

# Annual Report 2000

11,900,000  
sq.ft.

11,864,000  
passengers

321,700,000  
cases

75  
ships

21  
brands

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Swire Pacific is one of Hong Kong's leading listed companies, with diversified interests in five operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial. The company's operations are predominantly based in the Greater China region, where the Swire group has been established for over 130 years. Swire Pacific seeks to foster long-term, sustainable growth through active participation in management, underpinned by a strong financial base. Details of the company's wide range of activities are contained in the Review of Operations.

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# Financial Highlights

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NOTE	2000 HK\$M	1999 HK\$M	Change %
<b>Turnover</b>	<b>15,050</b>	16,862	-10.7
<b>Operating profit</b>	<b>3,845</b>	3,884	-1.0
<b>Profit attributable to shareholders</b>	<b>3,889</b>	4,435	-12.3
<b>Net cash inflow from operating activities</b>	<b>4,684</b>	5,635	-16.9
<b>Shareholders' funds and minority interests</b>	<b>81,267</b>	72,789	+11.6
<b>Consolidated net borrowings</b>	<b>16,815</b>	16,882	-0.4
	<b>HK¢</b>	HK¢	
<b>Earnings per share</b>			
'A' shares	<b>250.6</b>	285.8	)
'B' shares	<b>50.1</b>	57.2	)
	<b>HK¢</b>	HK¢	
<b>Dividends per share</b>			
'A' shares	<b>112.0</b>	110.0	)
'B' shares	<b>22.4</b>	22.0	)
	<b>HK\$</b>	HK\$	
<b>Shareholders' funds per share</b>			
'A' shares	<b>49.01</b>	44.14	)
'B' shares	<b>9.80</b>	8.83	)
<b>Gearing ratio</b>	<b>0.21/1</b>	0.23/1	
<b>Interest cover – times</b>	<b>8.90</b>	8.01	
<b>Cash interest cover – times</b>	<b>2.87</b>	2.93	
<b>Dividend cover – times</b>	<b>2.24</b>	2.60	

## Notes

- 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.
- Gearing represents the ratio of net borrowings to shareholders' funds and minority interests.
- Interest cover is calculated by dividing operating profit by net finance charges.
- Cash interest cover is calculated by dividing operating profit by net finance charges and capitalised interest.
- Dividend cover is calculated by dividing profit attributable to shareholders by total dividends paid and proposed for the year.

# Ten-Year Financial Summary

2 ANNUAL REPORT 2000

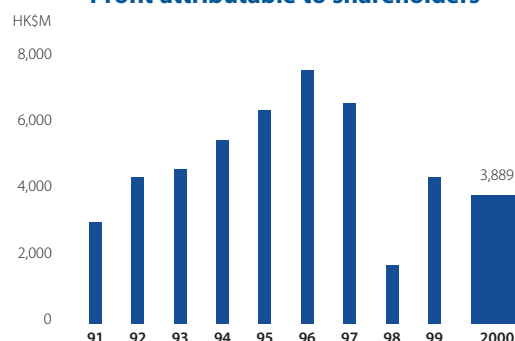
	2000 HK\$M	1999 HK\$M	1998 HK\$M	1997 HK\$M	1996 HK\$M	1995 HK\$M
<b>Turnover</b>	<b>15,050</b>	16,862	16,901	22,083	35,533	52,158
<b>Profit attributable to shareholders</b>	<b>3,889</b>	4,435	1,763	6,678	7,654	6,454
<b>Dividends</b>	<b>1,738</b>	1,707	1,304	2,756	2,806	2,521
<b>Retained profit for the year</b>	<b>2,151</b>	2,728	459	3,922	4,848	3,933
<b>Net assets employed:</b>						
Fixed assets	<b>77,265</b>	65,393	61,132	86,856	94,457	98,256
Jointly controlled companies	<b>6,953</b>	8,196	6,866	7,011	3,215	2,938
Associated companies	<b>17,493</b>	15,307	14,828	14,769	14,158	1,933
Investment securities and long-term receivables	<b>436</b>	502	806	656	639	1,893
Current and other assets less current liabilities	<b>(5,894)</b>	(3,140)	(4,276)	690	1,296	9,120
Deferred items	<b>142</b>	221	290	278	166	(3,823)
<b>Net assets</b>	<b>96,395</b>	86,479	79,646	110,260	113,931	110,317
<b>Financed by:</b>						
Shareholders' funds	<b>76,064</b>	68,509	62,591	91,820	100,464	70,387
Minority interests	<b>5,203</b>	4,280	3,720	3,646	2,991	10,247
Long-term financing	<b>15,128</b>	13,690	13,335	14,794	10,476	29,683
	<b>96,395</b>	86,479	79,646	110,260	113,931	110,317
	<b>HK¢</b>	HK¢	HK¢	HK¢	HK¢	HK¢
<b>Earnings per share</b>						
'A' shares	<b>250.6</b>	285.8	113.6	424.6	482.8	407.0
'B' shares	<b>50.1</b>	57.2	22.7	84.9	96.6	81.4
<b>Dividends per share</b>						
'A' shares	<b>112.0</b>	110.0	84.0	177.0	177.0	159.0
'B' shares	<b>22.4</b>	22.0	16.8	35.4	35.4	31.8
<b>Dividend cover – times</b>	<b>2.24</b>	2.60	1.35	2.42	2.73	2.56
	<b>HK\$</b>	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Shareholders' funds per share</b>						
'A' shares	<b>49.01</b>	44.14	40.33	59.16	63.37	44.40
'B' shares	<b>9.80</b>	8.83	8.07	11.83	12.67	8.88

## Notes

1. Turnover, net assets employed items, minority interests and long-term financing for the years 1991 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 have not since been consolidated.
2. Fixed assets for the years 1991 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.
3. Turnover, net assets employed items, minority interests and long-term financing for the years 1991 to 1997 inclusive have been restated to reflect the reclassification of certain partly-owned subsidiaries and associated companies as jointly controlled companies.
4. Shareholders' funds and shareholders' funds per share for the years 1991 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.

1994 HK\$M	1993 HK\$M	1992 HK\$M	1991 HK\$M
46,554	40,263	38,754	33,491
5,561	4,658	4,419	3,080
2,207	1,810	1,635	1,413
3,354	2,848	2,784	1,667
93,739	82,740	63,171	51,052
1,631	797	659	614
1,724	1,419	1,011	874
1,650	1,136	952	719
11,727	11,041	11,841	7,650
(2,862)	(1,768)	(772)	(217)
107,609	95,365	76,862	60,692
69,492	59,942	44,724	33,262
8,809	8,854	6,293	4,857
29,308	26,569	25,845	22,573
107,609	95,365	76,862	60,692
HK¢	HK¢	HK¢	HK¢
350.3	293.4	278.3	194.0
70.1	58.7	55.7	38.8
139.0	114.0	103.0	89.0
27.8	22.8	20.6	17.8
2.52	2.57	2.70	2.18
HK\$	HK\$	HK\$	HK\$
43.77	37.75	28.17	20.95
8.75	7.55	5.63	4.19

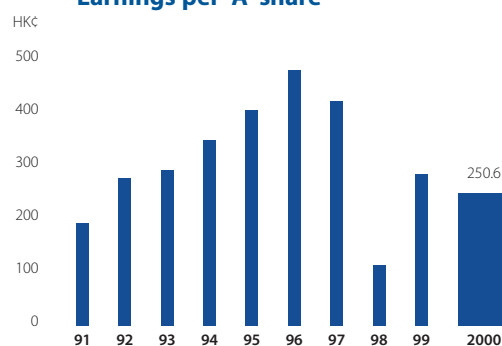
### Profit attributable to shareholders



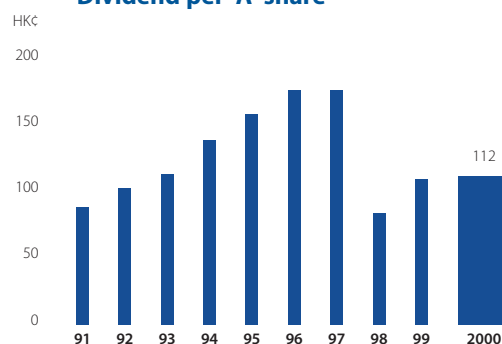
### Shareholders' funds



### Earnings per 'A' share



### Dividend per 'A' share



## Chairman's Statement

The profit for 2000, at HK\$3,889 million, was 12.3% lower than in 1999. This reflects a further HK\$1,700 million provision against the residential property trading portfolio, a provision of HK\$250 million in respect of the property trading element of the Taikoo Shing arbitration and other non-recurring items of HK\$132 million. Profit excluding non-recurring items in both years rose from HK\$4,324 million in 1999 to HK\$5,971 million in 2000 – an increase of 38.1%. This underlying result demonstrates the strong pick up in demand for commercial property in Hong Kong, and for aviation services in the region. Our other businesses reported generally improved operating results. Net debt has decreased marginally to HK\$16,815 million, whilst gearing has fallen from 23% to 21% following an upward revaluation of our investment properties.

### Dividends

Interim dividends of HK\$36.0 per 'A' share and HK\$7.2 per 'B' share were declared on 10th August 2000. Directors have recommended final dividends for 2000 of HK\$76.0 per 'A' share and HK\$15.2 per 'B' share. The total distribution per share paid and proposed for 2000 is 1.8% higher than that for 1999. Subject to approval by shareholders, dividend payments will be made on 1st June 2001.

### Markets and Operations

2000 was a year in which Swire Pacific saw significant improvements in most of its core activities, though difficult trading conditions persisted in some. The continuing challenge, as for any conglomerate, is to capitalise on our strength, in terms of industry-specific expertise and of our knowledge and experience of the Greater China region. We continue to evaluate the group's contribution to the businesses in which we are

engaged, increasing our investment in those where we believe we add significant value and rationalising investment in those businesses where we believe we are unable to see a return commensurate with our costs of capital and management time. This process has led to the disposal of several business interests in the Trading & Industrial Division and to expansion in several other businesses, most notably commercial property investment, aviation and offshore marine services.

In January 2001, Government's claim for land premium in respect of various buildings in Taikoo Shing was upheld in an arbitration award. Although an appeal has been submitted, certain provisions have been made in the 2000 financial statements. These are explained further in the review of operations.

The Hong Kong property market has seen a significant upturn in achieved rentals for office and retail space, and this is reflected in the encouraging results from our investment property portfolio, both in terms of profit

and balance sheet valuations. The residential sales market has been weak, and therefore we have made a further provision of HK\$1,700 million against the Ocean Shores development in Tseung Kwan O. However, a welcome recent clarification by Government of its long-term intentions as regards new residential supply, together with a lower interest rate environment, should help improve the tone of the market. While the provision we have made has had a negative impact on profit in 2000, future cash flow will remain strong as the development is sold. We continue to look for additional property investment and trading opportunities that will enable us to earn an adequate return.

The upturn in regional economies has led to an increase in demand for aviation services. In 2000, Cathay Pacific set new records for profits, for the number of passengers carried and for cargo tonnage. Both passenger and cargo yields improved slightly, but still remain well below the levels seen in the mid 1990s. The result reflects the airline's success in carefully controlling costs, even though fuel prices increased sharply. Cathay Pacific and Dragonair have announced plans to expand their fleets with the addition of 11 and 4 aircraft respectively. These aircraft will enable both airlines to open new routes and add more frequencies to both regional and long-haul destinations, thus reinforcing Hong Kong's position as Asia's leading aviation hub.

The Beverages Division achieved good overall volume growth at 9%. The strongest volume growth, 12%, was seen in Mainland China. We have continued to improve and deepen our distribution network in order to achieve better control over pricing and market penetration. The established businesses in Hong Kong and the USA continue to deliver stable and satisfactory returns, whilst Taiwan had a difficult year. The operations in Mainland China already generate strong cash flow and we are

confident of further volume growth and of our ability to generate profits through better control over both prices and costs.

In the Marine Services Division, Swire Pacific Offshore has benefited from the increase in oil prices, with an improvement in both charter rates and vessel utilisation. Orders have been placed for six new vessels to be delivered in 2002 and 2003, and the company has taken a 50% stake in a joint venture to supply and operate an early production facility offshore Iran on behalf of Shell Exploration BV. Our container handling interests in both Hong Kong and Shekou achieved good profit growth on the back of higher volumes and operating efficiencies.

The Trading & Industrial Division had a mixed year, with good profits earned from the car businesses in Taiwan and, for the first time, in Mainland China, and from the sports apparel and waste management businesses. Other businesses continued to suffer from difficult market conditions, although the beneficial effects of restructuring are now being seen.

## Finance

The group's financial position remains strong, with committed loan facilities and other financing amounting to HK\$18,356 million, of which 13% remained undrawn at 31st December 2000. In addition, there were uncommitted facilities undrawn at the year end of HK\$3,512 million.

During 2000, our credit ratings from Moody's and Standard & Poor's were upgraded from A3/A- negative outlook to stable, reflecting the strength of our recurrent cash flows. Both agencies reaffirmed these ratings after the announcement of the initial award in the Taikoo Shing arbitration.

At 31st December 2000, consolidated net borrowings amounted to HK\$16,815 million, which, when related to

shareholders' funds and minority interests of HK\$81,267 million, resulted in a gearing ratio of 0.21. The decrease in the gearing ratio from that of 31st December 1999 reflects an increase in shareholders' funds, principally attributable to retained profit for the year and an increase in the property valuation reserve.

### **E-business**

The group views e-business initiatives as an integral part of existing operations. Our strategy is to use e-business internally to reduce purchasing and administration costs and externally to provide enhanced service capabilities to our customers. Cathay Pacific's award-winning flagship website, *www.cathaypacific.com*, now offers a wide variety of services, including on-line booking and internet check-in.

In March 2000, Swire Pacific, together with five other Hong Kong conglomerates, invested in a new business-to-business (B2B) exchange venture, Asia2B. This company has recently merged with a similar venture, based in Singapore, to form SESAMi Inc.

### **Corporate Governance**

Swire Pacific is committed to excellence in its corporate governance. In addition to encouraging fair and ethical dealing with stakeholders and business partners, we have an active programme of briefings for analysts and investors to ensure that, as far as is possible, the market is kept apprised of the plans and prospects for the group.

Swire Pacific has an Audit Committee which meets three times a year to review financial statements and to receive reports on financial matters and risk management from the internal and external auditors of the group. The Internal Audit department has a

structured programme of risk-based audits for all of the group's businesses. It reports directly to the Group Finance Director, with other reporting lines to the Chairman and the Audit Committee.

The group also has a Risk Management Committee which includes representatives from each of the divisions. This committee meets quarterly to review the group's risk management initiatives and to promote an awareness throughout the group of good corporate governance principles and practices.

### **Community Relations**

The Swire group has been part of the Hong Kong community for over 130 years and is firmly committed to its future. The Swire Pacific group has a continuing programme of charitable activities to benefit less-advantaged members of society. Organisations that we have supported include the Community Chest, the Hong Kong Association for the Mentally Handicapped, Befrienders International, the Society for the Promotion of Hospice Care and the Sunnyside Club. The group is also the major sponsor of the Life Education Activity Programme (LEAP), which teaches young children about healthy living and the dangers of substance abuse. Swire Pacific funds a number of university scholarships in Hong Kong and overseas for students from a number of Asian countries, and locally funds scholarships at the Taikoo Primary School, which was founded by the group in 1923. Also in Hong Kong, Swire Pacific supports the Community English Language Laboratory (CELL), a free facility for those wishing to improve their spoken English, and we have invested in the future of the environment by funding research facilities at the Swire Institute of Marine Science.



## Environment

As a major business group, Swire Pacific is very conscious of the potential impact of its activities on the environment. The group takes active measures across all its businesses to measure and minimise any negative effects and to ensure that we meet or exceed standards for environmental best practice wherever possible. Swire Properties was the driving force behind the inception of the Hong Kong Building Environmental Assessment Method, which sets standards for efficiency and the impact on the environment of new buildings. Cathay Pacific has won a number of awards for environmental initiatives. All group companies are encouraged to implement annual environmental audits and to undertake environmental impact assessments before committing to projects. The Swire group is a member of the Hong Kong Business Coalition for the Environment and was elected to the United Nations Global 500 Roll of Honour in recognition of its contributions in this field.

## Staff

The group employs more than 60,000 people, whose efforts are a major contributor to the continuing success of Swire Pacific. On behalf of the shareholders, I would like to thank all our staff for their achievements during the past year.

## Prospects

Prospects for the Hong Kong economy remain good, with the most recent forecasts projecting GDP growth in a range of 3 to 4% in 2001. Mainland China also predicts strong GDP growth at 7.5%. Our businesses are in good shape and are well-positioned to take advantage of the opportunities presented by such growth. Local

economies should also benefit from falling global interest rates. However, a cautionary note should be sounded in that any further slowdown in the US economy will, inevitably, have an effect on Asian economies, including Hong Kong.

In the commercial property market in Hong Kong, limited new supply over the next two years should mean that rental levels remain firm. Notwithstanding continued weakness in the residential property sales market, Swire Properties' portfolio is expected to generate satisfactory returns.

After a record year in 2000, Cathay Pacific faces a number of challenges in 2001. The significant expansion of the fleet, and the expected slower growth in demand, may exert pressure on margins. However, Cathay Pacific's reputation for excellent service, the strength of the route network and tight control over costs will stand the airline in good stead.

An improved contribution is expected from other interests.

Long-term prospects for all our core businesses remain good, and we shall continue to focus new investment in those areas.

**James Hughes-Hallett**

*Chairman*

*Hong Kong, 9th March 2001*



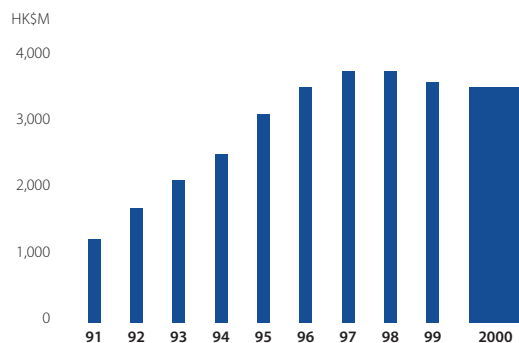
**11,900,000  
sq.ft.**

Swire Properties owns and manages an investment portfolio of prime office, retail and residential properties in Hong Kong.

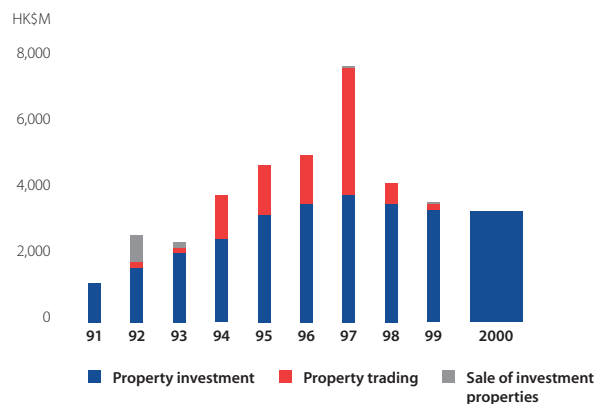


	2000 HK\$M	1999 HK\$M
<b>Gross rental income derived from:</b>		
Offices	2,251	2,448
Retail	1,989	1,828
Residential	372	394
<b>Other income</b>	<b>80</b>	<b>106</b>
<b>Property investment</b>	<b>4,692</b>	<b>4,776</b>
<b>Property trading</b>	<b>1,114</b>	<b>1,749</b>
<b>Sale of investment properties</b>	<b>–</b>	<b>515</b>
<b>Total turnover</b>	<b>5,806</b>	<b>7,040</b>
<b>Operating profit derived from:</b>		
Investments	3,354	3,384
Trading	145	209
Sale of investment properties	–	54
Provision for land premium	(151)	–
	<b>3,348</b>	<b>3,647</b>
<b>Share of profits before taxation of jointly controlled and associated companies</b>		
Normal operations	88	85
Non-recurring item	(1,700)	–
<b>Attributable profit</b>	<b>947</b>	<b>3,002</b>

**Net rental income**



**Operating profit before non-recurring items**



## The Hong Kong Property Market

### Investment Property

2000 saw a sustained recovery in rental levels following two years of declining rents triggered by the Asian recession in the latter part of 1997. The recovery is especially evident in the office sector. Retail market rents are also firming and reflect the recovery in consumer demand in Hong Kong which started in early 1999. New office supply is not of immediate concern although several new developments, particularly in Central District, will come onto the market in 2002/2003.

### Property Trading

Transaction volumes in the residential market in Hong Kong recovered in the early part of 2000 and prices stabilised, albeit at much lower levels than those seen at the peak in 1997. However, buying sentiment subsequently weakened, due to higher interest rates and the prospect of substantial supply, mainly in the public sector. However, a welcome recent clarification by Government of its long-term intentions as regards new residential supply, together with a lower interest rate environment, should help to improve the tone of the market.

### Taikoo Shing Arbitration

The Hong Kong SAR Government Lands Department's claim for payment of land premium and interest in relation to the Cityplaza Four, Cityplaza Three and Cityplaza One office towers, as well as the Horizon Gardens residential scheme at

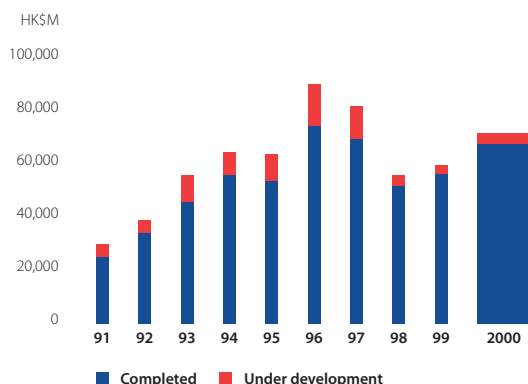
Taikoo Shing, was upheld in an arbitration award handed down in January 2001. The arbitrator has determined that the premium for Horizon Gardens is HK\$151 million, plus interest yet to be agreed. Swire Properties has submitted an application to the Hong Kong High Court for leave to appeal on a point of law concerning the claim by Government in relation to the office towers. In the event that this application, and any subsequent appeals, were to fail, the amount payable in respect of the office towers would still have to be agreed and, failing agreement, would be assessed by independent experts. The estimated amount of Government's total claim is approximately HK\$4,500 million which, as a matter of prudence, has been accrued in the Swire Pacific group accounts as at 31st December 2000. Of this amount, HK\$250 million has been charged directly to the consolidated profit and loss account in relation to the Horizon Gardens liability and the balance of HK\$4,250 million has been charged to the property valuation reserve.

## 2000 Overview

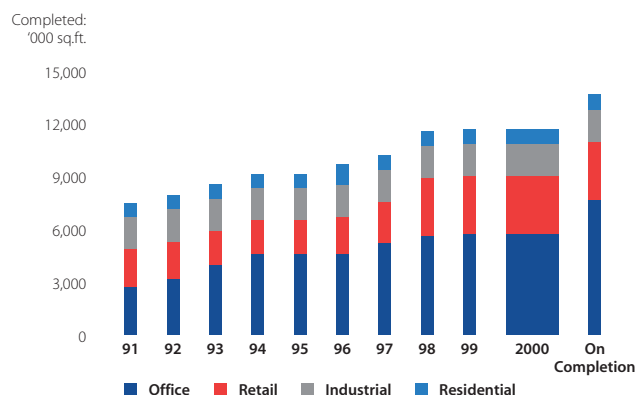
### Investment Properties

Swire Properties' investment portfolio in Hong Kong largely comprises office and retail premises in prime locations in Hong Kong, as well as quality residential accommodation. The completed portfolio totals 11.9 million square feet of gross floor area and a further 2.0 million square feet, principally of office space, is pending or under development. In addition, Swire Properties owns a 20% interest in each of the three hotels in Pacific Place, and an interest in the CITIC

### Valuation of investment properties



### Floor area of investment properties



Square development in Shanghai. The Swire Pacific group also owns an interest in a hotel in Miami, Florida.

Net rental income from the investment portfolio amounted to HK\$3,562 million in 2000, compared with HK\$3,635 million in 1999. Substantial progress was achieved in 2000 with fresh or renewed lettings which covered some 1.9 million square feet of lettable floor space, mainly in Island East. As a result of this, high occupancy levels were maintained during the course of 2000 and are expected to remain firm. Although gross rental income declined slightly, the contraction in the recurring income base had been halted by mid-2000. The coming year should continue to see a steady recovery as leases are progressively reviewed or renewed at higher levels.

#### OFFICES

Swire Properties' office portfolio is concentrated mainly in Island East, at TaiKoo Place and Cityplaza, and at Pacific Place in the Central District. The Island East completed portfolio comprises 5.7 million square feet of space with linkages to the Quarry Bay and TaiKoo MTR stations. This space includes the Warwick, Somerset and Cornwall House "techno-centres", which were formerly more suited to industrial users, but which now have a tenancy profile focused on telecommunication and technology support services.

Lincoln and Oxford Houses at TaiKoo Place, which were completed in 1998 and 1999 respectively, had nearly 240,000 square feet of space remaining to let at the beginning of 2000. This was substantially committed in the

early part of the year at satisfactory rentals. Overall, Island East achieved fresh or renewed lettings during the course of 2000 covering some 1.5 million square feet of lettable floor space in a steadily recovering market. The 625 King's Road office tower, which is 50% owned by Swire Properties, was only 40% let at the beginning of 2000 but was fully let by May 2000. Occupancy levels in One and Two Pacific Place remained high throughout the year and average achieved rents, as with the Island East portfolio, continued to show steady recovery. Lease maturity profiles are well established and the incidence of lease renewals in any one year is contained within manageable limits.

#### RETAIL

The contributions from Swire Properties' two main established retail centres on Hong Kong Island, at Pacific Place and Cityplaza, steadily improved during the course of 2000 and this trend is expected to continue into 2001. The performance of Festival Walk in Kowloon, which opened in November 1998, has exceeded expectations and the coming year should see further improvements in contribution, mainly through mid-term rent reviews of existing leases. The Island Place shopping centre also performed satisfactorily. Taken overall, retail sales growth at Swire Properties' shopping centres has continued to outpace the general recovery in the Hong Kong retail sector since the downturn in 1997/98.

Cityplaza has been much enhanced by renovation works, the second phase of which was completed in 2000. The



*Pacific Place is recognised as one of Asia's most successful multi-use developments.*

centre continues to maintain its position as the primary shopping destination in Island East. Uny, Wing On and Marks & Spencer remain the major anchor tenants at Cityplaza; other tenants comprise over 170 retail and catering outlets and the Cityplaza Ice Palace.

The trade mix of The Mall at Pacific Place remained largely unchanged during 2000 but the Seibu department store underwent significant reconfiguration and the basement food-hall re-opened in December 2000 under a new tenancy. Seibu, Lane Crawford, Marks & Spencer and UA Cinemas remain the anchor tenants together with 160 other retail and catering outlets.

Festival Walk, owned 50:50 by Swire Properties and CITIC Pacific, is firmly established as a major shopping destination in Kowloon and now has a bridge to the KCR station as well as an underground pedestrian link to the MTR/KCR interchange at Kowloon Tong. The trade mix comprises anchor tenants such as ParkNShop, Marks & Spencer, Page One Books and the 11 screen AMC Cinema, plus over 200 retail and catering outlets and The Glacier ice rink.

The Citygate commercial centre of Tung Chung new town has been developed under an agreement between the MTRC and a consortium of five developers, in which Swire Properties has a 20% equal interest. It comprises a 463,000 square foot retail centre and a 161,000 square foot office tower, both completed in 1999, as well as provision for a 350-room hotel. Although only 17% of the office space has been secured so far, the retail space is now 48% let.

## RESIDENTIAL

The residential portfolio comprises mainly The Atrium and Parkside serviced suites at Pacific Place and The Albany apartments in Mid-Levels. Although occupancy levels have generally held up well, the larger units at Parkside experienced higher vacancies towards the end of the year. Swire Properties' other luxury residential properties on Hong Kong Island were fully let. Overall rental income from the portfolio was slightly lower in 2000 but the performance is considered generally satisfactory, given relatively difficult market conditions.

## Investment Properties under Development

In May 2000, a site at TaiKoo Place, adjacent to Devon House, with a frontage onto King's Road, was acquired for HK\$435 million. An office tower, to be known as Cambridge House, is now under construction. On completion in 2003, this will provide approximately 255,000 square feet of additional office space linked to Devon House.

The Cityplaza Two tower planned for the now vacant Mount Parker House site next to the Cityplaza shopping centre will comprise 610,000 square feet of office space. The Cityplaza One planned extension will add a further 445,000 square feet of office space in 16 storeys to the superstructure of the existing tower. These projects are currently on hold whilst the potential impact of the Taikoo Shing arbitration award is assessed, as both schemes may now be subject to agreement of land premium with Government.



*TaiKoo Place is part of Swire Properties' Island East Matrix, a six million sq.ft. wired commercial campus with eight office buildings and three techno centres on the east side of Hong Kong Island.*





Preparations continue for the construction of Pacific Forum which is located at One Queen's Road East close to Pacific Place. This is planned to comprise an office tower with a gross floor area of 632,000 square feet, plus 130 carpark spaces.

Swire Properties has now acquired a 91% interest in the Aik San Factory Building on Westlands Road, Quarry Bay. An application will shortly be made to Government for a compulsory sale by auction of the whole building as a means of acquiring the 9% interest not already held. The building has a redevelopment potential of 464,000 square feet of office space. No land premium is payable to Government on any office redevelopment on this site.

The 14,500 square foot luxury residential scheme at 3 Coombe Road, The Peak is expected to be completed in 2002.

### 2000 Valuation of Investment Properties

The portfolio of completed investment properties in Hong Kong, as well as properties under or pending development which are intended for investment, were revalued as at 31st December 2000 by DTZ Debenham Tie Leung Limited. As a result of this valuation, Swire Pacific's property valuation reserve increased by HK\$9,230 million. The increase in 2000, following an increase of HK\$2,716 million as at the end of 1999, is largely attributable to the strengthening recovery in commercial rental levels. However, as previously noted, a charge of HK\$4,250 million has been made against the property valuation reserve to reflect an estimate of Government's claim for premium and interest on the Cityplaza Four, Cityplaza Three and Cityplaza One office towers. Swire

Pacific's property valuation reserve at 31st December 2000 showed a surplus of HK\$35,735 million. 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.

### Property Trading Portfolio

The portfolio of developments for sale mainly comprises residential apartments in Hong Kong. Nearly 8,000 units are under development by subsidiary or jointly controlled companies. Operating profit from property trading in 2000 amounted to HK\$145 million, as compared with HK\$209 million in 1999. The year 2000 contribution is stated prior to the deduction of a provision in respect of Government's claim in relation to Horizon Gardens and a further non-recurring provision against the Ocean Shores residential project in Tseung Kwan O. The development of Ocean Shores is being undertaken in joint venture with Sun Hung Kai Properties and comprises 5,728 residential units in 15 towers with over four million square feet of residential floor area, plus 1,176 carpark spaces and 32,000 square feet of neighbourhood shopping. The whole scheme is expected to be completed in early 2003. 1,656 units in Phase 1 have been sold so far and are shortly to be handed over to purchasers. Marketing of Phase 2 will start shortly.

Swire Properties sold a further 136 units in its StarCrest residential scheme close to Pacific Place at satisfactory prices during the course of 2000, and only 30 units remain to be sold. The 10,700 square feet of ground floor retail space and the 83 carpark spaces are being retained for investment.

*Festival Walk, a one million sq.ft. shopping centre, has established itself as the new centre for Kowloon.*



The Les Saisons residential scheme in Aldrich Bay was launched successfully in September 2000. To date, 540 units have been pre-sold at satisfactory prices. The scheme is expected to be completed in mid-2001. Les Saisons is owned by Swire Properties, Sun Hung Kai Properties and China Motor Bus in the proportion 50:30:20 and comprises 742,000 square feet of accommodation in 864 units plus 216 carpark spaces.

A modification premium of HK\$799 million was paid by Swire Properties to Government in August 2000 relating to the Taikoo Valley Site V residential site on King's Road. The scheme comprises two residential towers with 395,000 square feet of space in 432 units, 144 carpark spaces, a new school and a community centre and is expected to be completed by mid-2003.

At Tung Chung Crescent, the 2,158 unit residential scheme developed in conjunction with the Citygate commercial centre under the agreement with MTRC, a further 403 units were sold during 2000 and 530 units remain to be sold. The second residential phase at Tung Chung, comprising over 1.0 million square feet of accommodation in 1,344 units, is presently under construction.

The former bus depot site on Wong Chuk Hang Road, Aberdeen, owned 50:50 by Swire Properties and China Motor Bus, remains let to a carpark operator and will not be redeveloped until market conditions improve. It has an industrial development potential of 382,000 square feet.

## Hotels

In line with a general recovery in the Hong Kong hotel industry, the performance of the JW Marriott, Conrad International and Island Shangri-La hotels at Pacific Place improved appreciably during the course of 2000, mainly as a result of a recovery in occupancy levels. Room rates have exceeded budget expectations but have not yet recovered to the levels seen in the mid 1990s.

## Shanghai

Swire Properties has a 10% interest in CITIC Square on Nanjing Road West, which offers 1.1 million square feet of retail and office space. This development was completed in April 2000 and premises were progressively handed over to tenants during the latter part of 2000. Despite considerable oversupply in Shanghai, the building is now over 90% let.

## U.S.A.

The 236-unit Three Tequesta Point condominium tower on Brickell Key, Miami is expected to be completed in the latter part of 2001. So far, 207 units have been sold. In view of the continuing strength of the residential market in Miami, it has been decided to proceed with the construction of a further condominium tower on Brickell Key, to be known as Courts Brickell Key, which will comprise 317 units for completion in 2002. The 329 room Mandarin Miami hotel, which is 75% owned by the group and is managed by Mandarin Oriental, opened in November 2000 and represents a significant enhancement to the Brickell Key development.



*StarCrest, a residential development by Swire Properties, has consistently maintained its average price level of over HK\$7,000 per sq.ft. since its launch in 1999.*



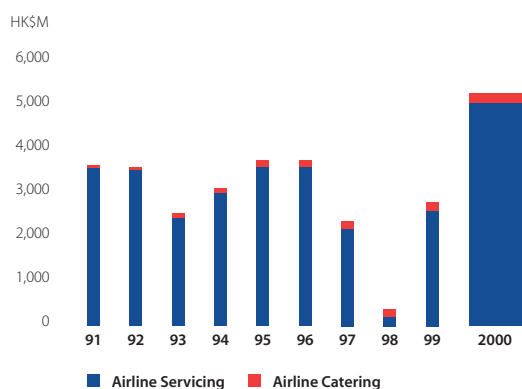
**11,864,000  
passengers**

Cathay Pacific carried a record number of passengers in 2000.

# AVIATION

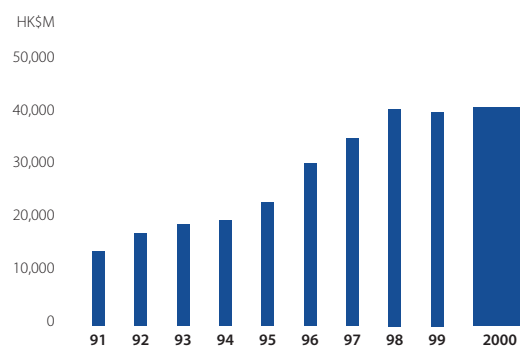
	2000 HK\$M	1999 HK\$M
<b>Cathay Pacific Airways group</b>		
Share of attributable profit	2,172	955
<b>Hong Kong Aircraft Engineering group</b>		
Share of attributable profit	156	23
<b>Hong Kong Dragon Airlines</b>		
Share of attributable profit	85	53
<b>Hong Kong Air Cargo Terminals</b>		
Share of attributable profit/(loss)	76	(10)
<b>Attributable profit</b>	<b>2,510</b>	<b>1,038</b>

**Operating profit\* – Cathay Pacific Airways**



\* Operating profit is stated before non-recurring items.

**Net assets employed\*\* – Cathay Pacific Airways**



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



## 2000 Overview

The Aviation Division continued to benefit from the improvement in Asian economies, with consequent increases in passenger and cargo traffic. The price of fuel has been, and continues to be, a concern, as the additional costs are not directly recoverable through fares. Nevertheless, excluding fuel, Cathay Pacific's costs per ATK fell by HK\$8.0 to HK\$1.86, as the increase in capacity did not bring with it a commensurate increase in costs. Strengthening front-end loads enabled yields to rise slightly, although they are still not back to the levels experienced in the mid-1990s. Cargo operations continued to strengthen, and now represent approximately 29.4% of Cathay Pacific's business. The increase in traffic also had a positive impact on Dragonair and the ancillary businesses, with Cathay Pacific Catering Services, Hong Kong Aircraft Engineering, Hong Kong Air Cargo Terminals and Hong Kong Airport Services reporting improved profits over 1999. The anticipated downturn in the US economy may reduce growth in 2001, though the breadth of Cathay Pacific's network and passenger feed through the **oneworld** alliance should help to mitigate the effects of any global slowdown. The key challenges for 2001 will be to grow the airline businesses profitably through additional frequencies to existing destinations and the opening of new passenger and cargo routes, while maintaining margins through careful management of costs.

## Cathay Pacific Airways

The consolidated profit of Cathay Pacific was HK\$5,005 million in 2000, compared with a profit of HK\$2,180 million in 1999.

Turnover increased by 20.3% to HK\$34,523 million as a result of an improvement in yields and a broad-based improvement in load factors. While high load factors have been good for profitability in the short-term, they are difficult to sustain indefinitely and Cathay Pacific is expanding its fleet and recruiting additional staff to cater for increased demand.

## PASSENGER SERVICES

The number of passengers carried, at 11.9 million, set a new record for the company. Substantial growth was seen in the airline's key markets of North Asia, North America and Hong Kong; other routes saw satisfactory results despite weak European currencies and intense competition in other markets. The increase in business travel and product upgrades improved the load factors in First and Business Class.

Revenue generated from the **oneworld** alliance and codeshare arrangements continued to increase. The addition of extra frequencies also helped to increase market share on a number of routes.

Karachi was added as a destination in September, and Wellington joined the network in July through a codeshare arrangement with Qantas New Zealand.

## Cathay Pacific Airways

### Key Operating Highlights

		2000	1999	Growth
Available tonne kilometres ("ATK")	Million	11,630	10,867	+7.0%
Available seat kilometres ("ASK")	Million	61,909	58,114	+6.5%
Revenue passenger kilometres ("RPK")	Million	47,153	41,502	+13.6%
Passengers carried	'000	11,864	10,516	+12.8%
Passenger load factor	%	76.2	71.4	+4.8%pts
Passenger yield	HK cents	48.2	45.4	+6.2%
Cargo carried	'000 tonnes	769	672	+14.4%
Cargo and mail load factor	%	72.5	71.5	+1.0%pt
Cargo and mail yield	HK\$	2.07	1.85	+11.9%
Cost per ATK	HK\$	2.32	2.24	+3.6%
Cost per ATK without fuel	HK\$	1.86	1.94	-4.1%
Aircraft utilisation	Hours per day	12.9	12.4	+4.0%
On-time performance	%	84.0	83.5	+0.5%pt
Breakeven load factor	%	63.9	67.2	-3.3%pts

A recent agreement with the Indian government has led to the addition of Delhi to the passenger network, with direct flights commencing in March.

In the course of 2001, Cathay Pacific will extend its popular First Class cabin to the long-haul Airbus aircraft. In addition, the airline will be one of the world's first to offer in-flight e-mail and internet services across the fleet, with installation starting in the middle of 2001.

Cathay Pacific received a number of awards during the year, including "Best-managed airline in Asia", and "Asia's Superbrand".

### CARGO SERVICES

Strong global demand for air cargo continued, leading to an excellent performance from Cathay Pacific Cargo. Cargo turnover increased by 21.8% over the previous year. The airline recorded growth of 1% point in cargo load factor and 11.9% in yields. Yields improved as the company introduced fuel surcharges to help compensate for the impact of rising fuel prices.

In March, Cathay Pacific introduced overnight services for DHL Worldwide Express between Hong Kong and four Asian destinations. RPX, a new courier service for small parcels, was also launched in November.

Three new freighter destinations were added, bringing

San Francisco, Penang and Delhi into the growing list of cities served by Cathay Pacific Cargo.

The Cathay Pacific Cargo website, upgraded in October, now provides facilities for booking cargo space on-line, and enables customers to trace the status of their shipments in real-time.

### NEW AIRCRAFT

Cathay Pacific took delivery of a Boeing 747-400 freighter and a B777-200 during the year. In 2001, two B747-400 freighters and eight Airbus Industrie A330-300s will join the fleet. The airline has also agreed to lease four A340-300s, to be delivered in 2001, and three A340-600s for delivery in 2002 and 2003.

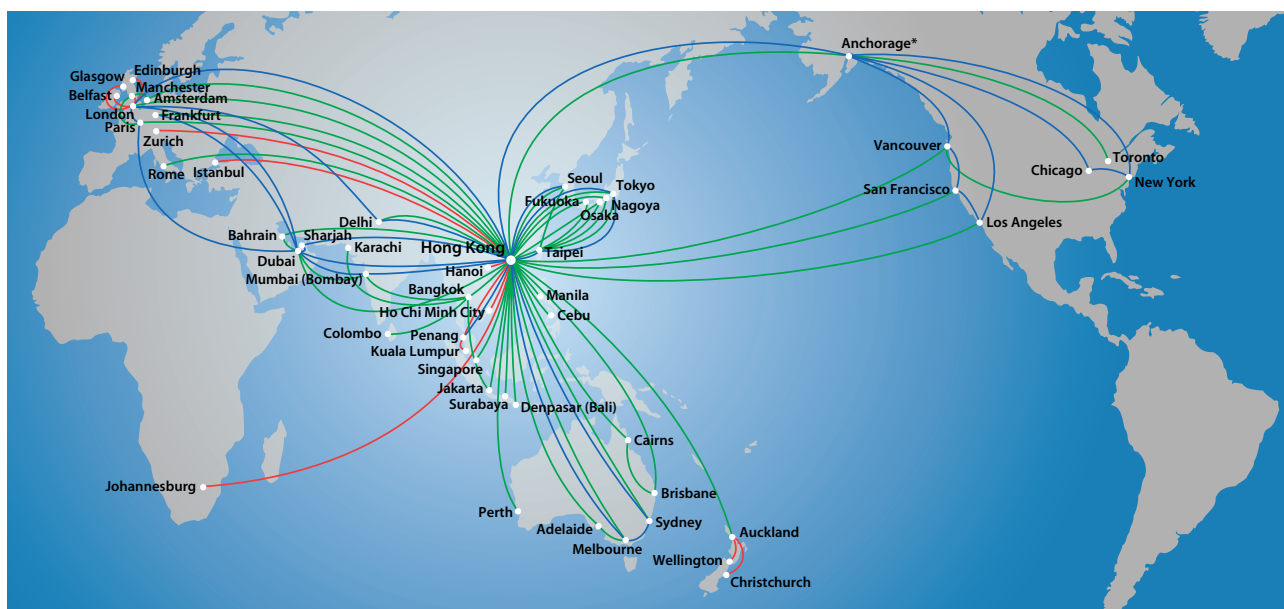
At the year end, Cathay Pacific operated a fleet of 64 aircraft, comprising 19 B747-400s, 12 B777s, 12 A330s, 14 A340s and seven B747 freighters.

### E-BUSINESS AND TECHNOLOGY

During the year, Cathay Pacific unveiled a series of e-business projects covering passenger and cargo services, procurement and internal business processes. Major projects include the flagship website, [www.cathaypacific.com](http://www.cathaypacific.com), which was upgraded in October, a new travel exchange portal site and an e-marketplace: *Aerexchange*.

## Cathay Pacific Network

— Passenger Network — Joint-Venture or Codeshare Services — Freighter Network \* Technical stop only



The airline's initiatives in e-business will significantly enhance passenger choice and convenience, from booking tickets, through internet check-in, to e-mail and internet access in the Cathay Pacific lounge at Hong Kong International Airport and on board the aircraft. Additional benefits for the company will be increased efficiency and cost-effectiveness and enhanced staff training and productivity.

### **AHK Air Hong Kong**

AHK Air Hong Kong operates a fleet of three B747-200 freighters leased from Cathay Pacific. Capacity increased by 3.9% over 1999, yield improved by 1.8% and load factor by 6.3% points. The strength of the cargo market enabled the company to achieve good profits in 2000, in spite of the impact of higher fuel prices.

### **Airline Catering**

Cathay Pacific Catering Services operates seven flight kitchens in Asia and North America, serving 63 airlines. Improved passenger traffic led to an increase in the number of meals produced to 32.3 million, and an increase in profit.

### **Hong Kong Airport Services (HAS)**

HAS is owned 70% by Cathay Pacific and 30% by Dragonair. It is the leading franchised ramp handling company at Hong Kong International Airport and maintained over 50% market share in an extremely competitive environment. The economic upturn generated considerable traffic growth in 2000, which has resulted in a good year for the company.

### **Hong Kong Aircraft Engineering Company (HAECO)**

In 2000, HAECO's profit attributable to shareholders was HK\$400 million, of which HK\$156 million is attributable to Swire Pacific.

This profit represents a significant increase from 1999 (HK\$59 million). Attributable profit before non-recurring items (restructuring costs in 1999 and profit on the sale of shares in jointly controlled companies and surplus property in 2000), increased by 84.1%.

The company's operating profitability improved during 2000, reflecting the productivity gains realised following the restructuring exercises in 1998 and 1999. However,

although the number of aircraft handled under line maintenance contracts increased during the year in line with the increased number of flights into Hong Kong, rates remained under competitive pressure.

The contribution from jointly controlled companies increased significantly during the year, with both Taikoo (Xiamen) Aircraft Engineering Company and Hong Kong Aero Engine Services having very successful years.

### **Hong Kong Dragon Airlines (Dragonair)**

The profit for 2000 attributable to Swire Pacific was HK\$85 million, an increase of 60.4% on 1999.

Dragonair had a good year in 2000 with increases in both passenger numbers and yields, although, as with the rest of the airline industry, higher fuel prices had a negative effect on profit. With the proposed accession of the People's Republic of China to the World Trade Organisation and the finalisation of the new Air Services Agreement between the General Administration of Civil Aviation of China and the Government of the Hong Kong SAR, demand for air travel between Hong Kong and Mainland China is expected to increase, and the company is optimistic about the future.

In 2000, 2.7 million passengers were carried, with a passenger load factor of 66.2%, representing a growth of 3.7% points. New passenger routes to Sanya and Kathmandu were added, and frequencies to major destinations in Mainland China were increased during the year.

2000 saw the introduction of Dragonair's first all-cargo flights from Hong Kong to Shanghai and various destinations in Europe. The cargo load factor, including both freighter and passenger aircraft, increased by 19.6% points to 76.2%.

During 2000, Dragonair added one A321 and one A320, and now operates a fleet of 14 aircraft. Two more A330 passenger aircraft and two B747-300 freighters will join the fleet in 2001.

### **Hong Kong Air Cargo Terminals (HACTL)**

HACTL enjoyed a good year with strong cargo throughput growth of just over 10%. HACTL will continue with the drive to improve performance and to provide an efficient and cost effective service.



**321,700,000  
cases**

Swire Beverages sold over 321 million unit cases of soft drinks in 2000.

# BEVERAGES

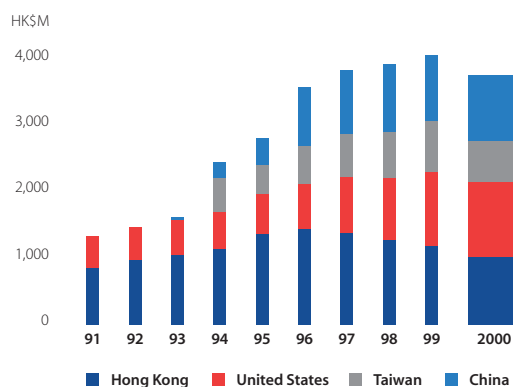
	2000 HK\$M	1999 HK\$M
<b>Turnover*</b>	<b>4,584</b>	4,590
<b>Operating profit</b>	<b>256</b>	211
<b>Share of profits before taxation of jointly controlled companies</b>	<b>69</b>	81
<b>Attributable profit</b>	<b>185</b>	187

\* Turnover does not include the Mainland China operations which are all jointly controlled companies. Total turnover from Mainland China operations was HK\$2,779 million in 2000 (1999: HK\$2,617 million).

## Segmental performance

	Turnover		Attributable Profit	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Hong Kong	<b>1,273</b>	1,390	<b>118</b>	125
USA	<b>2,426</b>	2,292	<b>126</b>	120
Mainland China	–	–	<b>(23)</b>	(16)
Taiwan	<b>885</b>	908	<b>(16)</b>	(5)
Head Office	–	–	<b>(20)</b>	(37)
	<b>4,584</b>	4,590	<b>185</b>	187

## Net assets employed



## 2000 Overview

The Beverages Division has the right to manufacture, market and distribute the products of The Coca-Cola Company in seven provinces in Mainland China, Hong Kong, Taiwan and in an extensive area in the western USA. We work in close partnership with The Coca-Cola Company on brand development and marketing.

Although overall sales volume grew by 9% to 322 million unit cases during 2000, the contribution to Swire Pacific attributable profit, at HK\$185 million in 2000, was similar to the prior year. Mainland China again saw strong growth with volumes rising by 12% over 1999.

Swire Beverages will continue to leverage its asset base and its considerable distribution capability throughout its operations in order to improve returns. This has been reflected in an increase in turnover per net assets employed from HK\$1.13 in 1999 to HK\$1.22 in 2000.

Commodity price fluctuations continue to have a substantial direct impact on the cost of core material inputs to the production process.

### Swire Coca-Cola Hong Kong

Swire Coca-Cola Hong Kong continues to maintain a leading position in the carbonated soft drink (CSD) category, holding over 80% market share. The company is

looking to enhance its position in the faster growing non-carbonated beverage (NCB) sector.

Parallel imports and an increasing level of "house" brands have maintained pressure on margins and volumes. Effective cost-control measures and improved asset utilisation helped offset this.

The company will continue to focus on controlling package mix within the different channels to maximise available margin and to seek ways to enhance the efficiency of product distribution.

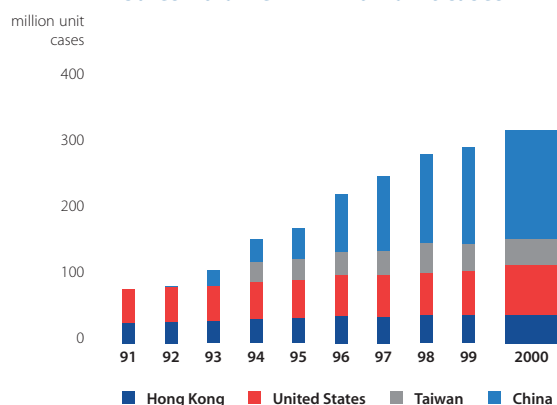
Volume grew 3% over last year driven by the bulk water and NCB sectors. Profit attributable to Swire Pacific was HK\$118 million.

### Swire Coca-Cola USA

This division of Swire Pacific Holdings Inc. is based in Salt Lake City, Utah, and serves franchise territories in ten of the western states of the USA.

The results reflect the USA industry as a whole with good growth in NCBs and water. Sales volume in 2000 was 9.4% higher than 1999. Although interest charges increased significantly following the purchase of additional franchise territories in 1999 and 2000, managed price increases have improved margins which, together with good cost control, helped attributable profit to rise from HK\$120 million in 1999 to HK\$126 million in 2000.

Sales volume in million unit cases



	Total	Hong Kong	USA	Taiwan	Mainland China
Sales volume (million cases)	321.7	42.8	74.2	40.4	164.3
Franchise population (million)	401.6	6.9	5.4	22.0	367.3
Per capita consumption per annum (8oz serving)	–	148.9	329.8	44.1	10.7
Number of plants	15	1	2	2	10
Number of employees	11,651	1,105	1,709	1,065	7,772

Consumer preference continues to migrate towards non-carbonated drinks, especially water. CSD volumes have remained steady in spite of increased competition from "house" brands, which now represent 12% of total carbonated drinks.

Having successfully integrated recent franchise acquisitions, which have added 6.6% to annualised volume, the focus is now on organic growth, with emphasis on accelerating growth in NCB volumes. Enhanced profitability will be sought from cost containment and margin improvements through product and package innovation.

### Swire Coca-Cola Taiwan

Swire Coca-Cola Taiwan holds the largest share of the CSD market. This category, however, has declined slightly in 2000. The Taiwan market, where consumer preferences are ever-changing and spread across many brands and packages, represents a considerable challenge.

We shall continue to work closely with The Coca-Cola Company to enhance brand presence in the NCB category as well as to revitalise the core CSD brands.

Total volume grew 2% in 2000. The 2000 results were also significantly affected by losses on a range of fruit juice products, amounting to HK\$11 million. We have recently restructured the business to reflect revised volume

projections, and a one-off provision of HK\$20 million has been made at the company level.

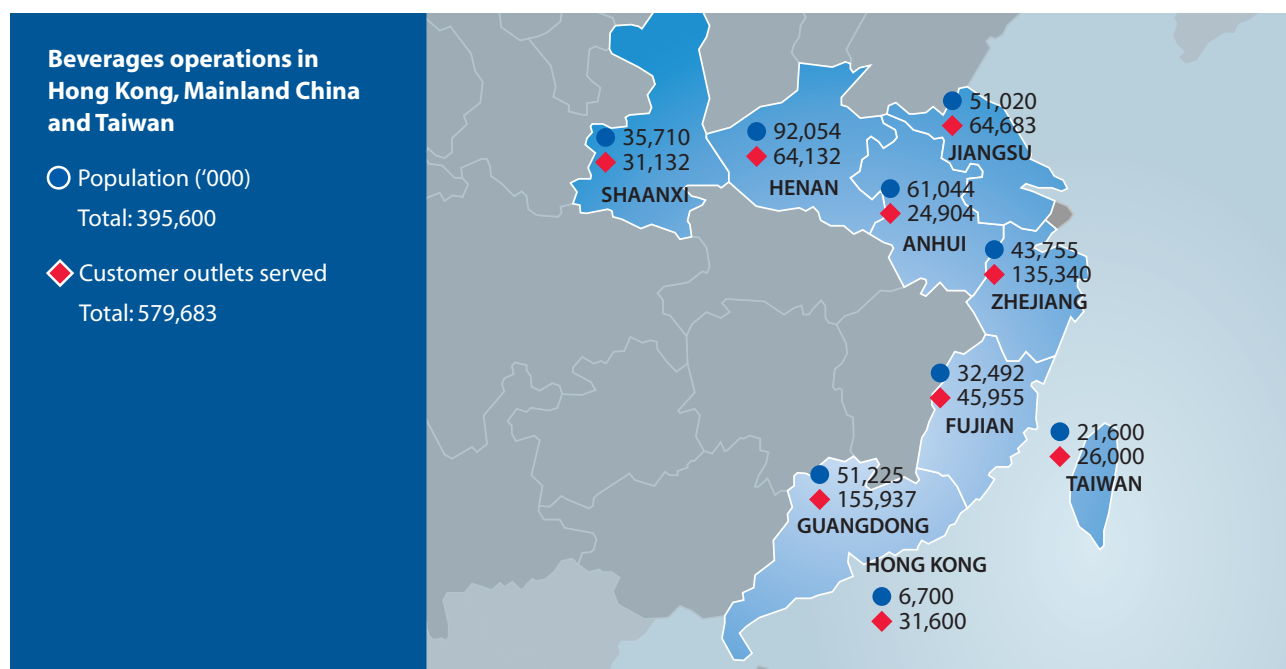
### Mainland China

Swire Beverages' jointly controlled operating companies hold franchises for Zhejiang, Jiangsu, Henan, Fujian, Guangdong, Anhui and Shaanxi provinces and the non-exclusive sales territories of Gansu, Ningxia and, until 15th December 2000, Jiangxi.

The extensive range of our operations in Mainland China offers considerable opportunities for cost savings in all aspects of the supply chain. At the same time, we intend to expand existing distribution techniques to allow us greater control over in-store presence and pricing. This will be backed up by continued investment in marketing to increase awareness and market share.

Case volumes grew strongly with full-year sales up 12% over 1999. However, the benefits of volume growth continue to be offset by pressure on prices.

Results were held back by losses sustained in Guangmei Foods Company where increased competition between its Meijin brand and other soft drink brands has led to falling prices. As a result, the loss attributable to Swire Pacific from total Mainland China operations in 2000 was HK\$23 million compared to HK\$16 million in 1999.







# MARINE SERVICES



## 75 ships

The Marine Services Division owns and operates 75 ships engaged in offshore oil support and harbour towage.

	2000 HK\$M	1999 HK\$M
<b>Swire Pacific Offshore</b>		
Turnover	843	812
Operating profit	227	210
Attributable profit	170	175
<b>Ship Repair, Land Engineering and Harbour Towage</b>		
Attributable profit	61	50
<b>Container Terminal Operations</b>		
Attributable profit	270	247
<b>Attributable profit</b>	<b>501</b>	<b>472</b>

## 2000 Overview

The Marine Services Division, through Swire Pacific Offshore, operates a fleet of specialist vessels supporting the offshore oil industry. The division also has interests, through jointly controlled and associated companies, in ship repair and harbour towage services in Hong Kong and overseas, and in container terminal operations in Hong Kong and Mainland China.

The division's contribution to the group's attributable profit in 2000 amounted to HK\$501 million, compared with HK\$472 million in 1999: an increase of 6.1%. This

result reflected the improvement seen in the offshore oil support market through both increased charter rates and better asset utilisation, and improved throughput at the container terminals.

### Offshore oil support

Swire Pacific Offshore provides marine support to the offshore oil industry with a fleet of 44 vessels, with six additional boats in an Egyptian associate company, Ocean Marine Services Limited.

Demand for offshore oil services increased in 2000 as higher oil prices led to more offshore oil exploration.

Swire Pacific Offshore reported an attributable profit of HK\$170 million, compared with HK\$175 million in 1999: a decrease of 2.9%. Projections of future rig numbers and utilisation indicate a substantial increase in demand for anchor handling tug supply (AHTS) vessels. In line with the expanding market, Swire Pacific Offshore has signed a contract with Brevik Construction of Norway for the building of four new UT-710 10,800 BHP AHTS vessels for delivery in 2002 and 2003. The group has also converted two options for UT-738 vessels to firm orders, with delivery in 2002.

Expro Swire Production Limited, a 50% owned jointly controlled company of the group, has been awarded a contract for the supply and operation of an early production facility by Shell Exploration BV, on behalf of the National Iranian Oil Company. This facility will be used to produce 100,000 barrels of crude oil per day commencing in August 2001.

### **Ship repair, land engineering and harbour towage**

In April 2000, Hongkong United Dockyards purchased the business of Hongkong Salvage & Towage, effectively merging the operations of the two companies and achieving cost savings.

Hongkong United Dockyards provides ship repair, land-based engineering and automotive services from its facility based on Tsing Yi island. Continuing pressure on rates and strong competition from Mainland China still have a significant impact on the earnings and margins of the dockyard. Some improvement in demand has led to an improvement in forward bookings and utilisation rates. Firm bookings with container owners have been augmented by the return of dredgers to Hong Kong harbour, and the continuing increase in outsourcing by the Government Dockyard.

Land engineering activities were quiet during 2000 but there has been a significant improvement in confirmed orders for 2001. Margins are also expected to improve as Hong Kong's infrastructure workload gathers pace.

New automotive services include bus painting, the Volvo authorised service workshop and an

environmental department for the testing and control of exhaust emissions. Start-up and development costs are being incurred, but these new activities will soon show a measurable and growing benefit to the company.

Hongkong Salvage & Towage maintains its position as the largest operator of tugs in Hong Kong harbour, with a fleet of 12 deployed locally. Two newbuildings, the *Peng Chau* and *Shek Chau*, were delivered during the year, and the *Tai O* was sold in October. Eight other tugs are currently operating overseas. The company also operates six shallow draft container vessels in Hong Kong.

### **Container terminals**

Modern Terminals recorded a strong performance during 2000. The company achieved increased throughput of over 3 million TEU, mainly from Maersk Sealand and new South American services, and saw a small increase in market share.

Continuing competition from terminals in Mainland China may have an adverse impact on the current Hong Kong rates and, with limited opportunity to expand further in Hong Kong, further improvements in operating performance must lie with productivity enhancements.

At Shekou Container Terminals throughput continued to increase in 2000 to over 700,000 TEU, which led to an increase in operating profits. The company is now approaching full capacity; the project to develop two more berths continues to be examined by the relevant government agencies in Beijing and formal approval is expected in 2001.



# TRADING & INDUSTRIAL



## 21 brands

The Trading & Industrial Division holds the distributorships of 21 global brands of consumer and industrial products in Hong Kong, Mainland China and Taiwan.

	2000 HK\$M	1999 HK\$M
<b>Subsidiaries</b>		
<b>Taikoo Motors group</b>		
Turnover	2,690	1,847
Operating profit	158	52
Attributable profit	38	28
<b>Swire Resources group</b>		
Turnover	496	428
Operating profit	28	11
Attributable profit	28	11
<b>Other subsidiaries and head office costs</b>		
Turnover	685	2,213
Operating (loss)/profit	(12)	9
Attributable (loss)/profit	(29)	90
<b>Jointly Controlled Companies</b>		
<b>Swire SITA group</b>		
Attributable profit	85	90
<b>Carlsberg Brewery Hong Kong group</b>		
Attributable loss before non-recurring items	(45)	(101)
Share of non-recurring items	(132)	89
Attributable loss	(177)	(12)
<b>Crown Can group</b>		
Attributable loss	(37)	(11)
<b>ICI Swire Paints</b>		
Attributable (loss)/profit	(9)	4
<b>Other jointly controlled companies</b>		
Attributable profit/(loss)	17	(5)
<b>Attributable (loss)/profit</b>	<b>(84)</b>	<b>195</b>

## 2000 Overview

The division's trading interests include the importing and retailing of motor vehicles and the wholesaling and retailing of sports and casual footwear in Hong Kong, Taiwan and Mainland China. The industrial interests principally comprise joint ventures with a variety of multinational partners in waste management and in the manufacturing and distribution of beer, paint, aluminium cans and busduct. The economies of the division's principal markets fared differently in 2000. While Mainland China and Hong Kong showed strong GDP growth, the Taiwanese economy weakened significantly in the second half of 2000, eroding consumer confidence.

The Taikoo Motors and Swire Resources groups recorded good profit growth for the year, whilst the industrial businesses had markedly varied fortunes.

As part of the refocusing of the businesses within the division, Swire Loxley was sold to Dah Chong Hong Holdings for HK\$87 million and Taikoo Motors sold its 60% share in Taikoo Truck to the Volvo Truck Corporation for HK\$5 million. Swire Engineering was sold for book value, Swire Engineering Services was closed shortly after the year end and further rationalisation was carried out in the Carlsberg Brewery group and Taikoo Sugar.

### Trading Companies

#### TAIKOO MOTORS GROUP

Taiwan: The Taikoo Motors Offshore group is the exclusive distributor and dealer for Volvo, Volkswagen and Kia cars, and is a distributor and wholesaler of Volvo trucks and buses. This business recorded strong profit growth with sales well ahead of budgeted levels. Taikoo Motors is now the largest importer of passenger vehicles into Taiwan with sales of 8,750 vehicles in 2000. Attributable profit was adversely affected by a non-recurring payment of withholding tax on prior years' profits and by flood damage as a result of Typhoon Xangsane.

Hong Kong: The Taikoo Motors group is the exclusive distributor and dealer in Hong Kong for Volvo and Hyundai cars. Pressure on prices continued to restrict profit growth.

Mainland China: Taikoo Enterprises is the exclusive distributor for Volvo passenger vehicles. Sales in 2000 were more than double the previous year as the market continues to liberalise and import licences become more readily available. The business traded profitably for the first time. Taikoo Motors has recently strengthened its brand portfolio with the addition of the Kia distributorship in South China.

#### SWIRE RESOURCES

The company is the largest importer and retailer of sports and casual footwear in Hong Kong. It also distributes specialist lines of sports apparel. Its operations comprise 40 shops in Hong Kong and 12 in Mainland China.

The business returned to significant profit in 2000 due to an improved range of products and enhanced stock control. 1.7 million pairs of shoes were sold during the year.

### Industrial Companies

#### Subsidiaries

#### SWIRE ENGINEERING

The company continued to trade at a loss in 2000 and was sold to the Chinney Alliance Group for book value in October.

#### SWIRE ENGINEERING SERVICES

This company was closed shortly after the year end due to the expiry of the initial baggage handling contract at Hong Kong International Airport. The company was established to build and manage the initial operations of the baggage handling system, and had traded profitably since inception.

#### TAIKOO SUGAR

The company made a loss in 2000 due to increased costs and bad debts. The decision was taken at the year end to

outsource the company's production and distribution activities. Taikoo Sugar will continue to be responsible for marketing and product development for its full range of products.

#### SWIRE DURO

Losses were incurred due to continued weakness in the Hong Kong construction market. Towards the year end, orders for marble installation contracts began to strengthen.

#### *Jointly Controlled Companies*

##### CARLSBERG BREWERY HONG KONG

The premium beer market in Mainland China remains over-supplied due to a proliferation of foreign joint-venture breweries with attendant price erosion. During the year the company sold 75% of Carlsberg Brewery (Shanghai) to The Tsingtao Brewery Co for RMB 154 million. The company exceeded its sales and profit targets in Hong Kong, but Mainland China sales suffered a volume decline which resulted in the business making an overall loss.

##### CROWN CAN HONG KONG

Market conditions deteriorated significantly in 2000 with pressure on volume and price. There remains substantial canning overcapacity in Mainland China and prospects for the next 12 months are weak.

##### CROWN VINALIMEX PACKAGING

Demand for aluminium cans in northern Vietnam fell during the year and the company recorded a loss.

##### ICI SWIRE PAINTS

The company recorded 30% sales growth in Mainland China for the second consecutive year through the launch of several new paint products and increased market share. The company, which has manufacturing facilities in Guangzhou and Shanghai, is successfully building a significant market presence in Mainland

China. Operating profit exceeded targets, though a non-recurring charge of HK\$10 million relating to the write-off of pre-operating expenses resulted in an overall loss.

#### SWIRE SITA WASTE SERVICES

Swire SITA recorded satisfactory results for the year. In July, the company purchased a 53% interest in Far East Landfill Technologies, which operates the North West New Territories landfill. It also tendered successfully for the management of a waste to energy incineration project in southern Taiwan which started in December. Its subsidiary, CSR Macau, also had a satisfactory year.

#### SCHNEIDER SWIRE

The company traded profitably in 2000 due to strong export demand for its busduct products. Margins improved as more raw materials were sourced within Mainland China.

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

<b>Consolidated Profit and Loss Account</b>	<b>2000 HK\$M</b>	<b>1999 HK\$M</b>
<b>TURNOVER</b> <p>In the Property Division, there was a slight fall in gross rental income in Hong Kong and reduced proceeds from the sale of trading and investment properties in the USA. Improved vessel utilisation and charter rates in Swire Pacific Offshore accounted for the increase in turnover in the Marine Services Division. The Trading &amp; Industrial Division suffered a decrease in turnover due to the disposal of The Eagle's Eye, Swire &amp; Maclaine and Camberley Enterprises at the end of 1999 and Swire Loxley in February 2000. However, increased turnover was recorded in the car businesses in Taiwan and Mainland China and from the retailing of sportswear in Hong Kong.</p>	<b>15,050</b>	16,862
<b>OPERATING PROFIT</b> <p>The Property Division suffered a fall in both net rental income and contribution from the sale of development and investment properties. Operating profits were further reduced by the provision for land premium relating to Horizon Gardens. The Beverages Division saw improved profits due to volume growth in the USA following the acquisition of the Ogden franchise in April 2000, and a slight increase in margins. The Marine Services Division recorded an increase in operating profit due to the improving offshore oil services market and the consequent increase in charter rates and vessel utilisation. The increase in operating profit in the Trading &amp; Industrial Division is mainly attributable to improved operating results from Taikoo Motors Offshore's car businesses in Taiwan and from sportswear and apparel in Hong Kong.</p>	<b>3,845</b>	3,884
<b>NET FINANCE CHARGES</b> <p>The decrease of HK\$53 million in net finance charges was due to lower floating interest rates and an increase in interest capitalised into development properties.</p>	<b>(432)</b>	(485)
<b>SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED COMPANIES</b> <p>The marked decrease reflects a non-recurring provision for diminution in value of the Ocean Shores property development and the loss on sale of Carlsberg Brewery (Shanghai).</p>	<b>(1,636)</b>	256
<b>SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES</b> <p>Cathay Pacific contributed the majority of the increase in profit, with an increase in demand for passenger and cargo services leading to high yields and load factors across the network. An improvement in HAECO's operating profitability following the restructuring of the cost base in 1999 was augmented by non-recurring profits from the sale of shareholdings in jointly controlled companies and surplus properties.</p>	<b>2,964</b>	1,432

	2000 HK\$M	1999 HK\$M
<b>TAXATION</b>		
The effective rate of tax rose to 11.9% as a result of non-deductible provisions totalling HK\$1,832 million. The low effective rate of tax reflects brought-forward losses and, in 1999, a rebate for Hong Kong profits tax.	565	416
<b>MINORITY INTERESTS</b>		
The increase in minority interests is primarily due to improved results from Hong Kong Air Cargo Terminals and increased net rental income at Festival Walk.	287	236
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		
Profit attributable to shareholders decreased by 12.3%, primarily due to non-recurring provisions in the Property and Trading & Industrial Divisions, partially offset by a significant increase in the profit contribution from Cathay Pacific.	3,889	4,435
<b>Consolidated Balance Sheet</b>		
<b>FIXED ASSETS</b>		
The increase in fixed assets was mainly due to the upward revaluation of the investment property portfolio in Hong Kong and capital expenditure on investment properties.	77,265	65,393
<b>INVESTMENTS IN JOINTLY CONTROLLED COMPANIES</b>		
The decrease reflects the provision for diminution in value of the Ocean Shores property development, dividends received and the loss on sale of the Carlsberg Brewery (Shanghai), partially offset by loans advanced to jointly controlled companies in the Property Division and profits retained during the year.	6,953	8,196
<b>INVESTMENTS IN ASSOCIATED COMPANIES</b>		
The increase in investments in associated companies reflects profits retained during the year, and the share of the increase in the cash flow hedge reserve in the Cathay Pacific Group.	17,493	15,307
<b>PROPERTIES FOR SALE</b>		
The increase was mainly due to land premium and development costs incurred on the Taikoo Valley Site V residential site in Hong Kong and Three Tequesta Point in the USA. This increase was partially offset by the sale of apartments within the StarCrest development in Hong Kong and the sale of trading properties in the USA.	1,958	1,625
<b>TRADE AND OTHER PAYABLES</b>		
The increase was mainly due to the provision for land premium and accrued interest on Cityplaza Four, Cityplaza Three, Cityplaza One and Horizon Gardens amounting to HK\$4,500 million.	9,623	5,175

	2000 HK\$M	1999 HK\$M
<b>BANK OVERDRAFT AND SHORT-TERM LOANS/LONG-TERM LOANS AND BONDS DUE WITHIN ONE YEAR</b>		
The decrease was mainly due to the refinancing of short-term loans with term bank loans and bonds.	<b>2,142</b>	3,852
<b>LONG-TERM LOANS AND BONDS</b>		
The increase in long-term loans and bonds reflects the refinancing of short-term bank borrowing with term loans and floating rate bonds.	<b>10,486</b>	9,048
<b>MINORITY INTERESTS</b>		
The increase reflects the minority share of property revaluations and retained profits during the year, partially offset by the repayment of shareholders' loans to minority interests in the Property Division.	<b>5,203</b>	4,280
<b>SHAREHOLDERS' FUNDS</b>		
The increase relates principally to an increase in the property valuation reserve and to profits retained during the year.	<b>76,064</b>	68,509

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)	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
<b>Property:</b>				
Property investment	<b>4,692</b>	4,776	<b>3,354</b>	3,384
Property trading	<b>1,114</b>	1,749	<b>145</b>	209
Sale of investment properties	–	515	–	54
Provision for land premium	–	–	<b>(151)</b>	–
<b>Beverages</b>	<b>4,584</b>	4,590	<b>256</b>	211
<b>Marine Services</b>	<b>843</b>	812	<b>227</b>	210
<b>Trading &amp; Industrial</b>	<b>3,871</b>	4,488	<b>174</b>	72
<b>Other net expenses and consolidation adjustments</b>	<b>(54)</b>	(68)	<b>(160)</b>	(256)
	<b>15,050</b>	16,862	<b>3,845</b>	3,884

**JOINTLY CONTROLLED COMPANIES:**

	Share of profits/(losses) before taxation	
	2000 HK\$M	1999 HK\$M
<b>Property:</b>		
Property investment and trading	15	51
Provision for diminution in value of development property	(1,700)	–
<b>Beverages</b>	69	81
<b>Marine Services:</b>		
Ship repair, land engineering and harbour towage	66	58
Container handling	23	13
Shipowning and operating	4	(4)
<b>Trading &amp; Industrial:</b>		
Normal operations	21	(4)
Non-recurring items	(132)	66
<b>Others</b>	(2)	(5)
	(1,636)	256

**ASSOCIATED COMPANIES:**

	Share of profits/(losses) before taxation	
	2000 HK\$M	1999 HK\$M
<b>Property:</b>		
Hotels and restaurants	73	34
<b>Aviation:</b>		
Airline services and airline catering	2,302	1,110
Aircraft engineering	166	27
Cargo handling	129	(8)
<b>Marine Services:</b>		
Container handling	294	276
<b>Insurance</b>	–	(7)
	2,964	1,432

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

	Turnover		Operating profit/(loss)	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Hong Kong	8,545	8,916	3,273	3,578
Asia (excluding Hong Kong)	3,128	2,596	157	51
North America	2,529	3,937	188	121
Europe	5	604	–	(76)
Shipowning and operating	843	809	227	210
	15,050	16,862	3,845	3,884

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)	
	2000 HK\$M	1999 HK\$M
Property	947	3,002
Aviation	2,510	1,038
Beverages	185	187
Marine Services	501	472
Trading & Industrial	(84)	195
Other net expenses and consolidation adjustments	(170)	(459)
	3,889	4,435

### 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. Certain 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 counterparty. The group controls credit risk through approved counterparty 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 are offset by losses and gains on the assets, liabilities or transactions being hedged. The group is not required by its counterparties to provide collateral or any other form of security against any change in the market value of a derivative.

### 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 practicable, by broadly matching assets with borrowings in the same currency. Substantial proportions 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\$76,064 million at the end of 2000 compared with HK\$68,509 million at the end of 1999, mainly due to the upward revaluation of the group's investment property portfolio and retained earnings.

At 31st December 2000, the Swire Pacific group held cash deposits of HK\$404 million whilst bank loans and other borrowings due within one year amounted to HK\$2,142 million.

An analysis of the group's net borrowings by currency at 31st December 2000, including US\$600 million (HK\$4,642 million) of Perpetual Capital Securities, is shown below:

Currency	HK\$M	
Hong Kong Dollar	9,829	59%
United States Dollar	6,301	37%
New Taiwan Dollar	736	4%
Others	(51)	–
	16,815	100%

### Sources of Finance

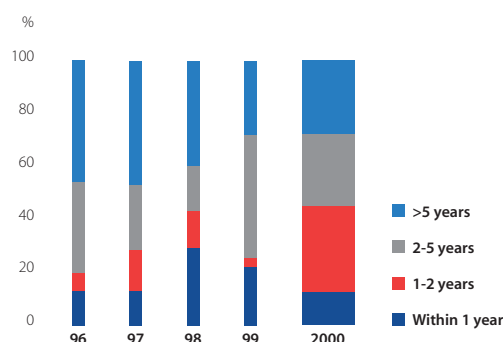
At 31st December 2000, committed loan facilities and other financing in place amounted to HK\$18,356 million, of which 13% remained undrawn. In addition, there were uncommitted facilities undrawn at the year end amounting to HK\$3,512 million. Sources of funds at the end of 2000 comprised:

	Available HK\$M	Drawn HK\$M	Undrawn HK\$M
<b>Committed facilities</b>			
Perpetual Capital Securities	4,642	4,642	–
Bonds	2,321	2,321	–
Private Placement	852	852	–
Floating Rate Notes	2,500	2,500	–
Bank and other loans	8,041	5,653	2,388
	18,356	15,968	2,388
<b>Uncommitted facilities</b>			
Money market & others	4,814	1,302	3,512

### 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



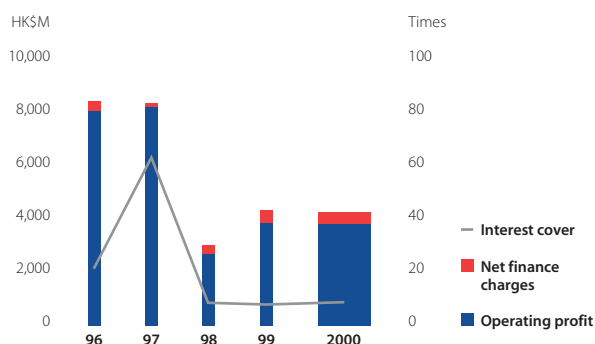
### Interest Rate Profile

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 2000, 45.8% of the group's gross borrowings were on a floating rate basis and 54.2% were on a fixed rate basis.

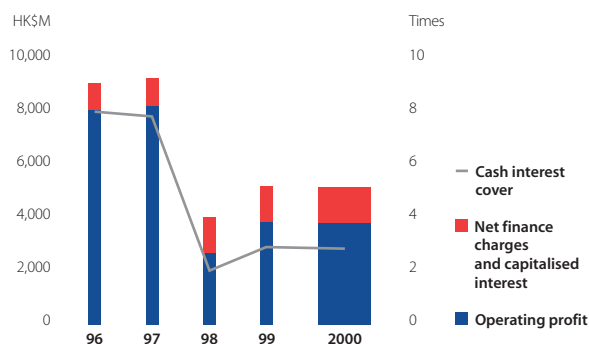
### Interest Cover and Gearing

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 2000 was 8.90 times while cash interest cover, calculated by reference to total interest charges including those capitalised, was 2.87 times. The gearing ratio was 0.21 at the end of 2000.

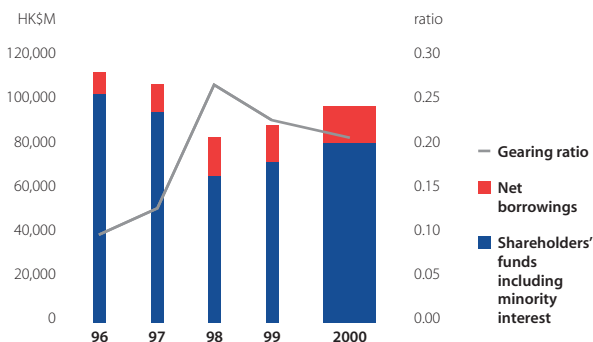
#### Interest cover



#### Cash interest cover



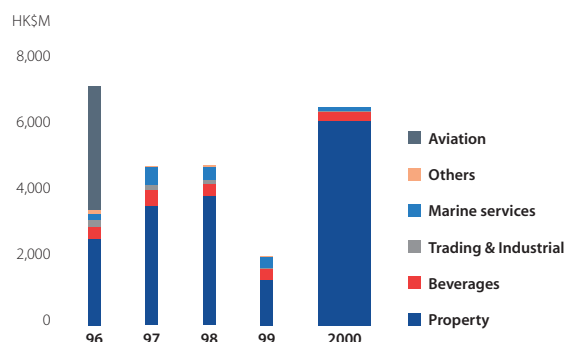
#### Gearing ratio



### Capital Expenditure

Capital expenditure incurred by the group in 2000 was HK\$6,595 million. The graph below illustrates capital expenditure by division over the last five years:

#### Capital expenditure by division



The major outgoings during 2000 in the Property Division related to expenditure on Cambridge House, the Cityplaza renovation and the provision in respect of the Taikoo Shing arbitration. Expenditure in the Beverages Division was mainly on property, production and distribution equipment, including the acquisition, during the year, of fixed assets relating to the Ogden franchise. Within the Marine Services Division, capital expenditure related principally to instalment payments on six new offshore support vessels for delivery from 2001 to 2003.

# Directors and Advisers

## Executive Directors

- \* **J W J Hughes-Hallett**, aged 51, 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, John Swire & Sons (H.K.) 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 53, has been a Director of the Company since April 1997 and has responsibility for staff matters. He joined the Swire group in 1972 and has worked with the group in the United Kingdom, Hong Kong and Japan.
- \* **M Cubbon**, aged 43, has been a Director of the Company since September 1998 with responsibility for Group Finance. He is also a Director of Cathay Pacific Airways Limited and Swire Properties Limited. He joined the Swire group in 1986.
- \* **D Ho**, aged 53, 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 48, 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 45, 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 61, 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.
- + **P A Johansen**, aged 58, has been a Director of the Company since January 1983 and was Finance Director until April 1997. He is also a Director of John Swire & Sons Limited, Scotts' of Greenock (Estd. 1711) PLC, Swire Properties Limited and Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1973.
- \* **E J R Scott**, aged 62, 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 Scotts' of Greenock (Estd. 1711) PLC. He joined the Swire group in 1960.
- P D A Sutch, GBS, CBE**, aged 55, 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, Cathay Pacific Airways Limited and Tolmount plc. He joined the Swire group in 1966.
- \* **Sir Adrian Swire**, aged 69, 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, HSBC Holdings plc and Scotts' of Greenock (Estd. 1711) PLC.

## Independent Non-Executive Directors

- + **D G Eldon**, aged 55, 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.
- + **C Lee**, aged 47, 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 66, 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.

\* These Directors are also Directors of John Swire & Sons (H.K.) Limited  
+ Members of the Audit Committee

**Secretary**

**P A Moore**, aged 43, 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

**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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Group Public Affairs

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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 2000, which are set out on pages 40 to 63 and 74 to 82.

## 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 82. An analysis of group turnover and operating profit, share of profits of jointly controlled and associated companies before taxation by principal activities, and analysis of group turnover and operating profit by principal markets, and group attributable profit by division are set out on pages 28 to 30.

## Dividends

The Directors recommend the payment of final dividends for 2000 of HK\$76.0 per 'A' share and HK\$15.2 per 'B' share which, together with the interim dividends paid on 3rd October 2000 of HK\$36.0 per 'A' share and HK\$7.2 per 'B' share, make total dividends for the year of HK\$112.0 per 'A' share and HK\$22.4 per 'B' share: an increase of 1.8% over the 1999 dividends. This represents a total distribution for the year of HK\$1,738 million. Subject to the approval of the 2000 final dividends by the shareholders at the Annual General Meeting on 17th May 2001, it is expected that those dividends will be paid on 1st June 2001 to shareholders registered on 17th May 2001. The share registers will be closed from 14th May 2001 to 17th May 2001, both dates inclusive.

## Reserves

Movements in the reserves of the group and the Company during the year are set out in note 24 to the accounts.

## Accounting policies

The principal accounting policies of the group are set out on pages 40 to 42.

The reason for a departure from the Statement of Standard Accounting Practice No.11 (HK SSAP No.11) laid down by the Hong Kong Society of Accountants 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\$5.5 million and donations towards various scholarships of HK\$0.8 million.

## Fixed assets

Details of movements in fixed assets are shown in note 11 to the accounts. An analysis of capital expenditure by division is shown on page 32.

## Properties

The annual valuation of the group's property portfolio, whether complete or in the course of development, was carried out by independent professional valuers on the basis of open market value at 31st December 2000. The valuations have been recorded in the accounts of the individual companies concerned and an overall net increase, after the provision for the result of the Taikoo Shing arbitration, of HK\$4,980 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 subsidiary companies are shown in notes 20 and 21 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 6th March 2000, the Company sold the entire share capital of its wholly-owned subsidiary, Swire Loxley Limited, to Sparkle Light Enterprises Inc., a wholly-owned subsidiary of CITIC Pacific Limited, for a cash consideration of HK\$86.6 million which was arrived at after arm's length negotiation based on normal commercial terms.

The Company's Directors, including the independent non-executive Directors, considered that the consideration and the terms of the sale 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 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**

- (i) In April 2000, Swire Coca-Cola USA acquired the Ogden franchise territory by purchasing The Coca-Cola Bottling Company of Ogden, Inc. adding 6% to the size of the USA operations on a volume basis.
- (ii) In August 2000, Carlsberg Brewery Hong Kong Limited, in which Swire Pacific Limited has a 49% shareholding, sold 75% of its interest in Carlsberg Brewery (Shanghai) Limited to Tsingtao Brewery Company Limited and the balance to Carlsberg A/S.

**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 2002 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**

All the Company's present Directors, whose names are listed on page 33, served throughout the calendar year 2000.

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, P A Johansen and Sir Adrian Swire 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.

## Directors' interests

At 31st December 2000, 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	Corporate Interests	Other Interests	Total	Remarks
<b>Swire Pacific Limited</b>						
<b>– 'A' shares</b>						
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	–
<b>Swire Pacific Limited</b>						
<b>– 'B' shares</b>						
M J Bell	30,000	–	–	–	30,000	–
D Ho	100,000	–	–	–	100,000	–
J W J Hughes-Hallett	118,000	–	–	–	118,000	–
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	–	–	19,930,000	20,680,000	See Note 3
P D A Sutch	5,000	–	–	–	5,000	–
Sir Adrian Swire	4,813,169	–	–	20,810,916	25,624,085	See Note 1
<b>Cathay Pacific Airways Limited</b>						
<b>– Ordinary shares</b>						
J W J Hughes-Hallett	12,000	–	–	–	12,000	–
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".
3. C Lee is a beneficiary of a trust which holds the 19,930,000 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 2000 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	) Duplication of John Swire & Sons Limited's holding
John Swire & Sons (H.K.) Limited	40,661,326	1,940,278,746	
Brandes Investment Partners, L.P.	142,495,277	–	–

At 31st December 2000, the John Swire & Sons Limited Group owned, directly or indirectly, interests in shares of Swire Pacific Limited representing 28.07% of the issued capital and 50.50% of the voting rights.

### Auditors

A resolution for the reappointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting. PricewaterhouseCoopers replaced Price Waterhouse in the financial year 1999 following their merger with Coopers & Lybrand.

On behalf of the Board

**James Hughes-Hallett**

*Chairman*

*Hong Kong, 9th March 2001*



# Auditors' Report

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

We have audited the accounts on pages 40 to 63 and pages 74 to 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, save as explained in accounting policy no. 4 on pages 40 and 41.

## 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 of the state of the affairs of the Company and the group as at 31st December 2000 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, 9th March 2001*

# 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.

All significant intercompany transactions and balances within the group are eliminated on consolidation.

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.

The gain or loss on the disposal of a subsidiary, jointly controlled or associated company represents the difference between the proceeds of the sale and the group's share of its net assets together with any goodwill or capital reserve which was not previously charged to or recognised in the consolidated profit and loss account.

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

In the Company's balance sheet the investments in subsidiary companies are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

## 3. Jointly controlled and associated companies

Jointly controlled companies are those companies held for the long-term, over which the group is in a position to exercise joint control with other venturers in accordance with contractual arrangements. 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 results of jointly controlled and associated companies are accounted for by the Company on the basis of dividends received and receivable. 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 issues of Perpetual Capital Securities, which were issued by wholly-owned subsidiary companies (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) To reduce its exposure to exchange rate fluctuations on future operating cash flows, the Cathay Pacific Group arranges its borrowings and leasing obligations in foreign currencies such that repayments can be met by anticipated operating cash flows. In addition the Cathay Pacific Group takes out currency derivatives to hedge anticipated cash flows. Any unrealised exchange differences on these borrowings, leasing obligations, currency derivatives and on related security deposits are recognised directly in equity via the Consolidated 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.

Although this method of accounting complies with International Accounting Standards, it does not comply with HK SSAP 11 which requires that all such exchange differences are charged to the profit and loss account. The effect of this departure from HK SSAP 11 is set out in note 24 to the accounts.

The treatment of exchange differences on foreign currency operating cash flow hedges is supported by that element of International Accounting Standards which deals with accounting for hedge transaction. 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 Group'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.

## 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

Investment securities are 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 value of 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.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

**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. Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

**12. 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.

**13. 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.

**14. 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.

**15. 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.

**16. 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.

**17. Related parties**

Related parties are individuals and companies, including subsidiary, 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.

**18. 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 2000

NOTE		2000 HK\$M	1999 HK\$M
1	<b>Turnover</b>	<b>15,050</b>	16,862
	<b>Cost of sales</b>	<b>(8,331)</b>	(9,624)
	<b>Gross profit</b>	<b>6,719</b>	7,238
	<b>Other revenue</b>	<b>26</b>	104
	<b>Distribution costs</b>	<b>(1,420)</b>	(1,488)
	<b>Administrative expenses</b>	<b>(1,266)</b>	(1,819)
	<b>Other operating expenses</b>	<b>(214)</b>	(151)
2	<b>Operating profit</b>	<b>3,845</b>	3,884
	<b>Finance charges</b>	<b>(595)</b>	(698)
	<b>Finance income</b>	<b>163</b>	213
4	<b>Net finance charges</b>	<b>(432)</b>	(485)
5	<b>Share of profits less losses of jointly controlled companies</b>	<b>(1,636)</b>	256
	<b>Share of profits less losses of associated companies</b>	<b>2,964</b>	1,432
	<b>Profit before taxation</b>	<b>4,741</b>	5,087
6	<b>Taxation</b>	<b>565</b>	416
	<b>Profit after taxation</b>	<b>4,176</b>	4,671
	<b>Minority interests</b>	<b>287</b>	236
7	<b>Profit attributable to shareholders</b>	<b>3,889</b>	4,435
8	<b>Dividends</b>	<b>1,738</b>	1,707
9	<b>Retained profit for the year</b>	<b>2,151</b>	2,728
		<b>HK¢</b>	HK¢
10	<b>Earnings per share</b>		
	'A' shares	<b>250.6</b>	285.8
	'B' shares	<b>50.1</b>	57.2

# Consolidated Balance Sheet

AT 31ST DECEMBER 2000

NOTE		2000		1999	
		HK\$M	HK\$M	HK\$M	HK\$M
	<b>ASSETS</b>				
	<b>Non-current assets</b>				
11	Fixed assets	77,265		65,393	
13	Jointly controlled companies	6,953		8,196	
14	Associated companies	17,493		15,307	
15	Investment securities and long-term receivables	436		502	
	Deferred expenditure	280		416	
			102,427		89,814
	<b>Current assets</b>				
16	Properties for sale	1,958		1,625	
17	Stocks and work in progress	838		934	
18	Trade and other receivables	2,794		2,819	
	Held-to-maturity securities – unlisted	36		116	
	Short-term deposits and bank balances	368		544	
			5,994		6,038
	<b>Current liabilities</b>				
19	Trade and other payables	9,623		5,175	
	Taxation	123		151	
	Bank overdrafts and short-term loans				
	– secured	2		21	
	– unsecured	1,940		441	
21	Long-term loans and bonds due within one year	200		3,390	
			11,888		9,178
	<b>Net current liabilities</b>		(5,894)		(3,140)
	<b>Total assets less current liabilities</b>		96,533		86,674
	<b>Non-current liabilities</b>				
20	Perpetual capital securities	4,642		4,642	
21	Long-term loans and bonds	10,486		9,048	
22	Deferred taxation	23		28	
	Deferred liabilities	115		167	
			15,266		13,885
	Minority interests		5,203		4,280
	<b>NET ASSETS</b>		76,064		68,509
	<b>CAPITAL AND RESERVES</b>				
23	Share capital		931		931
24	Reserves		75,133		67,578
	<b>SHAREHOLDERS' FUNDS</b>		76,064		68,509

**J W J Hughes-Hallett****T S Lo**

Directors

Hong Kong, 9th March 2001

The principal accounting policies on pages 40 to 42 and the notes on pages 48 to 63 form part of these accounts.

# Company Balance Sheet

AT 31ST DECEMBER 2000

NOTE		2000		1999	
		HK\$M	HK\$M	HK\$M	HK\$M
	<b>ASSETS</b>				
	<b>Non-current assets</b>				
11	Fixed assets	505		620	
12	Subsidiary companies	10,918		6,659	
13	Jointly controlled companies	1,523		1,189	
14	Associated companies	1,985		1,946	
15	Investment securities and long-term receivables	85		80	
	Deferred expenditure	8		14	
			15,024		10,508
	<b>Current assets</b>				
18	Trade and other receivables	1,038		2,298	
	Short-term deposits and bank balances	2		2	
			1,040		2,300
	<b>Current liabilities</b>				
19	Trade and other payables	1,297		1,329	
	Taxation	2		–	
21	Long-term loans and bonds due within one year	–		21	
			1,299		1,350
	<b>Net current (liabilities)/assets</b>		(259)		950
	<b>Total assets less current liabilities</b>		14,765		11,458
	<b>Non-current liabilities</b>				
21	Long-term loans and bonds	3,212		3,209	
22	Deferred taxation	10		13	
			3,222		3,222
	<b>NET ASSETS</b>		11,543		8,236
	<b>CAPITAL AND RESERVES</b>				
23	Share capital		931		931
24	Reserves		10,612		7,305
	<b>SHAREHOLDERS' FUNDS</b>		11,543		8,236

**J W J Hughes-Hallett**
**T S Lo**

Directors

Hong Kong, 9th March 2001

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER 2000

NOTE		2000 HK\$M	1999 HK\$M
28(a)	<b>Net cash inflow from operating activities</b>	<b>4,684</b>	5,635
	<b>Returns on investments and servicing of finance</b>		
	Interest received on deposits and other loans	164	213
	Dividends received from jointly controlled and associated companies and other investments	1,741	723
	Interest paid on bank loans, overdrafts and other loans and bonds	(1,437)	(1,561)
	Dividends paid		
	– to shareholders	(1,738)	(1,428)
	– to minority interests	(39)	(118)
	<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(1,309)</b>	(2,171)
	<b>Taxation</b>		
	Hong Kong profits tax paid	(328)	(263)
	Overseas tax paid	(83)	(71)
	<b>Total tax paid</b>	<b>(411)</b>	(334)
	<b>Investing activities</b>		
28(b)	Purchase of fixed assets	(2,094)	(1,772)
	Proceeds from fixed asset disposals	117	608
	Purchase of shareholdings in subsidiary companies	(274)	(169)
28(c)	Sale of shareholdings in subsidiary companies	117	83
	Purchase of shareholdings in and loans to associated companies	(90)	(103)
	Purchase of shareholdings in and loans to jointly controlled companies	(1,035)	(1,114)
	Sale of shareholdings in and repayment of loans from associated companies	64	65
	Sale of shareholdings in and repayment of loans from jointly controlled companies	548	196
	Sale of shareholdings in and repayment of loans from investment securities	68	255
	Purchase of investment securities	(93)	–
	Decrease in long-term receivables	103	33
	Deferred expenditure	(32)	(74)
	<b>Net cash outflow from investing activities</b>	<b>(2,601)</b>	(1,992)
	<b>Net cash inflow before financing</b>	<b>363</b>	1,138
	<b>Financing</b>		
	Loans drawn and refinancing	1,973	3,863
	Repayment of loans	(3,718)	(3,587)
28(d)		(1,745)	276
28(d)	Repayment of loans to minority interests	(334)	–
28(d)	Capital contributions from minority interests	–	1
	<b>Net cash (outflow)/inflow from financing</b>	<b>(2,079)</b>	277
	<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1,716)</b>	1,415

The principal accounting policies on pages 40 to 42 and the notes on pages 48 to 63 form part of these accounts.



NOTE	2000 HK\$M	1999 HK\$M
<b>Movement in cash and cash equivalents</b>		
At 1st January	198	(1,227)
(Decrease)/increase during the year	(1,716)	1,415
Currency adjustment	(20)	10
At 31st December	(1,538)	198
<b>Represented by:</b>		
Unlisted held-to-maturity securities maturing within three months	36	116
Bank balances and short-term deposits maturing within three months	368	544
Bank overdrafts and short-term loans maturing within three months		
– secured	(2)	(21)
– unsecured	(1,940)	(441)
	(1,538)	198

The definition of cash and cash equivalents is set out in principal accounting policy no. 12.

## Consolidated Statement of Recognised Gains and Losses

FOR THE YEAR ENDED 31ST DECEMBER 2000

	2000 HK\$M	1999 HK\$M
Increase in property valuation arising during the year	4,980	2,716
Realised surplus on disposal transferred to operating profit	–	(40)
Exchange differences on cash flow hedges		
– recognised during the year	751	22
– transferred to the profit and loss account	37	32
Revaluation surpluses on investment securities		
– recognised during the year	6	190
– transferred to the profit and loss account on disposal	–	(217)
Exchange differences	(37)	31
Net gains not recognised in the profit and loss account	5,737	2,734
Profit for the year	3,889	4,435
Total recognised gains and losses	9,626	7,169
Goodwill on acquisition of subsidiary, jointly controlled and associated companies	(376)	(178)
Goodwill reinstated on disposal of subsidiary, jointly controlled and associated companies	43	634
	9,293	7,625

The principal accounting policies on pages 40 to 42 and the notes on pages 48 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 82.

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

	Group	
	2000 HK\$M	1999 HK\$M
Gross rental income	4,626	4,684
Sales of development properties	1,114	1,749
Sales of investment properties	–	515
Rendering of other services	1,093	1,264
Sales of goods	8,217	8,650
	15,050	16,862

### 2. Operating profit

	Group	
	2000 HK\$M	1999 HK\$M
<b>Operating profit has been arrived at after charging:</b>		
Cost of stocks sold	6,236	7,120
Depreciation of fixed assets	510	502
Staff costs	1,615	1,792
Operating lease rentals:		
Land and buildings	75	103
Other equipment	19	23
Amortisation of deferred expenditure	167	140
Losses less profits on sale of subsidiary, jointly controlled and associated companies	11	137
Provision for land premium on development properties	151	–
Auditors' remuneration	8	12
Exchange differences	8	–
Loss on sale of fixed assets	16	–
<b>and after crediting:</b>		
Gross rental income	4,626	4,684
Less: Outgoings	1,057	1,026
Net rental income	3,569	3,658
Profit on sale of development properties	225	360
Profit on sale of fixed assets	–	52
Exchange differences	–	10

### 3. Directors' emoluments

	Group	
	2000 HK\$M	1999 HK\$M
Fees from the Company and its subsidiary companies	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	40	48
Retirement benefit costs	1	3
	41	51

Housing costs accounted for 33% (1999: 31%) of emoluments.

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

HK\$'000	2000 Number	1999 Number
0 – 1,000	8	8
1,001 – 1,500	1	–
2,001 – 2,500	1	1
3,501 – 4,000	–	1
5,001 – 5,500	1	–
5,501 – 6,000	–	1
6,001 – 6,500	–	2
7,001 – 7,500	1	–
7,501 – 8,000	–	1
9,001 – 9,500	–	1
9,501 – 10,000	1	1
14,501 – 15,000	1	–
	14	16

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 (1999: HK\$298,000). They received no other emoluments from the Company or any of its subsidiary companies.

**4. Net finance charges**

	Group			
	2000		1999	
	HK\$M	HK\$M	HK\$M	HK\$M
<b>Interest charged on:</b>				
Bank loans and overdrafts		<b>501</b>		501
Other loans and bonds:				
– wholly repayable within five years	<b>379</b>		417	
– not wholly repayable within five years	<b>624</b>		621	
		<b>1,003</b>		1,038
Deferred into properties under development for sale:				
– subsidiary companies	<b>(39)</b>		(95)	
– jointly controlled companies	<b>(607)</b>		(423)	
– long-term investments	<b>(12)</b>		(18)	
		<b>(658)</b>		(536)
Capitalised on:				
– investment properties		<b>(250)</b>		(303)
– other properties and plant and machinery		<b>(1)</b>		(2)
		<b>595</b>		698
<b>Interest income on:</b>				
Short-term deposits and bank balances	<b>(44)</b>		(33)	
Other loans	<b>(119)</b>		(180)	
		<b>(163)</b>		(213)
		<b>432</b>		485

The capitalisation rate applied to funds borrowed generally and used for the development of investment properties and properties for sale is between 6.125% and 9.5% per annum (1999: 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 loss of HK\$1,700 million arising from the provision for diminution in value of property development sites, and an attributable loss of HK\$132 million relating to the sale of Carlsberg Brewery (Shanghai) Limited and other restructuring costs.

## 6. Taxation

	Group			
	2000		1999	
	HK\$M	HK\$M	HK\$M	HK\$M
<b>The taxation charge comprises:</b>				
The Company and its subsidiary companies:				
Hong Kong – profits tax	248		362	
– deferred taxation	(6)		(1)	
– 10% 1997/98 Hong Kong profits tax rebate	–		(100)	
– over-provision in respect of previous years	(5)		(60)	
		237		201
Overseas – profits tax	69		17	
– deferred taxation	–		3	
– under/(over)-provision in respect of previous years	73		(5)	
		142		15
		379		216
Jointly controlled companies:				
Hong Kong – profits tax	37		29	
– deferred taxation	–		(2)	
– over-provision in respect of previous years	(2)		–	
		35		27
Overseas – profits tax		15		15
		50		42
Associated companies:				
Hong Kong – profits tax	85		59	
– deferred taxation	22		75	
– over-provision in respect of previous years	(1)		(4)	
		106		130
Overseas – profits tax	85		68	
– deferred taxation	(3)		4	
– over-provision in respect of previous years	(52)		(44)	
		30		28
		136		158
		565		416

Hong Kong profits tax is calculated at 16.0% (1999: 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.

## 7. Profit attributable to shareholders

Of the profit attributable to shareholders, HK\$5,045 million (1999: HK\$2,671 million) is dealt with in the accounts of the Company.

**8. Dividends**

	Company	
	2000 HK\$M	1999 HK\$M
Interim dividend paid on 3rd October 2000 of HK\$36.0 per 'A' share and HK\$7.2 per 'B' share (1999: HK\$34.0 and HK\$6.8)	559	528
Final proposed dividend of HK\$76.0 per 'A' share and HK\$15.2 per 'B' share (1999: HK\$76.0 and HK\$15.2)	1,179	1,179
	1,738	1,707

**9. Retained profit for the year**

	Group	
	2000 HK\$M	1999 HK\$M
<b>Profit/(loss) for the year retained by:</b>		
Swire Pacific Limited	3,307	964
Subsidiary companies	(222)	1,321
Jointly controlled companies	(2,378)	(33)
Associated companies	1,444	476
	2,151	2,728

**10. Earnings per share**

Earnings per share are calculated by dividing the profit attributable to shareholders of HK\$3,889 million (1999: HK\$4,435 million) by the weighted average number of 940,111,885 'A' shares and 3,059,301,271 'B' shares in issue throughout both 2000 and 1999.

**11. Fixed assets**

	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
<b>Cost or valuation:</b>							
At 31st December 1999	62,631	3,851	2,603	69,085	703	67	770
Translation differences	(32)	(41)	9	(64)	–	–	–
Additions	6,172	320	103	6,595	–	4	4
Disposals	(118)	(222)	–	(340)	(107)	(4)	(111)
Transfers from other assets	25	22	–	47	–	–	–
Change in the group	–	(28)	–	(28)	–	–	–
Investment property valuation increase during the year	5,927	–	–	5,927	–	–	–
At 31st December 2000	74,605	3,902	2,715	81,222	596	67	663
<b>Depreciation:</b>							
At 31st December 1999	400	2,249	1,043	3,692	101	49	150
Translation differences	(2)	(20)	4	(18)	–	–	–
Charge for the year	64	353	93	510	14	8	22
Disposals	(13)	(194)	–	(207)	(11)	(3)	(14)
Change in the group	–	(20)	–	(20)	–	–	–
At 31st December 2000	449	2,368	1,140	3,957	104	54	158
<b>Net book value:</b>							
At 31st December 2000	74,156	1,534	1,575	77,265	492	13	505
At 31st December 1999	62,231	1,602	1,560	65,393	602	18	620

# 11. Fixed assets (continued)

- (a) Investment properties, whether completed or in the course of development, were valued on the basis of open market value at 31st December 2000 by DTZ Debenham Tie Leung Limited, independent professional valuers. This valuation has been incorporated in the accounts as stated in principal accounting policy note 5.
- (b) At 31st December 2000, the net book value of fixed assets pledged as security for the group's long-term loans amounted to HK\$5,339 million (1999: HK\$4,486 million).

	Group				
	Investment properties		Other properties		Total
	Completed HK\$M	Under development HK\$M	Land HK\$M	Buildings HK\$M	HK\$M
(c) Properties comprise:					
<b>Cost or valuation:</b>					
At 31st December 1999	56,666	3,280	1,056	1,629	62,631
Translation differences	–	–	(16)	(16)	(32)
Additions	4,592	1,508	4	68	6,172
Disposals	–	–	(73)	(45)	(118)
Transfers from other assets	5	20	–	–	25
Valuation increase/(decrease) during the year	6,642	(715)	–	–	5,927
At 31st December 2000	67,905	4,093	971	1,636	74,605
<b>Depreciation:</b>					
At 31st December 1999	–	–	57	343	400
Translation differences	–	–	–	(2)	(2)
Charge for the year	–	–	14	50	64
Disposals	–	–	(6)	(7)	(13)
At 31st December 2000	–	–	65	384	449
Net book value at 31st December 2000	67,905	4,093	906	1,252	74,156
(d) Tenure and valuation					
<b>Held in Hong Kong:</b>					
On medium-term lease (10 to 50 years):					
At cost less depreciation	–	–	327	600	927
On long-term lease (over 50 years):					
At cost less depreciation	–	–	140	37	177
At professional valuation 31st December 2000	67,905	4,093	–	–	71,998
<b>Held outside Hong Kong:</b>					
Freehold:					
At cost less depreciation	–	–	439	615	1,054
Net book value at 31st December 2000	67,905	4,093	906	1,252	74,156

- (e) The Company's properties, with a total net book value of HK\$492 million (1999: HK\$602 million), include long-term and medium-term leasehold land in Hong Kong held at a net book value of HK\$148 million (1999: HK\$152 million) and HK\$344 million (1999: HK\$450 million) respectively.



**12. Subsidiary companies**

	Company	
	2000 HK\$M	1999 HK\$M
Unlisted shares at cost less provisions	<b>3,704</b>	3,671
Amounts due from subsidiary companies less provisions	<b>7,525</b>	7,372
	<b>11,229</b>	11,043
Amounts due to subsidiary companies	<b>(311)</b>	(4,384)
	<b>10,918</b>	6,659

The principal subsidiary companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 74 to 82.

**13. Jointly controlled companies**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Unlisted shares at cost	<b>2,705</b>	2,763	<b>1,266</b>	1,266
Attributable post-acquisition reserves	<b>(2,158)</b>	127	–	–
	<b>547</b>	2,890	<b>1,266</b>	1,266
Share of goodwill in jointly controlled companies eliminated:				
At the beginning of the year	<b>(877)</b>	(1,021)		
During the year	<b>(15)</b>	144		
	<b>(892)</b>	(877)		
Share of net (liabilities)/assets	<b>(345)</b>	2,013		
Loans due from jointly controlled companies less provisions	<b>7,609</b>	6,455	<b>257</b>	183
Loans due to jointly controlled companies	<b>(311)</b>	(272)	–	(260)
	<b>6,953</b>	8,196	<b>1,523</b>	1,189
Dividends received and receivable by the Company and its subsidiary companies from jointly controlled companies	<b>690</b>	252	<b>525</b>	25

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 82.

#### 14. Associated companies

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Shares at cost				
– Listed in Hong Kong	1,202	1,163	1,202	1,163
– Unlisted	689	689	783	783
Attributable post-acquisition reserves	15,193	12,955	–	–
	17,084	14,807	1,985	1,946
Share of goodwill in associated companies eliminated:				
At the beginning of the year	(1,024)	(1,159)		
During the year	(82)	135		
	(1,106)	(1,024)		
Share of net assets	15,978	13,783		
Loans due from associated companies less provisions	1,515	1,524	–	–
	17,493	15,307	1,985	1,946
Dividends received and receivable by the Company and its subsidiary companies from associated companies	1,384	803	1,271	783

- (a) The market value of the shares in the listed associated companies at 31st December 2000 was HK\$22,718 million (1999: HK\$21,788 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 82. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 64 to 65.

#### 15. Investment securities and long-term receivables

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Unlisted shares	98	18	43	17
Loans advanced	225	268	–	–
Investment securities	323	286	43	17
Mortgages and other receivables	113	216	42	63
	436	502	85	80

#### 16. Properties for sale

	Group	
	2000 HK\$M	1999 HK\$M
Completed properties for sale	1,453	1,293
Properties under development for sale	505	332
	1,958	1,625

At 31st December 2000, the value of properties for sale that are carried below cost at net realisable value was HK\$33 million (1999: HK\$42 million).

**17. Stocks and work in progress**

	Group	
	<b>2000 HK\$M</b>	1999 HK\$M
Goods for sale	<b>676</b>	682
Manufacturing materials	<b>130</b>	209
Production supplies	<b>24</b>	28
Work in progress	<b>8</b>	15
	<b>838</b>	934

At 31st December 2000, the value of stocks that are carried below cost at net realisable value was HK\$18 million (1999: HK\$8 million).

**18. Trade and other receivables**

	Group		Company	
	<b>2000 HK\$M</b>	1999 HK\$M	<b>2000 HK\$M</b>	1999 HK\$M
Trade debtors	<b>1,208</b>	1,461	<b>3</b>	–
Amounts due from intermediate holding companies	<b>14</b>	2	<b>12</b>	–
Amounts due from subsidiary companies	<b>–</b>	–	<b>72</b>	69
Amounts due from jointly controlled companies	<b>19</b>	23	<b>1</b>	–
Amounts due from associated companies	<b>12</b>	23	<b>–</b>	–
Other receivables	<b>1,541</b>	1,310	<b>950</b>	2,229
	<b>2,794</b>	2,819	<b>1,038</b>	2,298

At 31st December 2000, the aged analysis of trade debtors was as follows:

	Group		Company	
	<b>2000 HK\$M</b>	1999 HK\$M	<b>2000 HK\$M</b>	1999 HK\$M
Under three months	<b>947</b>	1,109	<b>3</b>	–
Between three and six months	<b>243</b>	342	<b>–</b>	–
Over six months	<b>18</b>	10	<b>–</b>	–
	<b>1,208</b>	1,461	<b>3</b>	–

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Aged analyses of debtors are prepared and closely monitored in order to minimise any credit risk associated with receivables.

**19. Trade and other payables**

	Group		Company	
	<b>2000 HK\$M</b>	1999 HK\$M	<b>2000 HK\$M</b>	1999 HK\$M
Trade creditors	<b>1,086</b>	1,613	<b>–</b>	–
Amounts due to ultimate holding company	<b>36</b>	46	<b>–</b>	–
Amounts due to intermediate holding companies	<b>22</b>	11	<b>–</b>	10
Amounts due to jointly controlled companies	<b>32</b>	19	<b>–</b>	12
Amounts due to associated companies	<b>–</b>	7	<b>–</b>	–
Proposed final dividend	<b>1,179</b>	1,179	<b>1,179</b>	1,179
Other payables	<b>7,268</b>	2,300	<b>118</b>	128
	<b>9,623</b>	5,175	<b>1,297</b>	1,329

## 19. Trade and other payables (continued)

At 31st December 2000, the aged analysis of trade creditors was as follows:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Under three months	1,041	1,452	–	–
Between three and six months	43	160	–	–
Over six months	2	1	–	–
	1,086	1,613	–	–

## 20. 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 subsidiary companies (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.

## 21. Long-term loans and bonds

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
<b>Bank loans (secured):</b>				
Repayable within one year	28	28	–	–
Repayable between one and two years	528	217	–	–
Repayable between two and five years	513	584	–	–
Repayable after five years	151	178	–	–
<b>Bank loans (unsecured):</b>				
Repayable within one year	52	1,054	–	21
Repayable between one and two years	3,615	400	–	–
Repayable between two and five years	–	2,850	–	–
<b>Other borrowings (unsecured):</b>				
Repayable within one year	120	2,308	–	–
Repayable between one and two years	1,500	–	–	–
Repayable between two and five years	4,179	4,692	3,212	3,209
Repayable after five years	–	127	–	–
	10,686	12,438	3,212	3,230
Amount due within one year included under current liabilities	(200)	(3,390)	–	(21)
	10,486	9,048	3,212	3,209

(a) Included in the gross amounts shown above for the group are other borrowings, amounting to HK\$nil (1999: HK\$127 million), which were not wholly repayable within five years.

(b) Borrowings other than bank loans are repayable on various dates up to 2004 at interest rates from 6.325% to 8.50% per annum (1999: 5.71% to 10.50% per annum).

**22. Deferred taxation**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
The deferred taxation provision comprises timing differences arising from the different taxation and accounting treatment of fixed assets.	23	28	10	13

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

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Accelerated depreciation allowance	82	77	–	–
Deferred expenditure	6	8	–	–

**23. Share capital**

	Company				
	'A' shares of HK\$0.60 each	'B' shares of HK\$0.12 each	'A' shares HK\$M	'B' shares HK\$M	Total HK\$M
<b>Authorised:</b>					
At 31st December 2000 and 1999	1,140,000,000	3,600,000,000	684	432	1,116
<b>Issued and fully paid:</b>					
At 31st December 2000 and 1999	940,111,885	3,059,301,271	564	367	931

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

**24. Reserves**

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
<b>Company</b>							
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
Profit for the year	5,045	–	–	–	–	–	5,045
Dividends	(1,738)	–	–	–	–	–	(1,738)
At 31st December 2000	10,249	–	342	21	–	–	10,612

## 24. Reserves (continued)

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
<b>Group</b>							
At 31st December 1998	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 on disposal	–	–	–	–	(217)	–	(217)
Exchange differences	31	–	–	–	–	–	31
At 31st December 1999	35,937	30,755	342	21	439	84	67,578
Retained profit for the year	2,151	–	–	–	–	–	2,151
Goodwill on acquisition of subsidiary, jointly controlled and associated companies	(376)	–	–	–	–	–	(376)
Goodwill reinstated on disposal of subsidiary companies	43	–	–	–	–	–	43
Increase in property valuation arising during the year	–	4,980	–	–	–	–	4,980
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	751	751
– transferred to profit for the year	–	–	–	–	–	37	37
Revaluation surpluses on investment securities							
– recognised during the year	–	–	–	–	6	–	6
Exchange differences	(37)	–	–	–	–	–	(37)
At 31st December 2000	37,718	35,735	342	21	445	872	75,133

The group revenue reserve includes accumulated losses from jointly controlled companies amounting to HK\$2,224 million (1999: retained revenue reserves of HK\$285 million) and retained revenue reserves from associated companies amounting to HK\$13,388 million (1999: HK\$11,845 million).

- Distributable reserves of the Company at 31st December 2000 amounted to HK\$10,249 million (1999: HK\$6,942 million).
- 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. Had HK SSAP 11 been adopted, there would have been no financial impact on the Swire Pacific group's assets, liabilities and cash flows. HK\$872 million (1999: HK\$84 million) would have been included in the Swire Pacific group's revenue reserve rather than the cash flow hedge reserve and the Swire Pacific group's profit and loss account for the year ended 31st December 2000 would have increased by HK\$788 million (1999: HK\$54 million).

**25. Contingencies and commitments**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
<b>(a) Outstanding commitments for capital expenditure at the year end:</b>				
Contracted for but not provided for in the accounts	1,640	891	–	–
Authorised by Directors but not contracted for	852	739	–	–
<b>(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:</b>				
Contracted for but not provided for in the accounts	87	363	–	–
<b>(c) The group's share of the capital commitments of jointly controlled companies at the year end not included above:</b>				
Contracted for but not provided for in the accounts	17	384	–	–
Authorised by Directors but not contracted for	27	66	–	–
<b>(d) Guarantees have been given in respect of bank loans and other liabilities outstanding at 31st December amounting to:</b>				
Subsidiary companies	–	–	13,062	13,520
Jointly controlled companies	4,742	4,325	1,320	696
Associated companies	999	1,204	815	989
	5,741	5,529	15,197	15,205
<b>(e) Amounts payable within one year under operating lease arrangements:</b>				
Land and buildings:				
Leases expiring:				
Within one year	30	32	–	–
Between two and five years	120	97	–	–
After five years	29	17	–	–
	179	146	–	–
Other equipment:				
Leases expiring:				
Within one year	16	18	–	–
After five years	2	2	–	–
	18	20	–	–
	197	166	–	–

**26. 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.



## 26. Retirement benefits (continued)

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 31.12.1999
The Swire Group Retirement Benefit Scheme	The Wyatt Company (HK) Limited	Attained age method	154%
The Swire Properties Limited Retirement Benefit Scheme	In-house Actuary of HSBC Life (International) Limited	Attained age method	132%

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.

A mandatory provident fund scheme (MPF) was established under the MPF Ordinance in December 2000. Since the Company has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join the MPF, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK\$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution.

The total retirement benefit costs charged to the profit and loss account in 2000 were HK\$44 million (1999: HK\$92 million).

## 27. 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% (1999: 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 2000, those fees amounted to HK\$86 million (1999: HK\$91 million) and expenses of HK\$106 million (1999: HK\$153 million) were reimbursed at cost.

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	
		2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
(a)	Revenue from sales of goods and rendering of services	27	6	19	14	—	—	4	1
(a)	Purchases of goods and services	197	211	13	38	7	6	—	—
(b)	Rental revenue	19	1	10	16	7	4	44	50
(c)	Interest income	32	99	68	63	—	—	—	—
(c)	Interest charges	15	22	—	—	—	—	—	—

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

Amounts due to and due from the ultimate holding company and intermediate holding company at 31st December 2000 are disclosed in notes 18 and 19. 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 2000 are disclosed in notes 13 and 14 respectively. Quasi-equity loans are non-interest bearing whilst other loans bear interest at market rates. These loans have no fixed settlement dates.

## 28. Notes to the consolidated cash flow statement

	Group	
	2000 HK\$M	1999 HK\$M
<b>(a) Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit	3,845	3,884
Depreciation	510	502
Loss/(profit) on disposal of fixed assets	16	(52)
Amortisation of deferred expenditure	167	140
(Increase)/decrease in properties for sale	(340)	929
(Increase)/decrease in stocks and work in progress	(38)	16
Decrease in trade and other receivables	236	413
Increase/(decrease) in trade and other payables	83	(379)
Other items not involving cash flow		
– provision for land premium on development properties	151	–
– others	54	182
<b>Net cash inflow from operating activities</b>	<b>4,684</b>	<b>5,635</b>
<b>(b) Analysis of fixed assets purchased</b>		
Investment properties	1,600	1,026
Other properties	71	40
Plant and machinery and vessels	423	706
<b>Purchase of fixed assets</b>	<b>2,094</b>	<b>1,772</b>
<b>(c) Sale of shareholdings in subsidiary companies</b>		
Net assets disposed of:		
Fixed assets	8	23
Stocks and work in progress	134	82
Trade and other receivables	121	101
Short-term deposits and bank balances	–	100
Bank overdrafts and short-term loans	(3)	(12)
Trade and other payables	(139)	(126)
Taxation	(1)	(5)
Other deferred items	–	61
Goodwill previously eliminated against reserves	7	311
	127	535
Loss on disposal of subsidiary companies	(13)	(64)
	114	471
Satisfied by:		
Cash	114	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	114	171
Short-term deposits and bank balances	–	(100)
Bank overdrafts and short-term loans	3	12
<b>Net inflow of cash and cash equivalents in respect of the sale of shareholdings in subsidiary companies</b>	<b>117</b>	<b>83</b>

## 28. Notes to the consolidated cash flow statement (continued)

	Group			
	Loans, bonds and perpetual capital securities		Minority interests	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
<b>(d) Analysis of changes in financing during the year</b>				
At 1st January	17,080	16,785	4,280	3,720
Net cash (outflow)/inflow from financing	(1,745)	276	(334)	1
Changes in the group	–	–	–	2
Minority interests in property valuation reserve	–	–	994	352
Minority interests' share of profits less losses	–	–	287	236
Dividends paid and proposed	–	–	(22)	(34)
Non-cash movements	(7)	19	(2)	3
At 31st December	15,328	17,080	5,203	4,280

## 29. Ultimate Holding Company

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

## 30. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation. The change relates to a more meaningful reclassification of costs between cost of sales and other expenses categories.

# 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 2000 and consolidated balance sheet as at 31st December 2000.

## CATHAY PACIFIC AIRWAYS LIMITED

### Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31ST DECEMBER 2000

NOTE	2000 HK\$M	1999 HK\$M
<b>Turnover</b>	<b>34,523</b>	28,702
<b>Operating expenses</b>	<b>(29,234)</b>	(25,891)
<b>Operating profit</b>	<b>5,289</b>	2,811
<b>Finance charges</b>	<b>(2,731)</b>	(2,775)
<b>Finance income</b>	<b>2,364</b>	1,857
<b>Net finance charges</b>	<b>(367)</b>	(918)
<b>Profit on sale of investments</b>	<b>–</b>	482
<b>Share of profits of associated companies</b>	<b>279</b>	108
<b>Profit before taxation</b>	<b>5,201</b>	2,483
<b>Taxation</b>	<b>110</b>	219
<b>Profit after taxation</b>	<b>5,091</b>	2,264
<b>Minority interests</b>	<b>86</b>	84
<b>Profit attributable to shareholders</b>	<b>5,005</b>	2,180
<b>Dividends</b>	<b>2,182</b>	1,016
<b>Retained profit for the year</b>	<b>2,823</b>	1,164
	<b>HK¢</b>	HK¢
<b>Basic earnings per share</b>	<b>148.4</b>	64.4
1 <b>Diluted earnings per share</b>	<b>147.0</b>	64.0

### Notes

- 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. During the year, 347,000 shares were subscribed for through the exercise of such share options. Diluted earnings per share are calculated to adjust for the effects of the remaining share options not yet exercised.
- Contingencies
  - Cathay Pacific Airways has undertaken to indemnify lessors in respect of certain leasing arrangements of the Cathay Pacific Group so as to maintain a specified rate of return on each of the lessors' investments. The Cathay Pacific Group has been notified by certain lessors of potential claims under these indemnities. The likelihood of any specific claims being made is dependant upon the resolution of disputes between these lessors and a third party. No claims have been received and the financial effect of these contingencies remains uncertain.
  - At 31st December 2000, contingent liabilities existed in respect of guarantees given by Cathay Pacific Airways on behalf of subsidiary, associated and other related companies relating to long-term loan facilities of up to HK\$696 million (1999: HK\$692 million).
- Change in accounting policy
 

The Cathay Pacific Group has prepared the accounts in accordance with HK SSAP 29 "Intangible Assets" and HK SSAP 30 "Business Combinations" recently issued by the Hong Kong Society of Accountants. The effect of the change in 1999 is to increase operating expenses and reduce operating profit by HK\$11 million. The retained profit brought forward from 1999 has been increased by HK\$187 million being the restatement of unamortised goodwill. The amortisation of goodwill in 2000 totals HK\$14 million. Certain comparative information in the consolidated accounts of Cathay Pacific Airways Limited has been restated accordingly.

Since the Swire Pacific group has not elected for early adoption of HK SSAP 29 and HK SSAP 30, adjustments have been made in the accounts of Swire Pacific to increase the share of profit and to reduce the share of net assets of the associated company by HK\$6 million and HK\$79 million respectively.

## CATHAY PACIFIC AIRWAYS LIMITED

## Consolidated Balance Sheet

AT 31ST DECEMBER 2000

	2000 HK\$M	1999 HK\$M
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	48,548	48,131
Intangible assets	411	410
Investments in associated companies	1,532	1,367
Other long-term receivables and investments	2,224	2,181
	52,715	52,089
<b>Current assets</b>		
Stock	647	648
Trade and other receivables	5,006	3,832
Liquid funds	11,040	11,595
	16,693	16,075
<b>Current liabilities</b>		
Current portion of long-term liabilities	2,918	2,588
Related pledged security deposits	(1,135)	(563)
Net current portion of long-term liabilities	1,783	2,025
Trade and other payables	5,619	6,052
Unearned transportation revenues	2,254	1,741
Taxation	620	659
Proposed dividend	1,508	914
	11,784	11,391
<b>Net current assets</b>	4,909	4,684
<b>Total assets less current liabilities</b>	57,624	56,773
<b>Non-current liabilities</b>		
Long-term liabilities	36,863	39,380
Related pledged security deposits	(17,808)	(16,622)
Net long-term liabilities	19,055	22,758
Deferred taxation	7,146	6,714
	26,201	29,472
Minority interests	99	86
	26,300	29,558
<b>NET ASSETS</b>	31,324	27,215
<b>CAPITAL AND RESERVES</b>		
Share capital	670	676
Reserves	30,654	26,539
<b>SHAREHOLDERS' FUNDS</b>	31,324	27,215

# Schedule of Principal Group Properties

AT 31ST DECEMBER 2000

	Gross floor areas in square feet					
	Hong Kong		U.S.A.		Total	
	Held through subsidiary companies	Held through other companies	Held through subsidiary companies	Held through other companies	Held through subsidiary companies	Held through subsidiary and other companies
<b>Completed investment properties</b>						
Commercial	8,978,653	275,392	–	–	8,978,653	9,254,045
Techno-centres	1,810,829	–	–	–	1,810,829	1,810,829
Residential	868,332	–	–	–	868,332	868,332
Hotels	–	334,349	–	258,750	–	593,099
	11,657,814	609,741	–	258,750	11,657,814	12,526,305
<b>Investment properties under development</b>						
Commercial	1,944,352	–	–	–	1,944,352	1,944,352
Residential	14,500	–	–	–	14,500	14,500
Hotel	–	47,361	–	–	–	47,361
	1,958,852	47,361	–	–	1,958,852	2,006,213
<b>Property developments for sale</b>						
Commercial	53,124	28,309	–	–	53,124	81,433
Industrial	–	191,250	–	–	–	191,250
Residential	453,739	1,903,360	2,242,000	–	2,695,739	4,599,099
	506,863	2,122,919	2,242,000	–	2,748,863	4,871,782
	14,123,529	2,780,021	2,242,000	258,750	16,365,529	19,404,300

## 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 three majority owned properties in total.
2. "Other companies" comprise jointly controlled and associated companies. 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 subsidiary companies 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, which was completed in 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**
**Commercial**

	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. Pacific Place, 88 Queensway, Central	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building.
One Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building.
Two 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.
The Mall at Pacific Place							
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 MTR/ KCR 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	334,475 (part)	1,105,177	834	1982/ 1987/ 1997/ 2000	Shopping centre with restaurants, ice-skating rink, cinema and access to TaiKoo MTR station.
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	146,184 (part)	642,191	–	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	10	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
<b>Commercial</b>							
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 sCs2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/2899	–	331,079	3,826	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 QBML 1 sE ss2 (part)	2881	70,414 (part)	818,288	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 (part) 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				8,978,653	7,168		

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
<b>Commercial</b>							
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) Tung Chung, Lantau	TCTL 2	2047	358,557 (part)	624,307	1,095	1999/2000	A 161,459 square foot office tower above a 462,848 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				925,369	1,179		
– of which attributable to the group				275,392			
<b>Techno-centres</b>							
15.TaiKoo Place, Quarry Bay		2881	238,582 (part)		292		Data centres/offices/logistics warehousing.
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		
<b>Residential</b>							
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	One pair of semi-detached houses on each site.
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
<b>Hotels</b>						
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 associated companies				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	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47C RP IL 47DRP IL 47DsARP IL 47s Ass1 IL 47 sARP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2sA & ss2RP & ss3sA & ss3RP & ss4 & ss5 & ss6sA & ss6RP & ss7RP & RP IL 47sP IL 47RP IL 47 sC ss Ext.	2849-2852	37,863	Commercial	632,402	130	–	2004	A single 632,402 square foot office tower is proposed.
2. Cambridge House 981 King's Road	QBML 1sE ss2 QBML 1sF ss1 QBML 1sF RP ML 703 sN (part)	2881	70,414 (part)	Commercial	255,126	–	Foundation in progress	2003	Office building linked to Devon House.

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 carparks	Stage of completion	Expected completion date	Remarks
3. 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	146,184 (part)	Commercial	610,713	–	Demolition completed	On Hold	34-storey office building.
4. 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	146,184 (part)	Commercial	446,111	–	–	On Hold	16-storey vertical extension to the existing Cityplaza One office building.
5. 3 Coombe Road, The Peak	RBL 154	2070	29,000	Residential	14,500	–	Formation completed	2002	Four detached houses.
Total held through subsidiaries					1,958,852	130			
6. Citygate (Site 2 North), Tung Chung, Lantau	TCTL 2	2047	358,557 (part)	Hotel	236,806	29	On Hold	2003	Group's interest in the consortium developing Tung Chung (Package 1) is 20%. (Site 1, part of Site 2 and Site 3 included on Pages 69 and 72)
Total held through jointly controlled company					236,806	29			
– of which attributable to the group					47,361				

**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 RP, KIL 3869 RP, KIL 3868 RP, KIL 3870 RP.	2080	4,064	Residential Retail	4,102 3,503	5	Completed	1997	Comprises 44 flats plus 3,428 square feet of retail. Floor areas shown represent 6 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	54,386 10,758	83	Completed	1999	Comprises 329 flats. Floor areas shown represent 52 unsold units. The retail content and car parks will be retained.
4. Site V, Taikoo Valley, Quarry Bay	IL 8397 RP	2125	61,505	Residential	395,251	144	Site formation and foundation partly completed	2003	Comprises 432 flats, a school and a community centre.
Total held through subsidiaries					506,863	232			
5. MTRC Tung Chung (Package 1) Lantau									
– Tung Chung Crescent (Site 1)	TCTL 1	2047	331,658	Residential Retail	616,188 35,521	507	Completed	1998 and 1999	Floor areas shown represent 594 unsold residential units and retail space.
– Site 3	TCTL 3	2047	230,348	Residential Retail	1,012,669 26,910	332	Super- structure in progress	2002	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	2,886,937 32,292	1,146 30	Super- structure in progress	2000- 2002	Comprises 5,728 flats. Floor area shown represents 264 unsold flats in Phase 1 and flats in Phase 2 and 3, of which the group owns 49%.
7. Les Saisons, SIL 843, Aldrich Bay	SIL 843	2048	75,950	Residential	325,978	216	Super- structure in progress	2001	Comprises 864 flats. Floor area shown represents 337 unsold 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					5,318,995	2,270			
– of which attributable to the group					2,122,919				

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
<b>Other holdings</b>									
9. Belaire Monte, Area 19, Fanling	FSSTL 126	2047	223,674	Retail	67,083	–	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	6,998	41	Completed	1998	Comprises 480 units. Floor area shown represents 9 unsold flats of which the group owns 7%.
					74,081	41			
Attributable holding					5,857				

Completed investment properties in the United States	Site area in square feet	Use	Gross floor area in square feet	Completion date	Remarks
<b>Hotels</b>					
1. Mandarin Oriental, South Brickell Key, Miami, Florida	124,000	Hotel	345,000	2000	329 room hotel in central Miami, in which the group has a 75% interest.
Held through jointly controlled company			345,000		
– of which attributable to the group			258,750		

Property developments for sale in the United States	Site area in square feet	Use	Gross floor area in square feet	Completion date	Remarks
2. Three Tequesta Point, 838 Brickell Key, Miami, Florida	86,184	Residential	507,000	2001	46-storey residential condominium tower comprising 236 units, with 4-storey parking garage in central Miami.
3. Courts Brickell Key 801 Brickell Key Miami, Florida	81,893	Residential	459,000	2002	34-storey residential condominium tower comprising 318 units, with 6-storey parking garage in central Miami.
4. 900 & 901 Brickell Key Miami, Florida	281,560	Residential	819,000	–	Development sites in central Miami. Plans currently under review comprise 2 residential sites.
5. South Brickell Key, Miami, Florida	106,868	Residential	457,000	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently under review.
Total held through subsidiaries			2,242,000		

# Principal Subsidiary, Jointly Controlled and Associated Companies and Investments

SHOWING PROPORTION OF CAPITAL OWNED AT 31ST DECEMBER 2000

	Attributable to the group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Property Division</b>					
<i>Subsidiary companies:</i>					
<b>Incorporated in Hong Kong:</b>					
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
	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
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
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

## 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. Unless otherwise stated, all companies established in China are registered under PRC law as contractual joint ventures.
4. \* Group interest held through jointly controlled and associated companies.
5. \* Companies not audited by PricewaterhouseCoopers. These companies account for approximately 15.8% of attributable net assets at 31st December 2000.

	<div>Attributable to the group % Owned directly % Owned by subsidiaries % Issued share capital</div>				<div>Principal activities</div>
<b>Property Division</b>					
<i>Subsidiary companies:</i>					
<b>Incorporated in Hong Kong:</b>					
TaiKoo Place Holdings 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
<b>Incorporated in the United States:</b>					
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
<b>Incorporated in the British Virgin Islands:</b>					
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>					
<b>Incorporated in Hong Kong:</b>					
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
<b>Incorporated in the United States:</b>					
Swire Brickell Key Hotel, Limited	75	–	75	Florida Partnership	Hotel investment
<b>Incorporated in the British Virgin Islands:</b>					
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>					
<b>Incorporated in Hong Kong:</b>					
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
RFCl (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



	Attributable to the group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Property Division</b>					
<i>Long-term investment:</i>					
<b>Incorporated in Hong Kong:</b>					
Join Resources Limited	16.7	–	16.7	10,000 shares of HK\$1	Property Investment
<b>Aviation Division</b>					
<i>Subsidiary company:</i>					
<b>Incorporated in Hong Kong:</b>					
Swire Aviation Limited	66.7	66.7	–	5,000 shares of HK\$10	Investment holding
<i>Associated companies:</i>					
<b>Incorporated in Hong Kong:</b>					
Abacus Distribution Systems (Hong Kong) Limited •	24.3	–	*	15,600,000 shares of HK\$1	Computerised reservation systems and related services
AHK Air Hong Kong Limited •	34.2	–	*	90,666,816 shares of HK\$1	Cargo airline
Aircrew Services Limited	45.6	–	*	9 shares of HK\$10	Provision of aircrew services
Airline Property Limited	45.6	–	*	2 shares of HK\$10	Property investment
Airline Stores Property Limited	45.6	–	*	2 shares of HK\$10	Property Investment
Airline Training Property Limited	45.6	–	*	2 shares of HK\$10	Property Investment
Associated Engineers Limited	15.5	–	*	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	21.7	–	*	9,200,000 shares of HK\$1	Aircraft carbon brake machining and aircraft wheel and brake assembly
Cathay Holidays Limited	45.6	–	*	5,000 shares of HK\$100	Travel tour operator
Cathay Pacific Airways Limited •	45.6	45.6	–	3,350,621,848 shares of HK\$0.20	Operation of scheduled airline services
Cathay Pacific Catering Services (HK) Limited •	45.6	–	*	600 shares of HK\$1,000	Airline catering
Cathay Pacific Loyalty Programmes Limited	45.6	–	*	2 shares of HK\$1	Travel reward programmes
Global Logistic System (HK) Company Limited	43.3	–	*	100 shares of HK\$10	Computer network for interchange of air cargo related information
Hong Kong Aero Engine Services Limited •	19.9	–	*	20 shares of HK\$10	Aircraft engine overhaul
Hong Kong Air Cargo Terminals Limited	24.6	–	30&*	800,000 shares of HK\$100	Air cargo handling service
Hong Kong Aircraft Engineering Company Limited	44.3	31.9	*	166,983,450 shares of HK\$1	Aircraft overhaul and maintenance
Hong Kong Airport Services Limited	36.8	–	*	100 shares of HK\$1	Provision of ground and ramp handling services
Hong Kong Airport Restaurant Caterers Co. Limited	15	–	*	5,000 shares of HK\$100	Airport Catering
Hong Kong Dragon Airlines Limited	16.2	–	7.7&*	500,000,000 shares of HK\$1	Airline operation
South China Aero Technology Limited	26.6	–	*	500,000 shares of HK\$1	Aircraft component agents
Vogue Laundry Service Limited •	45.6	–	*	3,700 shares of HK\$500	Laundry and dry cleaning

	Attributable to the group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Aviation Division</b>					
<i>Associated companies:</i>					
<b>Incorporated in Mainland China:</b>					
Guangzhou Gou Tai Information Processing Company Limited • (wholly foreign capital enterprise)	56.5	–	*	7,000,000 shares of no par value	Information processing
Honeywell TAECO Aerospace (Xiamen) Company Limited (Formerly known as AlliedSignal TAECO Aerospace (Xiamen) Company Limited)	13.5	–	*	Registered capital of US\$5,000,000	Aircraft components and avionics repair
TRW TAECO Aeronautical Systems (Xiamen) Company Limited • (formerly known as Lucas TAECO Aerospace (Xiamen) Company Limited)	8.5	–	*	Registered capital of US\$5,000,000	Aircraft components repair
Shangdong TAECO Aircraft Engineering Company Limited •	11.3	–	*	Registered capital of RMB40,000,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Aircraft Engineering Company Limited •	24.3	–	*	Registered capital of US\$34,650,000	Aircraft overhaul and maintenance
<b>Incorporated in Canada:</b>					
CLS Catering Services Limited •	27.4	–	*	330,081 ordinary shares of no par value	Airline catering
<b>Incorporated in Bermuda:</b>					
Prestwick Aviation Limited •	45.6	–	*	12,000 shares of US\$1	Aircraft leasing
Troon Limited •	45.6	–	*	12,000 shares of US\$1	Financial services
<b>Incorporated in Isle of Man:</b>					
Cathay Pacific Leasing Limited	45.6	–	*	5,000,000 shares of US\$1	Aircraft leasing
Cathay Pacific Aircraft Services Limited	45.6	–	*	10,000 shares of US\$1	Aircraft acquisition facilitator
Snowdon Limited	45.6	–	*	2 shares of £1	Financial services
Swansea Limited	45.6	–	*	2,000 shares of US\$1	Financial services
<b>Incorporated in Japan:</b>					
Cathay Kansai Terminal Services Company Limited •	14.9	–	*	15,701 shares of JPY50,000	Ground handling
<b>Incorporated in the Philippines:</b>					
Cebu Pacific Catering Services Inc.	18.2	–	*	12,500,000 shares of PHP1	Airline catering
<b>Incorporated in Taiwan:</b>					
China Pacific Catering Services Limited	22.3	–	*	146,000,000 shares of NT\$10	Airline catering
<b>Incorporated in Vietnam:</b>					
VN/CX Catering Services Limited	18.2	–	*	4,062,000 shares of no par value	Airline catering

	<div>Attributable to the group % Owned directly % Owned by subsidiaries % Issued share capital</div>				<div>Principal activities</div>
<b>Beverages Division</b>					
<i>Subsidiary companies:</i>					
<b>Incorporated in Hong Kong:</b>					
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
<b>Incorporated in Bermuda:</b>					
Swire Pacific Industries Limited (operating principally in Taiwan)	100	–	100	12,000 shares of US\$1	Holding company
<b>Incorporated in Taiwan:</b>					
Swire Coca-Cola Taiwan Limited	78.6	–	78.6	4,000,000 shares of NT\$100	Manufacture and sale of non-alcoholic beverages
<b>Incorporated in the United States:</b>					
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>					
<b>Incorporated in Mainland China:</b>					
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
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	59.5	–	*	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

	<div>Attributable to the group % Owned directly % Owned by subsidiaries % Issued share capital</div>				<div>Principal activities</div>
<b>Marine Services Division</b>					
<i>Subsidiary companies:</i>					
<b>Incorporated in Hong Kong:</b>					
Swire Pacific Ship Management Limited •	100	100	–	1,000 shares of HK\$100	Ship personnel management
<b>Incorporated in Australia:</b>					
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
<b>Incorporated in Bermuda:</b>					
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
<b>Incorporated in Panama:</b>					
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
<b>Incorporated in the United Kingdom:</b>					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of £1	Management services
<b>Incorporated in Singapore:</b>					
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	Shipowning and operating
<i>Jointly controlled companies:</i>					
<b>Incorporated in Hong Kong:</b>					
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
<b>Incorporated in Mainland China:</b>					
Shekou Container Terminals Limited •	25	25	–	HK\$200,000,000	Container terminal operations
<b>Incorporated in Liberia:</b>					
Woodchurch Shipping Company Inc.	50	–	*	3 shares with no par value	Ship operating
<b>Incorporated in British Virgin Islands:</b>					
Swire Production Testers Limited	50	–	50	10,000 shares of US\$1	Early production systems for offshore oil
<b>Incorporated in Egypt:</b>					
Ocean Marine Services Limited	33.3	–	33.3	16,000 shares of US\$1,000	Ship owning and operating

	Attributable to the group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Marine Services Division</b>					
<i>Associated companies:</i>					
<b>Incorporated in Hong Kong:</b>					
Modern Terminals Limited •	17.6	17.6	–	13,109 shares of HK\$1,000	Container terminal operations
<b>Incorporated in Malaysia:</b>					
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
<b>Incorporated in the Philippines:</b>					
Anscor Swire Ship Management Corporation •	25	–	25	10,000 shares of Peso1	Ship personnel management
<b>Incorporated in UAE:</b>					
Swire Pacific Offshore (Dubai) LLC	49	–	49	300 shares of AED1,000	Management services

<b>Trading &amp; Industrial Division</b>					
<b>– Industrial</b>					
<i>Subsidiary companies:</i>					
<b>Incorporated in Hong Kong:</b>					
Swire Duro Limited	100	–	100	38,460 shares of HK\$100	Marble Fabrication
Swire Industries Limited	100	100	–	71,000 shares of HK\$100	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>					
<b>Incorporated in Hong Kong:</b>					
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
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
Waylung Waste Services Limited	50	–	*	21,310,000 ordinary shares of HK\$1	Waste management
<b>Incorporated in Mainland China:</b>					
Beijing Crown Can Company Limited	34.7	–	*	Registered capital of US\$11,600,000	Beverage can manufacturing
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
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

	Attributable to the group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<b>Trading &amp; Industrial Division</b>					
<b>– Industrial</b>					
<i>Jointly controlled companies:</i>					
<b>Incorporated in Mainland China:</b>					
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	–	*	Registered capital of US\$14,000,000	Beverage can manufacturing
<b>Incorporated in Macau:</b>					
CSR Macau-Companhia de Sistemas de Resíduos, Lda	40	–	*	MOP10,000	Waste management
<b>Incorporated in Vietnam:</b>					
Crown Vinalimex Packaging Limited	32.8	–	*	US\$17,910,000	Beverage can manufacturing
<b>– Trading</b>					
<i>Subsidiary companies:</i>					
<b>Incorporated in Hong Kong:</b>					
Beldare Motors Limited	100	–	100	10,000 shares of HK\$100	Automobile distribution
Cornell Feast Company Limited	100	–	100	2 shares of HK\$1	Property holding
Liberty Limited	100	–	100	2 shares of HK\$10	Apparel trading
Liberty Motors Limited	100	–	100	2 shares of HK\$10	Automobile 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
Taikoo Motors & Sports Limited	100	100	–	2 shares of HK\$1	Holding company
<b>Incorporated in Bermuda:</b>					
Taikoo Motors Offshore Limited	100	–	100	12,000 shares of US\$1	Holding company
<b>Incorporated in Taiwan:</b>					
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
<b>Incorporated in British Virgin Islands:</b>					
Taikoo Asian Motors Limited	100	–	100	50,000 shares of US\$1	Automobile distribution
<i>Jointly controlled companies:</i>					
<b>Incorporated in Hong Kong:</b>					
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
<b>Incorporated in Mainland China:</b>					
Beijing Reebok Sporting Goods Centre	66.5	–	*	Capital of RMB10,000,000	Distribution of branded sportswear

	<div>Attributable to the group % Owned directly % Owned by subsidiaries % Issued share capital</div>				<div>Principal activities</div>
<b>Others</b>					
<i>Subsidiary companies:</i>					
<b>Incorporated in Hong Kong:</b>					
Swire Finance Limited	100	100	–	1,000 shares of HK\$10	Financial services
<b>Incorporated in the Cayman Islands:</b>					
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
<b>Incorporated in Vietnam:</b>					
Swire Pacific Cold Storage Company Limited	100	100	–	US\$4.95 million	Cold storage
<i>Jointly controlled companies:</i>					
<b>Incorporated in Taiwan:</b>					
China Pacific Laundry Services Limited •	45	–	45	70,400,000 shares of NT\$10	Laundry services
<i>Long-term investments:</i>					
<b>Incorporated in Hong Kong:</b>					
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.



