	Remarks
Swire Pacific Limited					
– 'A' shares					
M Cubbon	10,000	–	–	10,000	–
J W J Hughes-Hallett	4,500	–	–	4,500	–
P A Johansen	10,000	–	–	10,000	–
T S Lo	8,774	–	–	8,774	–
P D A Sutch	10,000	–	–	10,000	–
Sir Adrian Swire	–	–	1,365,473	1,365,473	See Note 1
D M Turnbull	1,266	–	–	1,266	–
Swire Pacific Limited					
– 'B' shares					
M J Bell	30,000	–	–	30,000	–
H J Conybeare	65,000	–	–	65,000	–
J W J Hughes-Hallett	68,000	–	–	68,000	–
P A Johansen	–	–	200,000	200,000	See Note 2
K G Kerr	–	2,500	–	2,500	–
T S Lo	3,948	–	–	3,948	–
C Lee	750,000	–	–	750,000	–
P D A Sutch	5,000	–	–	5,000	–
Sir Adrian Swire	4,813,169	–	20,810,916	25,624,085	See Note 1
Cathay Pacific Airways Limited					
– Ordinary shares					
C Lee	30,000	–	–	30,000	–
P D A Sutch	20,000	–	–	20,000	–

Notes

- (1) All the Swire Pacific Limited 'A' and 'B' shares held by Sir Adrian Swire under "Other Interests" are held by him as trustee only and he has no beneficial interest in those shares.
- (2) P A Johansen is a beneficiary of trusts which hold the 200,000 Swire Pacific Limited 'B' shares listed under "Other Interests".

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

Other than as stated above, the Directors of Swire Pacific Limited held no interests, whether beneficial or non-beneficial, in the shares or warrants of Swire Pacific Limited or its associated corporations.

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

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

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI shows that at 31st December 1999 the Company had been notified of the following interests, being 10% or more of the Company's issued capital. These interests are in addition to those disclosed above in respect of the Directors:

	'A' shares	'B' shares	Remarks
John Swire & Sons Limited	40,765,128	1,977,875,765	–
Shrewsbury Holdings Limited	–	321,240,444)
John Swire & Sons (H.K.) Limited	40,661,326	1,940,278,746) Duplication of John Swire & Sons Limited's holding
Brandes Investment Partners, L.P.	132,272,981	–	–
Franklin Resources, Inc.	112,926,927	–	–
Templeton Worldwide, Inc.	112,926,927	–	Duplication of Franklin Resources, Inc.'s holding

In addition, on 28th January 2000, the Company received a notice from Exchange Fund Investment Limited, in its capacity as investment manager of the Hong Kong equity portfolio of the Exchange Fund of the Hong Kong Special Administrative Region Government (the "Portfolio"), that the Portfolio contained 103,275,576 Swire Pacific Limited 'A' shares.

At 31st December 1999, the John Swire & Sons Limited group owned directly or indirectly interests in shares of Swire Pacific Limited representing 28.05% of the issued capital and 50.45% of the voting rights.

Year 2000

In the 1998 Annual Report, we defined Year 2000 (Y2K) compliance as meaning, in relation to the Swire Pacific group's own relevant equipment and systems, the modification of all such equipment and systems that fail the group's Y2K compliance test. In respect of suppliers of such equipment and systems, all critical suppliers will have passed the group's Y2K compliance audit, or will have been replaced where possible by those that have.

The group achieved compliance in accordance with its plan and timetable. During the Y2K exercise, a number of Y2K-related problems were identified and rectified before 31st December 1999. As a consequence of this, although a small number of Y2K-related incidents occurred early in January 2000, none of these was serious, and none of them caused any operational difficulties.

The Swire Pacific group has spent a total of HK\$118 million in the course of addressing the Y2K problem, of which HK\$33 million has been spent on upgrading existing systems which were in need of replacement, and has been capitalised.

Auditors

A resolution for the reappointment of PricewaterhouseCoopers as auditors to the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

J W J Hughes-Hallett

Chairman

Hong Kong, 10th March 2000

Auditors' Report

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

We have audited the accounts on pages 38 to 63 and pages 74 to 83 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, save as explained in accounting policy no. 4 on page 38.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view, in all material respects, of the state of the affairs of the Company and the group as at 31st December 1999 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 10th March 2000

Principal Accounting Policies

1. Basis of accounting

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants with the exception of the recognition of exchange differences on certain long-term liabilities in Cathay Pacific as explained in accounting policy no. 4 below. In the view of the Directors, this departure is necessary to show a true and fair view. The accounts have been prepared under the historical cost convention as modified by the revaluation of certain investment properties and investments in securities.

2. Basis of consolidation

The consolidated accounts of the group incorporate the accounts of Swire Pacific Limited and all its subsidiary companies made up to 31st December.

The results of subsidiary companies are included in the consolidated profit and loss account and minority interests therein are deducted from the consolidated profit after taxation. Results attributable to subsidiary company interests acquired or disposed of during the year are included from the date of acquisition or to the date of disposal as applicable.

Goodwill arising on consolidation, representing the excess of cost of acquisition of subsidiary, jointly controlled and associated companies over the group's share of the fair value ascribed to the separable net assets at the date of acquisition, is eliminated against the revenue reserve in the year in which it arises. On disposal of a previously acquired business, subsidiary, jointly controlled company or associated company, goodwill previously eliminated against reserves is written back and the profit or loss is adjusted accordingly.

Minority interests in the balance sheet comprise the outside shareholders' proportion of the net assets of subsidiary companies.

3. Jointly controlled and associated companies

Jointly controlled companies are those companies held for the long-term and over which the group is in a position to exercise joint control with other venturers in accordance with contractual arrangements. Associated companies are those companies, not being subsidiary companies, in which the group has a substantial long-term interest in the equity voting rights, and over which the group is in a position to exercise significant influence.

The consolidated profit and loss account includes the group's share of results of jointly controlled and associated companies for the year. In the Company's balance sheet, investments in jointly controlled and associated companies are stated at cost less provisions for permanent diminution in value. In the consolidated balance sheet, the investment in jointly controlled and associated companies represents the group's share of net assets.

4. Foreign currencies

The rates of exchange at which foreign currencies are translated into Hong Kong dollars for accounting purposes are as follows:

- (i) In respect of foreign currency denominated assets and liabilities, with the exception of the Perpetual Capital Securities as set out in (iv) below, the balance sheets of subsidiary, jointly controlled and associated companies and forward exchange contracts which do not match commitments; the rates ruling at the balance sheet date; and
- (ii) In respect of foreign currency transactions entered into during the year; the market rates or forward exchange contract rates ruling at the relevant transaction dates.

Exchange differences arising on the translation of foreign currencies into Hong Kong dollars are reflected in the profit and loss account with the following exceptions:

- (iii) Unrealised differences on net investments in foreign subsidiary, jointly controlled and associated companies (including intra-group balances of an equity nature) and related long-term liabilities are taken directly to reserves.
- (iv) The group's two Perpetual Capital Securities, which were issued by wholly-owned subsidiaries (the 'Issuers'), are denominated in US dollars and have no scheduled maturity. They are, however, redeemable at the Company's or the respective Issuer's option either (a) on or after 30th October 2006 and 13th May 2017 respectively or (b) at any time upon amendment or imposition of certain taxes and, in any case, become due in the event of the Company's or the respective Issuer's winding-up. Since it is not the present intention of the group that these Perpetual Capital Securities will be redeemed, they are valued at the historical exchange rates.
- (v) Borrowings and leasing obligations relating to aircraft and related equipment in Cathay Pacific are so arranged that repayments are covered by the anticipated future operating cash flows in the related currencies in order to reduce exposure to exchange rate fluctuations. Any unrealised exchange differences on these borrowings, leasing obligations and currency derivatives, and on related security deposits in Cathay Pacific's balance sheet, are recognised directly in equity via the Statement of Recognised Gains and Losses. These exchange differences are included in the profit and loss account as an adjustment to revenue in the same period or periods during which the hedged transaction affects the net profit and loss.

In prior years unrealised exchange differences on hedges of foreign currency operating cash flows were deferred and carried forward in the balance sheet of Cathay Pacific as deferred items. The introduction of the Statement of Recognised Gains and Losses under HK SSAP1 (revised) and developments in International Accounting Standards result in the current best accounting practice being to reflect such exchange differences directly into equity.

A prior period adjustment of HK\$30 million attributable to the Swire Pacific group has been credited to reserves as at 1st January 1999. The change has no impact on the profit and loss account of the group.

Although this method of accounting complies with International Accounting Standards, it does not comply with HK SSAP11 which requires that all such exchange differences are charged to the profit and loss account. The effect of this departure from HK SSAP11 is set out in note 25 to the accounts.

In the opinion of the Directors, this treatment fairly reflects the effects of the Cathay Pacific Group's foreign currency cash flow hedge arrangements. The matching of foreign currency cash flows is a key risk management tool for Cathay Pacific's airline operations. The appropriateness of continuing this treatment is assessed regularly, taking into consideration the latest operating cash flow projections of each currency. The Directors consider that the immediate recognition of all such exchange fluctuations in the profit and loss account could materially distort year on year results and conclude that the adopted treatment gives a true and fair view of the financial position, financial performance and cash flow of the Cathay Pacific Group.

5. Valuation of investment properties

Investment properties, whether complete or in the course of development, are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the group. The valuations are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuations are credited to the property valuation reserve; decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon sale of a revalued investment property the revaluation surplus is transferred to operating profit. Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

6. Fixed assets and depreciation

Fixed assets, other than investment properties, are carried at cost less depreciation. Changes in the value of investment properties reflecting market conditions, depreciation and other factors are incorporated in the annual accounts on the basis set out in principal accounting policy no. 5. With the exception of land included in investment properties and freehold land, all other leasehold land is depreciated over the remaining period of the relevant lease. Other fixed assets are depreciated at rates sufficient to write off their original cost to estimated residual values over their anticipated useful lives in the following manner:

Other properties	2% to 5% per annum
Plant and machinery	7% to 34% per annum
Vessels	4% to 7% per annum

The expected useful lives and residual values of all fixed assets are regularly reviewed to take into account operational experience and changing circumstances.

7. Investments in securities

(i) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account. Provision is made when there is a diminution in value.

The carrying amounts of held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account.

(ii) Investment securities

In prior years, investment securities of the group were stated at cost less provision for any permanent diminution in value. With the introduction of the Statement of Accounting for Investments in Securities, HK SSAP24, the group has adopted the alternative treatment prescribed therein. Investment securities are now stated at fair value and any change in fair value is recognised in the investment revaluation reserve. On disposal, or if there is evidence that the investment is impaired, the relevant cumulative gain or loss on the investment is transferred from the investment revaluation reserve to the profit and loss account.

A prior period adjustment of HK\$466 million attributable to the group has been credited to reserves as at 1st January 1999. The change has no impact on the profit and loss account of the group.

8. Deferred expenditure

Deferred expenditure is amortised over periods of up to ten years.

9. Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. Work in progress comprises direct material and labour costs and an appropriate proportion of overhead expenses less provisions for foreseeable losses.

10. Properties under development for sale

Properties under development for sale are included under current assets and comprise land at cost, construction costs, interest charges and profit taken to date, less sales instalments received and receivable and provisions for possible losses.

When a development property in Hong Kong is sold in advance of completion, profit is recognised over the course of the development and is computed each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds. Sales proceeds due on completion are accounted for as receivables if the occupation permit has been issued and the development is substantially complete.

Where purchasers fail to pay the balance of the purchase price on completion and the company exercises its entitlement to resell the property, sales deposits received in advance of completion which are forfeited are credited to operating profit; any profits recognised up to the date of completion are written back.

11. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term liquid investments which were within three months of maturity when acquired, less advances from banks and financial institutions repayable within three months from the date of the advance.

12. Borrowing costs

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

13. Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

14. Deferred taxation

Provision is made for deferred taxation at current rates of taxation in respect of material timing differences except where it is considered that no liability will arise in the foreseeable future.

15. Revenue recognition

Sales are recognised as revenue upon delivery of goods and provision of services. Revenue for properties under development for sale is recognised as set out in principal accounting policy no. 10. Rental income and interest income are recognised on an accruals basis.

16. Related parties

Related parties are individuals and companies, including subsidiaries, jointly controlled and associated companies, where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

17. Retirement benefits

Swire Pacific Limited and its subsidiary companies provide retirement benefit schemes for their employees, the majority of which are of a defined benefit nature and are all held in separate trustee administered funds. With only a few minor exceptions, employees are not required to contribute to the cost of these Schemes.

All Schemes are actuarially valued as required on a regular basis using a prospective actuarial valuation method. The group profit and loss account is charged each year with actuarially determined contributions based on such valuations.

Consolidated Profit and Loss Account

for the year ended 31st December 1999

Note		1999 HK\$M	1998 HK\$M
1	Turnover	16,862	16,901
	Cost of sales	(8,778)	(8,169)
	Gross profit	8,084	8,732
	Other revenue	92	132
	Distribution costs	(1,439)	(1,369)
	Administrative expenses	(2,834)	(2,701)
	Other operating expenses	(19)	–
	Provision for diminution in value of property development sites	–	(2,072)
2	Operating profit	3,884	2,722
	Finance charges	(698)	(553)
	Finance income	213	239
4	Net finance charges	(485)	(314)
5	Share of profits less losses of jointly controlled companies	256	46
6	Share of profits less losses of associated companies	1,432	112
	Profit before taxation	5,087	2,566
7	Taxation	416	552
	Profit after taxation	4,671	2,014
	Minority interests	236	251
8	Profit attributable to shareholders	4,435	1,763
9	Dividends	1,707	1,304
10	Retained profit for the year	2,728	459
		HK¢	HK¢
11	Earnings per share		
	'A' shares	285.8	113.6
	'B' shares	57.2	22.7

The principal accounting policies on pages 38 to 40 and the notes on pages 46 to 63 form part of these accounts.

Consolidated Balance Sheet

at 31st December 1999

Note

		1999	1998
		HK\$M	HK\$M
	ASSETS		
	Non-current assets		
12	Fixed assets	65,393	61,132
14	Jointly controlled companies	8,196	6,866
15	Associated companies	15,307	14,828
16	Investment securities and long-term receivables	502	806
	Deferred expenditure	416	475
		89,814	84,107
	Current assets		
17	Properties for sale	1,625	2,382
18	Stocks and work in progress	934	1,032
19	Trade and other receivables	2,819	2,701
	Held-to-maturity securities – unlisted	116	239
	Short-term deposits and bank balances	544	575
		6,038	6,929
	Current liabilities		
20	Trade and other payables	5,175	5,442
	Taxation	151	272
	Bank overdrafts and short-term loans		
	– secured	21	11
	– unsecured	441	2,030
22	Long-term loans and bonds due within one year	3,390	3,450
		9,178	11,205
	Net current liabilities	(3,140)	(4,276)
	Total assets less current liabilities	86,674	79,831
	Non-current liabilities		
21	Perpetual capital securities	4,642	4,642
22	Long-term loans and bonds	9,048	8,693
23	Deferred taxation	28	7
	Deferred liabilities	167	178
		13,885	13,520
	Minority interests	4,280	3,720
	NET ASSETS	68,509	62,591
	CAPITAL AND RESERVES		
24	Share capital	931	931
25	Reserves	67,578	61,660
	SHAREHOLDERS' FUNDS	68,509	62,591

J W J Hughes-Hallett

C Lee

Directors

Hong Kong, 10th March 2000

The principal accounting policies on pages 38 to 40 and the notes on pages 46 to 63 form part of these accounts.

Company Balance Sheet

at 31st December 1999

Note

		1999		1998
		HK\$M	HK\$M	HK\$M HK\$M
	ASSETS			
	Non-current assets			
12	Fixed assets	620		640
13	Subsidiary companies	6,659		6,855
14	Jointly controlled companies	1,189		1,352
15	Associated companies	1,946		1,949
16	Investment securities and receivables	80		87
	Deferred expenditure	14		19
			10,508	10,902
	Current assets			
19	Trade and other receivables	2,298		671
	Short-term deposits and bank balances	2		15
			2,300	686
	Current liabilities			
20	Trade and other payables	1,329		993
	Taxation	–		(2)
	Bank overdrafts and short-term loans			
	– unsecured	–		40
22	Long-term loans and bonds due within one year	21		44
			1,350	1,075
	Net current assets/(liabilities)		950	(389)
	Total assets less current liabilities		11,458	10,513
	Non-current liabilities			
22	Long-term loans and bonds	3,209		3,227
23	Deferred taxation	13		14
			3,222	3,241
	NET ASSETS		8,236	7,272
	CAPITAL AND RESERVES			
24	Share capital		931	931
25	Reserves		7,305	6,341
	SHAREHOLDERS' FUNDS		8,236	7,272

J W J Hughes-Hallett

C Lee

Directors

Hong Kong, 10th March 2000

The principal accounting policies on pages 38 to 40 and the notes on pages 46 to 63 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31st December 1999

Note

	1999 HK\$M	1998 HK\$M
29(a) Net cash inflow from operating activities	5,635	6,120
Returns on investments and servicing of finance		
Interest received on deposits and other loans	213	242
Dividends received from jointly controlled and associated companies and other investments	723	784
Interest paid on bank loans, overdrafts and other loans and bonds	(1,561)	(1,491)
Dividends paid		
– to shareholders	(1,428)	(2,422)
– to minority interests	(118)	(1,484)
Net cash outflow from returns on investments and servicing of finance	(2,171)	(4,371)
Taxation		
Hong Kong profits tax paid	(263)	(837)
Overseas tax paid	(71)	(53)
Total tax paid	(334)	(890)
Investing activities		
29(b) Purchase of fixed assets	(1,772)	(4,330)
Proceeds from fixed asset disposals	608	122
Purchase of shareholdings in existing subsidiary companies	(169)	(98)
29(c) Sale of shareholdings in subsidiary companies	83	–
Purchase of shareholdings in and loans to associated companies	(103)	(326)
Purchase of shareholdings in and loans to jointly controlled companies	(1,114)	(2,055)
Sale of shareholdings in and loans from associated companies	65	12
Sale of shareholdings in and loans from jointly controlled companies	196	185
Repayment of loans from investment securities	255	–
Loans to investment securities	–	(106)
Decrease/(increase) in deferred receivables	33	(19)
Deferred expenditure	(74)	(145)
Net cash outflow from investing activities	(1,992)	(6,760)
Net cash inflow/(outflow) before financing	1,138	(5,901)
Financing		
Loans drawn and refinancing	3,863	1,348
Repayment of loans	(3,587)	(836)
29(d)	276	512
29(d) Capital contributions from minority interests	1	564
Net cash inflow from financing	277	1,076
Increase/(decrease) in cash and cash equivalents	1,415	(4,825)

The principal accounting policies on pages 38 to 40 and the notes on pages 46 to 63 form part of these accounts.

Note

	1999 HK\$M	1998 HK\$M
Movement in cash and cash equivalents		
At 1st January	(1,227)	3,593
Increase/(decrease) during the year	1,415	(4,825)
Currency adjustment	10	5
At 31st December	198	(1,227)
Represented by:		
Unlisted held-to-maturity securities maturing within three months	116	239
Bank balances and short-term deposits maturing within three months	544	575
Bank overdrafts and short-term loans maturing within three months		
– secured	(21)	(11)
– unsecured	(441)	(2,030)
	198	(1,227)

Definition of cash and cash equivalents is set out in principal accounting policy no.11.

Statement of Recognised Gains and Losses

for the year ended 31st December 1999

Note

	1999 HK\$M	1998 HK\$M
25	Increase/(decrease) in property valuation arising during the year	2,716 (29,793)
25	Realised surplus on disposal transferred to operating profit	(40) –
	Exchange differences on cash flow hedges	
	– recognised during the year	22 (279)
	– transferred to the profit and loss account	32 30
	Revaluation surpluses on investment securities	
	– recognised during the year	190 404
	– transferred to the profit and loss account	(217) –
25	Exchange differences	31 17
	Net gains/(losses) not recognised in the profit and loss account	2,734 (29,621)
	Profit for the year	4,435 1,763
	Total recognised gains and losses	7,169 (27,858)
25	Goodwill on acquisition of subsidiary, jointly controlled and associated companies	(178) (72)
25	Goodwill reinstated on disposal of subsidiary, jointly controlled and associated companies	634 4
		7,625 (27,926)
25	Cumulative effect of changes in accounting policies	496

The principal accounting policies on pages 38 to 40 and the notes on pages 46 to 63 form part of these accounts.

Notes to the Accounts

1. Turnover

The principal activity of the Company is investment holding. The principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 74 to 83.

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

	Group	
	1999 HK\$M	1998 HK\$M
Gross rental income	4,684	4,690
Sales of development properties	1,749	1,655
Sales of investment properties	515	—
Rendering of other services	1,264	1,347
Sales of goods	8,650	9,209
	16,862	16,901

	Group	
	1999 HK\$M	1998 HK\$M
2. Operating profit		
<i>Operating profit has been arrived at after charging:</i>		
Cost of stocks sold	5,697	6,253
Depreciation of fixed assets	502	453
Staff costs	1,792	1,739
Operating lease rentals:		
Land and buildings	103	128
Other equipment	23	20
Amortisation of deferred expenditure	140	62
Losses less profits on sale of subsidiary and associated companies	137	—
Auditors' remuneration	12	11
Exchange differences	—	9
<i>and after crediting:</i>		
Gross rental income	4,684	4,690
Less: Outgoings	1,026	876
Net rental income	3,658	3,814
Profit on sale of development properties	360	740
Profit on sale of fixed assets	52	67
Exchange differences	10	—

	Group	
	1999 HK\$M	1998 HK\$M
3. Directors' emoluments		
Fees from the Company and its subsidiary companies	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	48	70
Retirement benefit costs	3	4
	51	74

Housing costs accounted for 31% (1998: 33%) of emoluments.

The total emoluments of the Directors were within the following bands:

HK\$'000	1999 Number	1998 Number
0 – 1,000	8	8
1,001 – 1,500	–	1
2,001 – 2,500	1	–
3,001 – 3,500	–	1
3,501 – 4,000	1	–
5,501 – 6,000	1	1
6,001 – 6,500	2	1
7,501 – 8,000	1	–
9,001 – 9,500	1	2
9,501 – 10,000	1	–
10,501 – 11,000	–	1
13,501 – 14,000	–	1
14,001 – 14,500	–	1
	16	17

The five highest paid individuals in the group are Directors of the Company.

Directors' fees paid or payable to the independent non-executive Directors during the year totalled HK\$298,000 (1998: HK\$223,000). They received no other emoluments from the Company or any of its subsidiaries.

	Group			
	1999		1998	
	HK\$M	HK\$M	HK\$M	HK\$M
4. Net finance charges				
<i>Interest charged on:</i>				
Bank loans and overdrafts		501		530
Other loans and bonds				
– wholly repayable within five years	417		424	
– not wholly repayable within five years	621		620	
		1,038		1,044
Deferred into properties under development for sale:				
– subsidiaries	(95)		(134)	
– jointly controlled companies	(423)		(342)	
– long-term investments	(18)		(36)	
		(536)		(512)
Capitalised on:				
– investment properties		(303)		(496)
– other properties and plant and equipment		(2)		(13)
		698		553
<i>Interest income on:</i>				
Bank and other short-term deposits	(33)		(103)	
Other loans	(180)		(136)	
		(213)		(239)
		485		314

The capitalisation rate applied to funds borrowed generally and used for the development of investment properties and properties for sale is between 5.27% and 9% per annum.

5. Share of profits less losses of jointly controlled companies

The share of profits less losses of jointly controlled companies includes an attributable profit of HK\$66 million arising from the sale of Carlsberg Marketing (Singapore) Pte Limited.

6. Share of profits less losses of associated companies

The share of profits less losses of associated companies includes an attributable profit of HK\$217 million arising on sale of investments in Equant N.V. by the Cathay Pacific Airways Group and an attributable loss of HK\$35 million relating to severance payments arising from staff retrenchment in Hong Kong Aircraft Engineering Company.

		Group	
		1999	1998
		HK\$M	HK\$M
		HK\$M	HK\$M
7. Taxation			
<i>The taxation charge comprises:</i>			
The Company and its subsidiary companies:			
Hong Kong – profits tax	362	434	
– deferred taxation	(1)	1	
– 10% 1997/98 Hong Kong profits tax rebate	(100)	–	
– over-provision in respect of previous years	(60)	(19)	
	201		416
Overseas – profits tax	17	81	
– deferred taxation	3	11	
– over-provision in respect of previous years	(5)	(3)	
	15		89
	216		505
Jointly controlled companies:			
Hong Kong – profits tax	29	23	
– deferred taxation	(2)	2	
– under-provision in respect of previous years	–	1	
	27		26
Overseas – profits tax	15		15
	42		41
Associated companies:			
Hong Kong – profits tax	59	63	
– deferred taxation	75	19	
– over-provision in respect of previous years	(4)	–	
	130		82
Overseas – profits tax	68	64	
– deferred taxation	4	(67)	
– over-provision in respect of previous years	(44)	(73)	
	28		(76)
	158		6
	416		552

Hong Kong profits tax is calculated at 16.0% (1998: 16.0%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in countries in which the group is assessable for tax.

8. Profit attributable to shareholders

Of the profit attributable to shareholders, HK\$2,671 million (1998: HK\$439 million) is dealt with in the accounts of the Company.

	Company	
	1999 HK\$M	1998 HK\$M
9. Dividends		
Interim paid on 4th October 1999 of HK¢34.0 per 'A' share and HK¢6.8 per 'B' share (1998: HK¢26.0 and HK¢5.2)	528	404
Final proposed of HK¢76.0 per 'A' share and HK¢15.2 per 'B' share (1998: HK¢58.0 and HK¢11.6)	1,179	900
	1,707	1,304

	Group	
	1999 HK\$M	1998 HK\$M
10. Retained profit for the year		
<i>Profit/(loss) for the year retained by:</i>		
Swire Pacific Limited	964	(865)
Subsidiary companies	1,321	1,852
Jointly controlled companies	(33)	(221)
Associated companies	476	(307)
	2,728	459

11. Earnings per share

Earnings per share are calculated by dividing the profit attributable to shareholders of HK\$4,435 million (1998: HK\$1,763 million) by the weighted average number of 940,111,885 'A' shares and 3,059,301,271 'B' shares in issue throughout both 1999 and 1998.

	Group				Company		
	Properties HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M	Properties HK\$M	Plant and machinery HK\$M	Total HK\$M
12. Fixed assets							
Cost or valuation:							
At 31st December 1998	58,544	3,755	2,267	64,566	708	59	767
Translation differences	23	32	8	63	–	–	–
Additions	1,369	380	328	2,077	–	4	4
Disposals	(524)	(223)	–	(747)	–	(1)	(1)
Transfers between categories	(5)	5	–	–	(5)	5	–
Change in the group	–	(98)	–	(98)	–	–	–
Investment property valuation increase during the year	3,224	–	–	3,224	–	–	–
At 31st December 1999	62,631	3,851	2,603	69,085	703	67	770
Depreciation:							
At 31st December 1998	339	2,141	954	3,434	87	40	127
Translation differences	1	18	3	22	–	–	–
Charge for the year	61	355	86	502	14	10	24
Disposals	(1)	(190)	–	(191)	–	(1)	(1)
Change in the group	–	(75)	–	(75)	–	–	–
At 31st December 1999	400	2,249	1,043	3,692	101	49	150
Net book value:							
At 31st December 1999	62,231	1,602	1,560	65,393	602	18	620
At 31st December 1998	58,205	1,614	1,313	61,132	621	19	640

- (a) Investment properties, whether completed or in the course of development, were valued on the basis of open market value at 31st December 1999 by professionally qualified executives of Swire Properties Limited who are members of the Royal Institute of Chartered Surveyors. This valuation has been incorporated in the accounts as stated in principal accounting policy note 5.
- (b) At 31st December 1999, the net book value of fixed assets pledged as security for the group's long-term loans amounted to HK\$5,252 million (1998: HK\$4,963 million).

	Group				
	Investment properties		Other properties		Total
	Completed HK\$M	Under development HK\$M	Land HK\$M	Buildings HK\$M	HK\$M
12. Fixed assets (continued)					
(c) Properties comprise:					
Cost or valuation:					
At 31st December 1998	51,916	3,997	1,042	1,589	58,544
Translation differences	2	–	10	11	23
Additions	452	877	9	31	1,369
Disposals	(510)	(12)	(1)	(1)	(524)
Transfers between categories	1,606	(1,606)	(4)	(1)	(5)
Valuation increase during the year	3,200	24	–	–	3,224
At 31st December 1999	56,666	3,280	1,056	1,629	62,631
Depreciation:					
At 31st December 1998	–	–	42	297	339
Translation differences	–	–	–	1	1
Charge for the year	–	–	15	46	61
Disposals	–	–	–	(1)	(1)
At 31st December 1999	–	–	57	343	400
Net book value at 31st December 1999	56,666	3,280	999	1,286	62,231
(d) Tenure and valuation					
Held in Hong Kong:					
On medium-term lease (10 to 50 years):					
At cost less depreciation	–	–	399	647	1,046
On long-term lease (over 50 years):					
At cost less depreciation	–	–	143	39	182
At Directors' valuation 31st December 1999	56,666	3,280	–	–	59,946
Held outside Hong Kong:					
Freehold:					
At cost less depreciation	–	–	457	600	1,057
Net book value at 31st December 1999	56,666	3,280	999	1,286	62,231

- (e) The Company's properties, with a total net book value of HK\$602 million (1998: HK\$621 million), include long-term and medium-term leasehold land in Hong Kong held at a net book value of HK\$152 million (1998: HK\$155 million) and HK\$450 million (1998: HK\$466 million) respectively.

	Company	
	1999 HK\$M	1998 HK\$M
13. Subsidiary companies		
Unlisted shares at cost less provisions	3,671	3,663
Amounts due from subsidiary companies less provisions	7,372	7,678
	11,043	11,341
Amounts due to subsidiary companies	(4,384)	(4,486)
	6,659	6,855

The principal subsidiary companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 74 to 83 of the accounts.

	Group		Company	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
14. Jointly controlled companies				
Unlisted shares at cost	2,763	2,755	1,266	1,266
Attributable post-acquisition reserves	127	204	–	–
	2,890	2,959	1,266	1,266
Share of goodwill in jointly controlled companies eliminated:				
At the beginning of the year	(1,021)	(1,020)		
During the year	144	(1)		
	(877)	(1,021)		
Share of net assets	2,013	1,938		
Loans due from jointly controlled companies less provisions	6,455	5,040	183	198
Loans due to jointly controlled companies	(272)	(112)	(260)	(112)
	8,196	6,866	1,189	1,352
Dividends received and receivable by the Company and its subsidiary companies from jointly controlled companies	252	174	25	50

The principal jointly controlled companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 74 to 83 of the accounts.

	Group		Company	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
15. Associated companies				
Shares at cost				
– Listed in Hong Kong	1,163	1,163	1,163	1,163
– Unlisted	689	823	783	783
Attributable post-acquisition reserves	12,955	12,557	–	–
	14,807	14,543	1,946	1,946
Share of goodwill in associated companies eliminated:				
At the beginning of the year	(1,159)	(1,161)		
During the year	135	2		
	(1,024)	(1,159)		
Share of net assets	13,783	13,384		
Loans due from associated companies less provisions	1,524	1,444	–	3
	15,307	14,828	1,946	1,949
Dividends received and receivable by the Company and its subsidiary companies from associated companies	803	416	783	350

- (a) The market value of the shares in the listed associated companies at 31st December 1999 was HK\$21,788 million (1998: HK\$12,284 million).
- (b) The principal associated companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 74 to 83 of the accounts. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 64 to 65 of the accounts.

	Group		Company	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
16. Investment securities and long-term receivables				
Unlisted shares at cost	36	39	35	37
Provisions	(18)	(18)	(18)	(18)
	18	21	17	19
Loans advanced	268	536	–	–
Investment securities	286	557	17	19
Mortgage and other receivables	216	249	63	68
	502	806	80	87

	Group	
	1999 HK\$M	1998 HK\$M
17. Properties for sale		
Completed properties for sale	1,293	290
Properties under development for sale	332	2,092
	1,625	2,382

At 31st December 1999, the value of properties for sale that are carried below cost at net realisable value was HK\$42 million (1998: HK\$93 million).

	1999 HK\$M	1998 HK\$M
18. Stocks and work in progress		
Goods for sale	682	820
Manufacturing materials	209	168
Production supplies	28	27
Work in progress	15	17
	934	1,032

At 31st December 1999, the value of stocks that are carried below cost at net realisable value was HK\$8 million (1998: HK\$37 million).

	Group		Company	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
19. Trade and other receivables				
Debtors	2,771	2,678	2,229	607
Amounts due from intermediate holding companies	2	2	–	–
Amounts due from subsidiaries	–	–	69	64
Amounts due from jointly controlled companies	23	21	–	–
Amounts due from associated companies	23	–	–	–
	2,819	2,701	2,298	671

	Group		Company	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
20. Trade and other payables				
Creditors	3,913	4,475	128	86
Amounts due to ultimate holding company	46	30	10	–
Amounts due to intermediate holding companies	11	10	–	7
Amounts due to jointly controlled companies	19	14	12	–
Amounts due to associated companies	7	13	–	–
Proposed final dividend	1,179	900	1,179	900
	5,175	5,442	1,329	993

21. Perpetual Capital Securities

The Perpetual Capital Securities, US\$300 million each and bearing cumulative interest at 9.33% and 8.84% per annum, were issued by two wholly-owned subsidiaries (The 'Issuers') on 23rd October 1996 and 6th May 1997 respectively. They have no scheduled maturity but are redeemable at the option of the Company or the respective Issuer either (i) at any time on or after 30th October 2006 and 13th May 2017 respectively or (ii) at any time upon amendment or imposition of certain taxes, and in any case, become due in the event of the Company's or the respective Issuer's winding up. The Perpetual Capital Securities are unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company.

	Group		Company	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
22. Long-term loans and bonds				
Bank loans (secured):				
Repayable within one year	28	28	—	—
Repayable between one and two years	217	28	—	—
Repayable between two and five years	584	616	—	—
Repayable after five years	178	206	—	—
Bank loans (unsecured):				
Repayable within one year	1,054	3,164	21	44
Repayable between one and two years	400	262	—	21
Repayable between two and five years	2,850	200	—	—
Other borrowings (secured):				
Repayable between two and five years	—	20	—	—
Repayable after five years	—	221	—	—
Other borrowings (unsecured):				
Repayable within one year	2,308	258	—	—
Repayable between one and two years	—	2,353	—	—
Repayable between two and five years	4,692	2,352	888	885
Repayable after five years	127	2,435	2,321	2,321
	12,438	12,143	3,230	3,271
Amount due within one year included under current liabilities	(3,390)	(3,450)	(21)	(44)
	9,048	8,693	3,209	3,227

- (a) Included in the gross amounts shown above for the group are other borrowings, amounting to HK\$2,448 million (1998: HK\$2,676 million), which were not wholly repayable within five years.
- (b) Borrowings other than bank loans are repayable on various dates up to 2008 at interest rates from 5.71% to 10.50% per annum.

	Group		Company	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
23. Deferred taxation				
The deferred taxation provision comprises the taxation effects of:				
Timing differences arising from:				
– the different taxation and accounting treatment of fixed assets	28	18	13	14
– other timing differences	—	(11)	—	—
	28	7	13	14

At the balance sheet date, there were unprovided deferred taxation liabilities which comprised the following timing differences:

Accelerated depreciation allowance	41	42	—	—
Deferred expenditure	32	14	—	—

	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
24. Share capital					
<i>Authorised:</i>					
At 31st December 1999 and 1998	1,140,000,000	3,600,000,000	684	432	1,116
<i>Issued and fully paid:</i>					
At 31st December 1999 and 1998	940,111,885	3,059,301,271	564	367	931

Except for voting rights, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

	Revenue reserve	Property valuation reserve	Share premium account	Capital redemption reserve	Investment revaluation reserve	Cash flow hedge reserve	Total
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
25. Reserves							
<i>Company</i>							
At 31st December 1997	6,843	–	342	21	–	–	7,206
Profit for the year	439	–	–	–	–	–	439
Dividends	(1,304)	–	–	–	–	–	(1,304)
At 31st December 1998	5,978	–	342	21	–	–	6,341
Profit for the year	2,671	–	–	–	–	–	2,671
Dividends	(1,707)	–	–	–	–	–	(1,707)
At 31st December 1999	6,942	–	342	21	–	–	7,305
<i>Group</i>							
As 31st December 1997							
– as originally stated	32,314	57,872	342	21	–	–	90,549
– prior year adjustments	–	–	–	–	62	279	341
– as restated	32,314	57,872	342	21	62	279	90,890
Retained profit for the year	459	–	–	–	–	–	459
Goodwill on acquisition of subsidiary, jointly controlled and associated companies	(72)	–	–	–	–	–	(72)
Goodwill reinstated on disposal of subsidiary company	4	–	–	–	–	–	4
Decrease in property valuation arising during the year	–	(29,793)	–	–	–	–	(29,793)
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	(279)	(279)
– transferred to profit for the year	–	–	–	–	–	30	30
Revaluation surpluses on investment securities							
– recognised during the year	–	–	–	–	404	–	404
Exchange differences	17	–	–	–	–	–	17
At 31st December 1998	32,722	28,079	342	21	466	30	61,660

	Revenue reserve	Property valuation reserve	Share premium account	Capital redemption reserve	Investment revaluation reserve	Cash flow hedge reserve	Total
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
25. Reserves (continued)							
Group							
As 31st December 1998							
– as originally stated	32,722	28,079	342	21	–	–	61,164
– prior year adjustments	–	–	–	–	466	30	496
– as restated	32,722	28,079	342	21	466	30	61,660
Retained profit for the year	2,728	–	–	–	–	–	2,728
Goodwill on acquisition of subsidiary and associated companies	(178)	–	–	–	–	–	(178)
Goodwill reinstated on disposal of subsidiary, jointly controlled and associated companies	634	–	–	–	–	–	634
Increase in property valuation arising during the year	–	2,716	–	–	–	–	2,716
Realised surplus on disposal transferred to operating profit	–	(40)	–	–	–	–	(40)
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	22	22
– transferred to profit for the year	–	–	–	–	–	32	32
Revaluation surpluses on investment securities							
– recognised during the year	–	–	–	–	190	–	190
– transferred to profit for the year	–	–	–	–	(217)	–	(217)
Exchange differences	31	–	–	–	–	–	31
At 31st December 1999	35,937	30,755	342	21	439	84	67,578

Group revenue reserve includes retained revenue reserves from jointly controlled companies and associated companies amounting to HK\$285 million (1998: HK\$240 million) and HK\$11,845 million (1998: HK\$ 11,667 million) respectively.

- (a) Distributable reserves of the Company at 31st December 1999 amounted to HK\$6,942 million (1998: HK\$5,978 million).
- (b) As set out in principal accounting policy no. 4(v), the cash flow hedge reserve relates to exchange differences on borrowings, lease obligations, currency derivatives and related security deposits of the Cathay Pacific Group which are arranged in foreign currencies such that repayment can be met by anticipated operating cash flows. The Swire Pacific group's profit and loss account for year ending 31st December 1999 would have increased by HK\$54 million (1998: decreased by HK\$249 million) had HK SSAP11 been adopted.

	Group		Company	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
26. Contingencies and commitments				
(a) Outstanding commitments for capital expenditure at the year end:				
Contracted for but not provided for in the accounts	891	1,220	—	—
Authorised by Directors but not contracted for	739	1,207	—	—
(b) Outstanding commitments for capital expenditure incurred by the Company and jointly with other venturers in respect of jointly controlled companies at the year end included above:				
Contracted for but not provided for in the accounts	363	—	—	—
Authorised by Directors but not contracted for	—	494	—	—
(c) The group's share of the capital commitments of jointly controlled companies at the year end not included above:				
Contracted for but not provided for in the accounts	1,120	929	—	—
Authorised by Directors but not contracted for	1,236	755	—	—
(d) Guarantees have been given in respect of bank loans and other liabilities outstanding at 31st December amounting to:				
Subsidiary companies	—	—	13,520	14,918
Jointly controlled companies	4,325	4,565	696	376
Associated companies	1,204	1,312	989	982
	5,529	5,877	15,205	16,276

(e) Contingent liabilities

The HKSAR Government Lands Department is currently in dispute with Swire Properties and certain of its wholly-owned subsidiaries. The dispute concerns whether there is a liability to pay a premium and interest to Government, principally in relation to the Cityplaza Four, Cityplaza Three and Cityplaza One office towers. These were completed, respectively, in 1991, 1992 and 1997. Having taken legal advice, the Directors consider that the claim by Government is ill-founded, and do not accept that any premium is payable. Government and Swire Properties have agreed that the dispute will be settled by arbitration. If any payment were to be awarded to Government in the arbitration, it would be substantially offset against the group's property valuation reserve and not against the profit and loss account. If the arbitration award were to be in favour of Government on each and every aspect of its claim, the maximum potential premium, including interest, would be approximately HK\$4,500 million.

The Directors are also of the opinion, based on legal advice, that no premium would be payable in the event that construction of the Cityplaza One (Phase 2) and Cityplaza Two office schemes were to proceed, and their development potential as at 31st December 1999 has been valued accordingly.

	Group		Company	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
26. Contingencies and commitments (continued)				
(f) Amounts payable within one year under operating lease arrangements:				
Land and buildings:				
Leases expiring:				
Within one year	32	20	—	—
Between two and five years	97	67	—	—
After five years	17	8	—	—
	146	95	—	—
Other equipment:				
Leases expiring:				
Within one year	18	18	—	—
After five years	2	—	—	—
	20	18	—	—
	166	113	—	—

27. Retirement benefits

The group operates various retirement benefit schemes providing resignation and retirement benefits to staff upon the cessation of their service with the group. Most schemes for staff employed on expatriate terms are contributory whilst most schemes for locally-engaged employees are non-contributory. The assets of the schemes are administered by independent trustees and maintained independent of the group's finances. The majority of the schemes are of the defined benefit type and contributions to such schemes are made in accordance with the recommendations of the independent actuary of the relevant scheme. The schemes are assessed annually by qualified independent actuaries. Details of the principal group schemes as at the latest valuation date are listed below:

Scheme	Actuary	Actuarial valuation method	% of the market value of scheme assets to the present value of projected past service liabilities at 31.12.1998
The Swire Group Retirement Benefit Scheme	The Wyatt Company (HK) Limited	Attained age method	157
The Swire Properties Limited Retirement Benefit Scheme	In-house Actuary of HSBC Life (International) Limited	Attained age method	103

The principal assumption used by the actuaries was that the long-term average return on investments would be 1% per annum higher than the average increase in salaries. The differences between the market values of the schemes' assets and the present value of the past service liabilities on an on-going basis at the date of the actuarial valuation are taken into consideration when determining future funding rates in order to ensure that the schemes will be able to meet these liabilities as they become due. The current funding rates are those recommended by the actuaries to ensure that the schemes will be able to meet their future liabilities.

All employees engaged outside Hong Kong are covered by appropriate local arrangements.

The total retirement benefit costs charged to the profit and loss account in 1999 were HK\$92 million (1998: HK\$101 million).

28. Related party transactions

There are agreements for services, in respect of which John Swire & Sons Limited provides services to various companies in the group and under which costs are reimbursed and fees are payable. Services fees are calculated as 2.5% of the relevant company's consolidated profit before tax, extraordinary items and minority interests, adjusted by disregarding any profits and losses on sale of fixed assets and from jointly controlled and associated companies but adding back the dividends receivable from these companies. For the year ended 31st December 1999, those fees amounted to HK\$91 million and expenses of HK\$153 million were reimbursed at cost.

On 6th March 2000, the Company entered into an agreement for the sale of the entire share capital of Swire Loxley Limited to Sparkle Light Enterprises Inc., a wholly-owned subsidiary of CITIC Pacific Limited. The consideration is HK\$86 million in cash and was arrived at after arm's length negotiations. As CITIC Pacific is a substantial shareholder of Festival Walk Holdings Limited, which is a non-wholly-owned subsidiary of Swire Pacific Limited, this will be a related party transaction for the year ending 31st December 2000.

The following is a summary of other significant transactions between the group and related parties, in addition to those disclosed elsewhere in the accounts, which were carried out in the normal course of the group's business:

	Notes	Jointly controlled companies		Associated companies		Fellow subsidiaries		Intermediate holding company	
		1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
Revenue from sales of goods and rendering of services	(a)	6	8	14	18	—	8	1	—
Purchases of goods and services	(a)	211	253	38	28	6	5	—	—
Rental revenue	(b)	1	1	16	35	4	7	50	37
Interest income	(c)	99	33	63	83	—	—	—	—
Interest charges	(c)	22	14	—	—	—	—	—	—

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Listing Rules.

Amounts due to and from the ultimate holding company and intermediate holding company at 31st December 1999 are disclosed in note 19 and 20. These balances arise in the normal course of business, are non-interest bearing and have no fixed settlement dates.

Notes:

- Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and terms no less than those charged to/by and contracted with other third party customers/suppliers of the group.
- The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- Loans advanced to jointly controlled and associated companies and loans due to jointly controlled companies at 31st December 1999 are disclosed in note 14 and 15 respectively. Quasi-equity loans are non-interest bearing whilst other loans bear interest at market rates. These loans have no fixed settlement dates.

	Group	
	1999 HK\$M	1998 HK\$M
29. Notes to the consolidated cash flow statement		
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	3,884	2,722
Depreciation	502	453
Profit on disposal of fixed assets	(52)	(67)
Amortisation of deferred expenditure	140	62
Decrease in properties completed and under development for sale	929	417
Decrease in stocks	16	165
Decrease/(increase) in debtors	413	(221)
(Decrease)/increase in creditors	(379)	460
Other items not involving cash flow		
– provision for diminution in value of property development sites	–	2,072
– others	182	57
Net cash inflow from operating activities	5,635	6,120
(b) Analysis of fixed assets purchased		
Investment properties	1,026	3,342
Other properties	40	178
Plant and machinery and vessels	706	810
Purchase of fixed assets	1,772	4,330
(c) Sale of shareholdings in subsidiary companies		
Net assets disposed:		
Fixed assets	23	–
Stocks	82	–
Debtors	101	–
Cash at bank and in hand	100	–
Bank overdrafts	(12)	–
Creditors and provisions	(126)	–
Taxation	(5)	–
Other deferred items	61	–
Goodwill previously eliminated against reserves	311	–
	535	–
Loss on disposal of subsidiaries	(64)	–
	471	–
Satisfied by:		
Cash	171	–
Amount receivable	300	–
Analysis of net inflow of cash and cash equivalents in respect of the sale of shareholdings in subsidiary companies:		
Cash proceeds	171	–
Cash at bank and in hand	(100)	–
Bank overdrafts	12	–
Net inflow of cash and cash equivalents in respect of the sale of shareholdings in subsidiary companies	83	–

Group				
	Loans, bonds and perpetual capital securities		Minority interests	
	1999 HK\$M	1998 HK\$M	1999 HK\$M	1998 HK\$M
29. Notes to the consolidated cash flow statement (continued)				
(d) Analysis of changes in financing during the year				
At 1st January 1999	16,785	16,271	3,720	3,646
Net cash inflow from financing	276	512	1	564
Changes in the group	–	–	2	(20)
Minority interests in property valuation reserve	–	–	352	(604)
Minority interests' share of profits	–	–	236	251
Dividends paid and proposed	–	–	(34)	(117)
Non-cash movements	19	2	3	–
At 31st December 1999	17,080	16,785	4,280	3,720

30. Ultimate Holding Company

The ultimate holding company is John Swire & Sons Limited, a company incorporated in the United Kingdom.

31. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

In particular, the comparatives have been adjusted or extended to take into account HK SSAP 1 and 2 which became effective during the year, and to reflect a prior year adjustment as disclosed in note 25.

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial positions of the group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated profit and loss account for the year ended 31st December 1999 and consolidated balance sheet as at 31st December 1999.

Cathay Pacific Airways Limited Consolidated Profit and Loss Account for the year ended 31st December 1999

	1999 HK\$M	1998 HK\$M
Turnover	28,702	26,610
Operating expenses	(25,880)	(27,267)
Operating profit/(loss)	2,822	(657)
Net finance charges	(918)	(311)
Profit on sale of investments (Note 1)	482	185
Share of profits of associated companies	108	172
Profit/(loss) before taxation	2,494	(611)
Taxation	219	(104)
Profit/(loss) after taxation	2,275	(507)
Minority interests	84	35
Profit/(loss) attributable to shareholders	2,191	(542)
Dividends	1,016	339
Retained profit/(loss) for the year	1,175	(881)
	HK¢	HK¢
Basic earnings/(loss) per share	64.7	(16.0)
Diluted earnings/(loss) per share (Note 2)	64.3	(16.0)

Notes:

1. The profit on sale of investments represents the gain from the sale of an indirect interest of 0.4% in Equant N.V., a company which provides an international communications network. The Cathay Pacific Group still maintains an indirect interest of 0.6% in this company.
2. Cathay Pacific Airways adopted a share option scheme on 10th March 1999 whereby certain flight deck crew of the company were granted options to subscribe for a total of 67,837,097 shares at a price of HK\$7.47 per share. Diluted earnings per share are calculated to adjust for the effects of such share options (1998: nil).

Cathay Pacific Airways Limited
Consolidated Balance Sheet

at 31st December 1999

	1999 HK\$M	1998 HK\$M
ASSETS		
Non-current assets		
Fixed assets	48,354	47,792
Investments in associated companies	1,367	1,325
Other long-term receivables and investments	2,181	2,310
	51,902	51,427
Current assets		
Stock	648	694
Trade and other receivables	3,832	3,502
Liquid funds	11,595	12,326
	16,075	16,522
Current liabilities		
Current portion of long-term liabilities	2,588	3,401
Related pledged security deposits	(563)	(1,061)
Net current portion of long-term liabilities	2,025	2,340
Trade and other payables	6,052	5,796
Unearned transportation revenues	1,741	1,783
Taxation	659	673
Proposed dividend	914	237
	11,391	10,829
Net current assets	4,684	5,693
Total assets less current liabilities	56,586	57,120
Non-current liabilities		
Long-term liabilities	39,380	39,436
Related pledged security deposits	(16,622)	(14,578)
Net long-term liabilities	22,758	24,858
Deferred taxation	6,714	6,359
	29,472	31,217
Minority interests	86	108
	29,558	31,325
NET ASSETS	27,028	25,795
CAPITAL AND RESERVES		
Share capital	676	676
Reserves	26,352	25,119
SHAREHOLDERS' FUNDS	27,028	25,795

Schedule of Principal Group Properties

at 31st December 1999

Gross floor areas in square feet						
	Hong Kong		USA		Total	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries and other companies
Completed investment properties:						
Commercial	8,974,417	257,834	–	–	8,974,417	9,232,251
Industrial	1,810,829	–	–	–	1,810,829	1,810,829
Residential	868,332	–	–	–	868,332	868,332
Hotels	–	334,349	–	–	–	334,349
	11,653,578	592,183	–	–	11,653,578	12,245,761
Investment properties under development:						
Commercial	1,571,726	17,559	–	–	1,571,726	1,589,285
Residential	14,500	–	–	–	14,500	14,500
Hotel	–	47,361	–	258,750	–	306,111
	1,586,226	64,920	–	258,750	1,586,226	1,909,896
Property developments for sale:						
Commercial	53,124	28,309	100,000	–	153,124	181,433
Industrial	–	191,250	–	–	–	191,250
Residential	591,161	2,775,459	2,202,300	–	2,793,461	5,568,920
	644,285	2,995,018	2,302,300	–	2,946,585	5,941,603
	13,884,089	3,652,121	2,302,300	258,750	16,186,389	20,097,260

Notes:

1. All properties held through subsidiary companies are wholly owned except for Festival Walk (50%), Island Place (60%) and Sunningdale (80%). The above summary table includes the floor areas of these 3 majority owned properties in total.
2. "Other companies" comprise jointly controlled companies and associates. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas exclude carpark spaces; over 7,500 completed carpark spaces in Hong Kong are held by subsidiaries for investment.
4. Holdings in Hong Kong developments for sale in Fanling and Yuen Long are excluded from the above table.
5. In addition, the group owns a 10% attributable interest in a 1.15 million square foot commercial development in Shanghai, due for completion in early 2000.
6. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
7. All properties in the United States are freehold.

Completed investment properties in Hong Kong							
	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Commercial							
1 Pacific Place, 88 Queensway, Central One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building.
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building.
The Mall at Pacific Place	IL 8571/IL 8582 & Ext. (part)	2047/2135	318,289 (part)	711,182	508	1988/1990	Shopping centre with restaurants and a four-screen cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2 Festival Walk, Yau Yat Tsuen	NKIL 6181	2047	222,382	1,213,518	830	1998	Comprises a 981,303 square foot shopping centre, including ice-skating rink and cinemas, 232,215 square feet of office space and a transport terminus linked to Kowloon Tong MTRC/KCRC station. Floor areas quoted represent the whole development of which the group owns 50%.
3 Cityplaza, Taikoo Shing, 1111 King's Road	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA QBML 2 & Ext. sJ RP (part)	2899	334,234 (part)	1,105,924	834	1982/1987/1997	Shopping centre with restaurants, ice-skating rink, and access to Taikoo MTR station. Area shown includes a cinema complex of 56,553 square feet to be completed in 2000.
4 Cityplaza One, Taikoo Shing, 1111 King's Road	QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 SA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA QBML 2 & Ext. sJ RP (part)	2899	145,943 (part)	627,579	–	1997	Office building over part of Cityplaza shopping centre.
5 Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	33,730	447,709	–	1992	Office building linked by footbridge to Cityplaza.
6 Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,427	–	1991	Office building linked by footbridge to Cityplaza.

Completed investment properties in Hong Kong		Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Commercial								
7	Commercial areas in Stages I - X of TaiKoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/2899	—	331,380	3,826	1976-1985	Neighbourhood shops, schools and carpark spaces.
8	Devon House, TaiKoo Place, Quarry Bay	QBML 1 sF ss1 QBML 1 sF RP ML 703 sN	2881	54,788	827,616	311	1993	Office building linked to Quarry Bay MTR station by a footbridge.
9	Dorset House, TaiKoo Place, Quarry Bay	QBML 1 sQ, QBML 1 sR RP QBML 1 sS, QBML 1 sT ss1 QBML 1 sT ss2, QBML 1 sT RP QBML 1 sU, QBML 1 sW QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Office building linked to Devon House.
10	Lincoln House, TaiKoo Place, Quarry Bay	QBML 1 ssQ QBML 1 sR RP QBML 1 sS QBML 1 sT ss1 QBML 1 sT ss2 QBML 1 sT RP QBML 1 sU QBML 1 sW QBML 1 RP (part)	2881	238,582 (part)	333,350	164	1998	Office building linked to Dorset House.
11	Oxford House, TaiKoo Place, Quarry Bay	QBML 1 sC ss4 QBML 1 sC ss7 QBML 2 & Ext. sD	2881	33,434	501,249	182	1999	Office building linked to Somerset House.
12	Island Place, 500 King's Road, North Point	IL 8849	2047	106,498 (part)	150,167	288	1996	Floor area shown represents the whole shopping centre podium of which the group owns 60%.
Total held through subsidiaries				8,974,417	7,158			

Completed investment properties in Hong Kong							
	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Commercial							
13 625 King's Road, North Point	IL 7550	2108	20,000	301,062	84	1998	Office building. Floor area shown represents the whole development of which the group owns 50%.
14 Citygate (Site 2 South), Tung Chung, Lantau	TCTL 2		358,557	536,515	550	1999	A 161,459 square foot office tower above a 375,056 square foot shopping centre. Group's interest in the consortium developing Tung Chung (Package 1) is 20%. (Sites 1 and 3 included on Page 72).
Held through jointly controlled companies				837,577	634		
– of which attributable to the group				257,834			
Industrial							
15 TaiKoo Place, Quarry Bay		2881	238,582 (part)		292		Light industrial/godown/office buildings.
Warwick House)	QBML 1 sQ, QBML 1 sR RP			552,537		1979	
)	QBML 1 sS, QBML 1 sT ss1						
Cornwall House)	QBML 1 sT ss2, QBML 1 sT RP			334,936		1984	Floor area excludes 8 floors owned by Government.
)	QBML 1 sU, QBML 1 sW						
Somerset House)	QBML 1 RP (part)			923,356		1988	
Total held through subsidiaries				1,810,829	292		
Residential							
16 The Albany, 1 Albany Road, Mid-Levels	IL 8638	2047	41,732	208,755		1989	Tower with 74 luxury apartments, 8 duplexes and 2 penthouses.
17 The Atrium, Pacific Place, 88 Queensway, Central	IL 8571 (part)	2135	115,066 (part)	173,999		1988	136 service suites above the JW Marriott Hotel.
18 Parkside, Pacific Place, 88 Queensway, Central	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075		1990	243 service suites within the Conrad International tower.
19 Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768		1981	Three pairs of semi-detached houses.
20 36 Island Road, Deep Water Bay	RBL 507 & Ext.	2097	20,733	5,773		1980	Two detached houses.
21 26 Severn Road, 28 Severn Road, The Peak	RBL 127 RBL 99	2049 2049	11,351 11,370	5,900 5,900		Pre-war Pre-war	One semi-detached house on each site.
22 Fairwinds 29-31 Tung Tau Wan Road, Stanley	RBL 655 RBL 658	2100	13,548	10,162		1998	Two pairs of semi-detached houses.
Total held through subsidiaries				868,332			

Completed investment properties in Hong Kong		Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Year of completion	Remarks
Hotels							
Pacific Place, 88 Queensway, Central							
1	JW Marriott	IL 8571 (part)	2135	115,066 (part)	525,904	1989	604 room hotel, in which the group owns a 20% interest.
2	Conrad International Hotel	IL 8582 & Ext. (part)	2047	203,223 (part)	540,115	1990	513 room hotel, in which the group owns a 20% interest.
3	Island Shangri-La Hotel	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	1991	565 room hotel, in which the group owns a 20% interest.
Total held through associates					1,671,747		
– of which attributable to the Group					334,349		

Investment properties under development in Hong Kong		Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1	Pacific Forum, One Queen's Road East, Wanchai									
	Site A	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD	2849-2852	10,804	Commercial	172,674	–	Demolition completed	On hold	Subject to approval by Government, the two sites will be constructed to make way for a single 630,000 square foot office tower.
	Site B	IL47s Ass1 IL47 sARP IL47 sB ss1 & RP IL47 sC ss1 & ss2sA & ss2RP & ss3sA & ss3RP & ss4 & ss5 & ss6sA & ss6RP & ss7RP & RP IL 47sP IL 47RP	2852	22,177	Commercial	332,475	130	Foundation in progress	On hold	

**Investment properties
under development
in Hong Kong**

Investment properties under development in Hong Kong										
	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks	
2	Cityplaza Two, Taikoo Shing, 1111 King's Road	QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA QBML 2 & Ext. sJ RP (part)	2899	145,943 (part)	Commercial	618,379	–	Demolition completed	On hold	34 storey office building above 43,821 square feet retail space.
3	Cityplaza One (Phase 2), Taikoo Shing, 1111 King's Road	QBML 2 & Ext. sR RP QBML 2 & Ext. sR ss1 sA QBML 2 & Ext. sQ RP QBML 2 & Ext. sQ ss7 QBML 2 & Ext. sQ ss2 sB QBML 2 & Ext. sQ ss2 sA QBML 2 & Ext. sJ RP (part)	2899	145,943 (part)	Commercial	448,198	–	–	On hold	16 storey vertical extension to the existing Cityplaza One office building.
4	3 Coombe Road, The Peak	RBL 154	2070	29,000	Residential	14,500	–	Site formation completed	2001	Four detached houses.
Total held through subsidiaries					1,586,226					130
5	Citygate (Site 2 North), Tung Chung, Lantau	TCTL 2	2047	358,557	Retail	87,792	545	Super-structure in progress	2000	Group's interest in the consortium developing Tung Chung (Package 1) is 20%. (Sites 1 and 3 included on Page 72)
					Hotel	236,806		On hold	2003	
Total held through jointly controlled company					324,598					545
– of which attributable to the Group					64,920					

**Property developments
for sale in Hong Kong**

1 Island Place Tower, 510 King's Road, North Point	IL 8849	2047	106,498 (part)	Office	38,863	–	Completed	1997	Floor areas shown represent 2 unsold office floors at year-end, of which the group owns 60%.
2 Sunningdale, 193 Sai Yee Street, Mongkok	KIL 2306, KIL 3869, KIL 3868, KIL 3870.	2080	4,064	Residential Retail	5,354 3,503	8	Completed	1997	Comprises 44 flats plus 3,428 square feet of retail. Floor areas shown represent 8 unsold flats and 1 unsold shop at year end, of which the group owns 80%.

Property developments for sale in Hong Kong		Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
3	StarCrest, 9 Star Street, Wanchai	IL 8853	2047	40,871	Residential Retail	190,556 10,758	83	Completed	1999	Comprises 329 flats. Floor areas shown represent 188 unsold units. The retail content and car parks will be retained.
4	Site V, Taikoo Valley, Quarry Bay	IL 8397 RP	2125	60,816	Residential	395,251	144	Site formation completed	On hold	The Town Planning Board approved plan includes 432 flats, a school and a community centre. Lease modification negotiations in progress.
Total held through subsidiaries						644,285	235			
5	MTRC Tung Chung (Package 1) Lantau									
	– Tung Chung Crescent (Site 1)	TCTL 1	2047	331,658	Residential Retail	1,004,704 35,521	507	Completed	1998 and 1999	Floor areas shown represent 997 unsold residential units and retail space.
	– Site 3	TCTL 3	2047	230,348	Residential Retail	1,012,669 26,910	332	Foundation in progress	2002- 2003	Comprises 1,344 residential units and retail space. Group's interest in the consortium developing Tung Chung (Package 1) is 20%. (Site 2 included on Pages 69 and 71)
6	Ocean Shores, TKOTL 55, Tseung Kwan O	TKOTL55	2047	539,756	Residential Retail	4,083,485 32,292	1,146 30	Super- structure in progress	2001- 2002	Comprises approximately 5,728 flats of which the group owns 49%.
7	Les Saisons, SIL 843, Aldrich Bay	SIL 843	2048	75,950	Residential	742,153	216	Super- structure in progress	2001	Comprises 864 flats of which the group owns 50%.
8	8-10 Wong Chuk Hang Road, Aberdeen	AIL 338, AIL 339	2119 2120	25,500	Industrial	382,500	39	Foundation completed	On hold	Floor areas shown represent the whole development of which the group owns 50%.
Total held through jointly controlled companies						7,320,234	2,270			
– of which attributable to the group						2,995,018				

**Property developments
for sale in
Hong Kong**

Other holdings										
9	Belaire Monte, Area 19, Fanling	FSSTL 126	2047	223,674	Retail	67,083	17	Completed	1998	Residential content comprising 1,680 units has all been sold. Floor area shown represents the whole of the retail area of which the group owns 8%.
10	Greenfields, Fung Kam Street, Yuen Long	YLTL 463	2047	63,389	Residential	8,816	41	Completed	1998	Comprises 480 units. Floor area shown represents 11 unsold flats of which the group owns 7%.
						75,899	58			
Attributable holding						5,983				

**Investment properties
in the United States**

Under development						
1	Mandarin Oriental, South Brickell Key, Miami, Florida	124,000	Hotel	345,000	2001	329 room hotel in downtown Miami, in which the group has a 75% interest.
		Held through jointly controlled company		345,000		
		– of which attributable to the group		258,750		

**Property developments
for sale in the United States**

2	Two Tequesta Point, 808 Brickell Key, Miami, Florida	108,900	Residential	60,300	1998	39 storey residential condominium tower comprising 268 units, with 4 storey parking garage in downtown Miami. Floor area represents 28 units not closed at year-end.
3	Three Tequesta Point, 838 Brickell Key, Miami, Florida	86,184	Residential	507,000	2001	46 storey residential condominium tower comprising 234 units, with 4 storey parking garage in downtown Miami.
4	848 & 990 Brickell Key, Miami, Florida	363,453	Office/Retail Residential	100,000 1,178,000	– –	Development sites in downtown Miami. Plans currently under review comprise 3 residential sites and 1 office/retail site.
5	South Brickell Key, Miami, Florida	106,868	Residential	457,000	–	Development site in downtown Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently under review.
Total held through subsidiaries				2,302,300		

Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

Showing proportion of capital owned at 31st December 1999

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Property division					
<i>Subsidiary companies:</i>					
Incorporated in Hong Kong:					
Aldrich Bay East Limited	100	—	100	1,000 shares of HK\$1	Property investment
Braemar West Limited	100	—	100	1,000 shares of HK\$1	Property trading
Cathay Limited	100	—	100	807 shares of HK\$10	Property investment
Cityplaza Holdings Limited	100	—	100	100 shares of HK\$10	Property investment
Coventry Estates Limited	100	—	100	4 shares of HK\$10	Property investment
Festival Walk Holdings Limited	50	—	50	100,000 shares of HK\$10	Property investment
(formerly known as Benbecula Limited)	100	—	100	1 special rights redeemable preference share of HK\$10	
Harbour Heights (Management) Limited	100	—	100	2 shares of HK\$1	Estate management
Hixburg Limited	80	—	80	100 shares of HK\$10	Property trading and investment
Island Land (Management) Limited	100	—	100	2 shares of HK\$1	Estate management
Island Place (Management) Limited	100	—	100	2 shares of HK\$10	Estate management
Lei King Wan (Management) Limited	100	—	100	2 shares of HK\$1	Estate management
Massrich Investment Limited	100	—	100	2 shares of HK\$1	Property trading and investment
One Queen's Road East Limited	100	—	100	2 shares of HK\$1	Property investment
Oriental Landscapes Limited	100	—	100	50,000 shares of HK\$10	Landscaping services
(formerly known as Oriental Environmental Services Limited)					
Pacific Place Holdings Limited	100	—	100	2 shares of HK\$1	Property investment
Park Vale (Management) Limited	100	—	100	2 shares of HK\$1	Estate management
Redhill Properties Limited	100	—	100	250,000 shares of HK\$1	Property investment
Robinson Place (Management) Limited	100	—	100	2 shares of HK\$10	Estate management

Notes:

- 1) This table lists the principal subsidiary, jointly controlled and associated companies of the group which, in the opinion of the Directors, principally affected the results or net assets of the group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.
 - 2) Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of shipowning and operating are international, and are not attributable to a principal country of operation.
 - 3) * Group interest held through jointly controlled and associated companies.
 - 4) • Companies not audited by PricewaterhouseCoopers.
- These companies account for approximately 15.6% of attributable net assets at 31st December 1999.

		Attributable to the Group		Issued share capital	Principal activities
	%	Owned directly	Owned by subsidiaries		
Property division					
Incorporated in Hong Kong:					
StarCrest (Management) Limited	100	—	100	2 shares of HK\$10	Estate management
Sunningdale (Management) Limited	100	—	100	2 shares of HK\$10	Estate management
Swire Properties (Finance) Limited	100	—	100	100 shares of HK\$1	Financial services
Swire Properties Investments Limited	100	—	100	15,000,000 shares of HK\$1	Property investment
Swire Properties Limited	100	100	—	612,036,542 shares of HK\$1	Holding company
Swire Properties Management Limited	100	—	100	2 shares of HK\$10	Property management
Swire Properties Projects Limited	100	—	100	2 shares of HK\$1	Project management
Swire Properties Real Estate Agency Limited	100	—	100	2 shares of HK\$10	Real estate agency
TaiKoo Place Holdings Limited (formerly known as Parker Valley Estates Limited)	100	—	100	2 shares of HK\$1	Property investment
Taikoo Shing (Management) Limited	100	—	100	2 shares of HK\$1	Estate management
The Floridian (Management) Limited	100	—	100	2 shares of HK\$10	Estate management
Westlands Court (Management) Limited	100	—	100	2 shares of HK\$1	Estate management
Zarrinbad Limited	100	—	100	2 shares of HK\$10	Investment holding
Incorporated in the United States:					
Swire Pacific Holdings Inc. (see also Beverages division)	100	—	100	6,950.28 shares of US\$1	Property development and manufacture and sale of non-alcoholic beverages
Swire Brickell Key Realty Inc.	100	—	100	1,000 shares of US\$1	Real estate agency
Swire Brickell Three Inc.	100	—	100	1,000 shares of US\$1	Property trading
Tequesta Realty Sales Inc.	100	—	100	1,000 shares of US\$1	Real estate agency
Incorporated in the British Virgin Islands:					
Swire and Island Communication Developments Limited	100	—	100	60 'A' shares of HK\$10 40 'B' shares of HK\$10 1 non-voting dividend share of HK\$10	Property trading and investment
<i>Jointly controlled companies:</i>					
Incorporated in Hong Kong:					
Calm Seas Project Management Limited •	50	—	*	2 shares of HK\$1	Project management
Hareton Limited	50	—	50	100 shares of HK\$10	Property trading
Newfoundworld Limited	20	—	*	200,000 shares of HK\$10	Property trading
Uttoxeter Limited	50	—	50	100 shares of HK\$10	Property trading
Incorporated in the United States:					
Swire Brickell Key Hotel, Ltd.	75	—	75	Florida Partnership	Hotel investment

	Atributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Property division					
<i>Jointly controlled companies: (cont'd)</i>					
Incorporated in the British Virgin Islands:					
Arrowtown Assets Limited •	49	—	*	1 share of US\$1	Property trading
Calm Seas Developments Limited •	50	—	50	2 shares of US\$1	Holding company
Island Land Development Limited	50	—	50	100 shares of HK\$10	Property investment
<i>Associated companies:</i>					
Incorporated in Hong Kong:					
Greenroll Limited •	20	—	20	2,000 shares of HK\$10	Hotel investment
Moon Festival Limited	25	—	*	1,000,000 shares of HK\$1	Restaurant
Pure Jade Limited	20	—	20	100 shares of HK\$1	Property trading
Queensway Hotel Limited	20	—	*	100,000 shares of HK\$10	Hotel investment
RFCI (HK) Limited	49	—	49	200,000 shares of HK\$10	Restaurant
Shangri-La International Hotels (Pacific Place) Limited •	20	—	20	5,000 shares of HK\$1 10,000,000 non-voting shares of HK\$1	Hotel investment
<i>Long-term investment:</i>					
Incorporated in Hong Kong:					
Join Resources Limited	16.7	—	16.7	10,000 shares of HK\$1	Property Investment
Aviation division					
<i>Subsidiary company:</i>					
Incorporated in Hong Kong:					
Swire Aviation Limited	66.7	66.7	—	5,000 shares of HK\$10	Investment holding
<i>Associated companies:</i>					
Incorporated in Hong Kong:					
Abacus Distribution Systems (Hong Kong) Limited •	24.1	—	*	15,600,000 shares of HK\$1	Computerised reservation systems and related services
AHK Air Hong Kong Limited •	33.8	—	*	90,666,816 shares of HK\$1	Cargo airline
Aircrew Services Limited	45.1	—	*	9 shares of HK\$10	Provision of aircrew services
Airline Property Limited	45.1	—	*	2 shares of HK\$10	Property investment
Airline Stores Property Limited	45.1	—	*	2 shares of HK\$10	Property Investment
Airline Training Property Limited	45.1	—	*	2 shares of HK\$10	Property Investment
Associated Engineers Limited	16.1	—	*	3,100 founders' shares of HK\$10 2,526,593 ordinary shares of HK\$10	Airport ground support and general engineering
BFGoodrich Aerospace Asia-Pacific Limited	18.7	—	*	9,200,000 shares of HK\$1	Aircraft carbon brake machining
Bridgestone Aircraft Tire Company (Asia) Limited	19.1	—	*	2,100,000 shares of HK\$10	Aircraft tyre retreading and trading
Cathay Holidays Limited	45.1	—	*	5,000 shares of HK\$100	Travel tour operator
Cathay Pacific Airways Limited •	45.1	45.1	—	3,384,199,848 shares of HK\$0.20	Operation of scheduled airline services

	Attributable to the Group	Owned directly	Owned by subsidiaries	Issued share capital	Principal activities
	%	%	%		
Aviation division					
Incorporated in Hong Kong:					
Cathay Pacific Catering Services (HK) Limited •	45.1	—	*	600 shares of HK\$1,000	Airline catering
Cathay Pacific Loyalty Programmes Limited	45.1	—	*	2 shares of HK\$1	Airline frequent flyer programme
Hongkong Air Terminal Services Limited	50	50	—	500 shares of HK\$1,000	Airport terminal services
Hong Kong Aero Engine Services Limited •	19.1	—	*	20 shares of HK\$10	Aircraft engine overhaul
Hong Kong Air Cargo Terminals Limited	24.5	—	30&*	800,000 shares of HK\$100	Air cargo handling service
Hong Kong Aircraft Engineering Company Limited	38.1	27	*	185,089,750 shares of HK\$1	Aircraft overhaul and maintenance
Hong Kong Airport Services Limited	36.4	—	*	100 shares of HK\$1	Provision of ground and ramp handling services
Hong Kong Airport Restaurant Caterers Co. Limited	14.9	—	*	5,000 shares of HK\$100	Airport Catering
Hong Kong Airways Limited •	45.1	—	*	168,000 shares of HK\$10	Financial services
Hong Kong Dragon Airlines Limited	16.1	—	7.7&*	500,000,000 shares of HK\$1	Airline operation
South China Aero Technology Limited	22.9	—	*	500,000 shares of HK\$1	Aircraft component agents
Vogue Laundry Service Limited •	45.1	—	*	3,700 shares of HK\$500	Laundry and dry cleaning
Incorporated in Mainland China:					
AlliedSignal TAECO Aerospace (Xiamen) Company Limited	11.5	—	*	Registered capital of US\$5,000,000	Aircraft components and avionic repair
Guangzhou Gou Tai Information Processing Company Limited •	56.1	—	*	7,000,000 shares of no par value	Information processing services
Lucas TAECO Aerospace (Xiamen) Company Limited •	7	—	*	Registered capital of US\$5,000,000,000	Aircraft components repair
Shandong TAECO Aircraft Engineering Company Limited •	9.6	—	*	Registered capital of RMB40,000,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Aircraft Engineering Company Limited •	21.4	—	*	Registered capital of US\$34,650,000	Aircraft overhaul and maintenance
Incorporated in Canada:					
CLS Catering Services Limited •	27.1	—	*	330,081 ordinary shares of no par value	Airline catering
Incorporated in Bermuda					
Prestwick Aviation Limited •	45.1	—	*	12,000 shares of US\$1	Aircraft leasing
Troon Limited •	45.1	—	*	12,000 shares of US\$1	Financial services
Incorporated in Isle of Man					
Cathay Pacific Leasing Limited	45.1	—	*	5,000,000 shares of US\$1	Aircraft leasing / acquisition facilitator
Snowdon Limited	45.1	—	*	2 shares of GB£1	Financial services
Swansea Limited	45.1	—	*	2,000 shares of US\$1	Financial services

	Atributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Aviation division					
<i>Associated companies: (cont'd)</i>					
Incorporated in Japan:					
Cathay Kansai Terminal Services Company Limited •	14.7	—	*	15,701 shares of JPY50,000	Ground handling
Incorporated in the Philippines:					
Cebu Pacific Catering Services Inc.	18	—	*	12,500,000 shares of PHP1	Airline catering
Incorporated in Taiwan:					
China Pacific Catering Services Limited	49	—	*	146,000,000 shares of NT\$10	Airline catering
Incorporated in Vietnam:					
VN/CX Catering Services Limited	18	—	*	4,062,000 shares of no par value	Airline catering
Beverages division					
<i>Subsidiary companies:</i>					
Incorporated in Hong Kong:					
Swire Beverages Holdings Limited	100	100	—	10,002 shares of HK\$100	Holding company
Swire Beverages Limited	87.5	—	87.5	14,600 shares of US\$500	Holding company
Swire Coca-Cola HK Limited	87.5	—	100	2,400,000 shares of HK\$10	Manufacture and sale of non-alcoholic beverages
Incorporated in Bermuda:					
Swire Pacific Industries Limited (operating principally in Taiwan)	100	—	100	12,000 shares of US\$1	Holding company
Incorporated in Taiwan:					
Swire Coca-Cola Taiwan Limited	78.6	—	78.6	4,000,000 shares of NT\$100	Manufacture and sale of non-alcoholic beverages
Tai-Tung Foods Company Limited	78.6	—	100	50,000 shares of NT\$100	Sale of non-alcoholic beverages
Incorporated in the United States:					
Swire Pacific Holdings Inc. (see also Property division)	100	—	100	6,950.28 shares of US\$1	Manufacture and sale of non-alcoholic beverages and property development
<i>Jointly controlled companies:</i>					
Incorporated in Mainland China:					
BC Development Company Limited	74.4	—	85	Registered capital of US\$60 million	Manufacture and sale of non-alcoholic beverages
Guangmei Foods Company Limited •	83	—	83	Registered capital of US\$24.6 million	Food processing and distribution
Hangzhou BC Foods Company Limited	44.6	—	*	Registered capital of US\$20 million	Manufacture and sale of non-alcoholic beverages
Nanjing BC Foods Company Limited	44.6	—	*	Registered capital of US\$25 million	Manufacture and sale of non-alcoholic beverages

	Attributable to the Group	Owned directly	Owned by subsidiaries	Issued share capital	Principal activities
	%	%	%		
Beverages division					
Incorporated in Mainland China:					
Swire Beverages (Dongguan) Limited	75.3	—	86.1	Registered capital of US\$31,282,300	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hefei Limited	52.1	—	*	Registered capital of US\$12 million	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Xiamen Limited	44.6	—	51	Registered capital of US\$52,737,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Limited	60.7	—	*	Registered capital of US\$18 million	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	44.6	—	51	Registered capital of RMB510,669,000	Manufacture and sale of non-alcoholic beverages
Xian BC Hans Foods Company Limited	52.1	—	*	Registered capital of US\$20 million	Manufacture and sale of non-alcoholic beverages
Industrial division					
<i>Subsidiary companies:</i>					
Incorporated in Hong Kong:					
Swire Duro Limited	100	—	100	38,460 shares of HK\$100	Marble Fabrication
Swire Engineering Limited	100	—	100	1,000 shares of HK\$10	Engineering and mechanical products trading
Swire Engineering Services Limited	100	—	100	2 shares of HK\$1	Installation and maintenance of baggage handling system
Swire Industries Limited	100	100	—	71,000 shares of HK\$100	Holding company
Swire Investments Limited	100	—	100	1,000 shares of HK\$10	Holding company
Swire Industrial Management Services Limited	100	—	100	138,500,000 shares of HK\$1	Provision of management services
Taikoo Sugar Limited	100	—	100	300,000 shares of HK\$10	Food packaging and distribution
<i>Jointly controlled companies:</i>					
Incorporated in Hong Kong:					
Carlsberg Brewery Hong Kong Limited	49	49	—	25,000 shares of HK\$10,000	Brewing and selling of beer
Crown Can Hong Kong Limited	40	—	40	5,600,000 shares of HK\$10	Beverage can trading and distribution
ICI Swire Paints Limited •	40	—	40	10,000 shares of HK\$1	Paint marketing and distribution
Industrial Waste Disposals Limited	50	—	*	21,310,000 ordinary shares of HK\$1	Waste management
Schneider Swire Limited	49	—	49	600,000 shares of HK\$100	Electrical products trading and distribution
Swire SITA Waste Services Limited	50	—	50	58,200,000 shares of HK\$1	Waste management
Tate & Lyle Swire Limited •	33	—	33	1,000,000 shares of HK\$1	Holding company
Waylung Waste Collection Limited	50	—	*	700,000 ordinary shares of HK\$10	Waste management

	Atributable to the Group	Owned directly	Owned by subsidiaries	Issued share capital	Principal activities
	%	%	%		
Industrial division					
<i>Jointly controlled companies: (cont'd)</i>					
Incorporated in Mainland China:					
Beijing Crown Can Company Limited	32	—	*	Registered capital of US\$11,600,000	Beverage can manufacturing
Carlsbrew Brewery (Shanghai) Limited	46.6	—	*	Registered capital of US\$36,640,000	Brewing and selling of beer
Carlsbrew Brewery (Guangdong) Limited	48.5	—	*	US\$53 million	Brewing and selling of beer
Foshan Continental Can Company Limited •	20	—	*	US\$9,900,000	Beverage can manufacturing
Guangxi Luwu Euro Asia Sugar Company Limited •	21.4	—	*	RMB122,394,286	Sugar manufacturing and processing
Guangxi Napeng Euro Asia Sugar Co. Limited •	21.4	—	*	RMB152,968,032	Sugar manufacturing and processing
Huizhou Crown Can Company Limited	39.6	—	*	US\$24,900,000	Beverage can manufacturing
ICI Swire Paints (China) Limited •	36	—	36	HK\$180 million	Paint manufacturing
ICI Swire Paints (Shanghai) Company Limited •	30	—	30	Registered capital of US\$25,640,000	Paint manufacturing
Schneider Swire (Guangzhou) Electrical Equipment Limited	46.1	—	*	Registered capital of US\$7,300,000	Manufacture and sale of electrical product
Shanghai Crown Packaging Company Limited	24	—	*	US\$14,000,000	Beverage can manufacturing
Incorporated in Macau:					
CSR Macau-Companhia de Sistemas de Residuos, Lda	40	—	*	MOP10,000	Waste management
Incorporated in Vietnam:					
Crown Vinalimex Packaging Limited	32.8	—	*	US\$17,910,000	Beverage can manufacturing

Trading division					
Subsidiary companies:					
Incorporated in Hong Kong:					
Beldare Enterprises Limited	100	—	100	100,000 shares of HK\$10	General trading
Cornell Feast Company Limited	100	—	100	2 shares of HK\$1	Property holding
Swire Loxley Limited	100	100	—	100,000 shares of HK\$100	Importing, marketing and distribution
Swire Resources Limited	100	100	—	10,000 shares of HK\$10	General trading and retailing
Taikoo Enterprises Limited	100	—	100	10,000 shares of US\$1	Automobile distribution
Taikoo Motors Limited	100	100	—	10,000 shares of HK\$1	Automobile distribution
Verity Enterprises Limited	100	—	100	200,000 shares of HK\$10	Apparel trading

	<div>Attributable to the Group</div> <div>%</div>	<div>Owned directly</div> <div>%</div>	<div>Owned by subsidiaries</div> <div>%</div>	<div>Issued share capital</div>	<div>Principal activities</div>
Trading division					
Incorporated in Bermuda:					
Taikoo Motors Offshore Limited	100	–	100	12,000 shares of US\$1	Holding company
Incorporated in Taiwan:					
Beldare Limited	100	–	100	301,000 shares of NT\$1,000	General trading and automobile distribution
Cannon Taiwan Limited	100	–	100	116,029 shares of NT\$10,000	Automobile distribution
Yuntung Motors Limited	100	–	100	10,800 shares of NT\$10,000	Automobile distribution
Incorporated in British Virgin Islands:					
Taikoo Asian Motors Limited	100	–	100	50,000 shares of US\$1	Automobile distribution
Jointly controlled companies:					
Incorporated in Hong Kong:					
Intermarket Agencies (Far East) Limited	70	–	70	10 shares of HK\$100	Distribution of branded sportswear
Reebok Hong Kong Limited	66.7	–	66.7	15,000 shares of HK\$1	Sports shoes marketing
Taikoo Truck Limited	60	–	60	10,000 shares of HK\$1	Automobile distribution
Incorporated in Mainland China:					
Beijing Reebok Sporting Goods Centre	63.4	–	95	Capital of RMB10,000,000	Distribution of branded sportswear
Marine services division					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Pacific Ship Management Limited •	100	100	–	1,000 shares of HK\$100	Ship personnel management
Incorporated in Australia:					
Pacific Manning Company Pty Limited	100	–	100	20,000 shares of A\$1	Ship personnel management
Swire Pacific Offshore Pty Limited	100	–	100	40,000 shares of A\$1	Ship owning and operating
Incorporated in Bermuda:					
SPO Ships Limited	100	–	100	120 shares of US\$100	Ship owning and operating
Swire Pacific Offshore Holdings Limited	100	–	100	500,000 shares of US\$100	Holding company
Swire Pacific Offshore Limited	100	–	100	120 shares of US\$100	Management services
Swire Southern Limited	100	–	100	120 shares of US\$100	Ship owning and operating

	Attributable to the Group	Owned directly	Owned by subsidiaries	Issued share capital	Principal activities
	%	%	%		
Marine services division					
<i>Subsidiary companies: (cont'd)</i>					
Incorporated in Panama:					
SPOL Diveships Corporation	100	—	100	2 shares of no par value	Ship owning and operating
SPOL Vessels Corporation	100	—	100	2 shares of no par value	Ship owning and operating
Swire Marine Corporation	100	—	100	2 shares of no par value	Ship owning and operating
Swire Servicing Corporation	100	—	100	2 shares of no par value	Ship owning and operating
Swire Supply Vessels Corporation	100	—	100	2 shares of no par value	Ship owning and operating
Incorporated in the United Kingdom:					
Swire Pacific Offshore (North Sea) Limited	100	—	100	2 shares of £1	Management services
Incorporated in Singapore:					
Swire Pacific Offshore Services (Pte) Limited	100	—	100	500,000 shares of S\$1	Management services
Swire Pacific Offshore Operations (Pte) Limited	100	—	100	500,000 shares of S\$1	Ship owning and operating
<i>Jointly controlled companies:</i>					
Incorporated in Hong Kong:					
Hongkong United Dockyards Limited	50	50	—	7,600,000 shares of HK\$10	Ship repairing and general engineering
HUD General Engineering Services Limited	50	—	*	240,000 shares of HK\$10	General engineering services
The Hongkong Salvage & Towage Company Limited	50	50	—	2,000,000 shares of HK\$10	Marine towage
Victoria Harbour Tug Company Limited	50	—	*	2,500,000 shares of HK\$1	Marine towage
Incorporated in Mainland China:					
Shekou Container Terminals Limited •	25	25	—	HK\$200,000,000	Container terminal operations
Incorporated in Liberia:					
Woodchurch Shipping Company Inc.	50	—	*	3 shares with no par value	Ship operating
Incorporated in British Virgin Islands:					
Swire Production Testers Limited	50	—	50	10,000 shares of US\$1	Early production systems for offshore oil
Incorporated in Egypt:					
Ocean Marine Services Limited	33.3	—	33.3	16,000 shares of US\$1,000	Ship owning and operating
<i>Associated companies:</i>					
Incorporated in Hong Kong:					
Modern Terminals Limited •	17.6	17.6	—	13,109 shares of HK\$1,000	Container terminal operations
Incorporated in Malaysia:					
Samudra Keris Sendirian Berhad	49	—	*	100 shares of M\$1	Ship owning
Samudra Wijaya Sendirian Berhad	49	—	*	100 shares of M\$1	Ship owning
Wira Swire Sendirian Berhad	40	—	40	100,000 shares of M\$1	Ship operating

	Atributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Marine services division					
Incorporated in the Philippines:					
Anscor Swire Ship Management Corporation •	25	–	25	10,000 shares of PHP1	Ship personnel management
Incorporated in UAE:					
Swire Pacific Offshore (Dubai) LLC	49	–	49	300 shares of AED1,000	Management services
Others					
<i>Subsidiary companies:</i>					
Incorporated in Hong Kong:					
Swire Finance Limited	100	100	–	1,000 shares of HK\$10	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific Capital Limited	100	100	–	10 shares of US\$1	Financial services
Swire Pacific Finance International Limited	100	100	–	1,000 shares of US\$1	Financial services
Swire Pacific Finance (Overseas) Limited	100	100	–	10 shares of US\$1	Financial services
Swire Pacific Offshore Financing Limited	100	100	–	10 shares of US¢1	Financial services
Incorporated in Vietnam					
Swire Pacific Cold Storage Company Limited	100	100	–	US\$4.95 million	Cold storage
<i>Jointly controlled companies:</i>					
Incorporated in Taiwan:					
China Pacific Laundry Services Limited •	45	–	45	70,400,000 shares of NT\$10	Laundry services
<i>Long-term investments:</i>					
Incorporated in Hong Kong:					
Tradelink Electronic Commerce Limited	5.6	5.6	–		Electronic data transfer services
Garden Hotels (Holdings) Limited	5.6	5.6	–		Hotel owning



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A Chinese translation of this Annual Report is available upon request from the Company's Registrars.
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