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SWIRE PACIFIC LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

2008 Final Results

2008 Final Results

	2008	2007	Change
	HK\$M	HK\$M	%
Turnover	24,670	21,553	+14.5
Operating profit	9,153	26,579	-65.6
Profit attributable to the Company's shareholders	5,908	26,260	-77.5
Cash generated from operations	7,580	5,880	+28.9
Net cash outflow before financing	(2,303)	(4,924)	-53.2
Total equity (including minority interests)	136,834	136,678	+0.1
Net debt	30,446	22,492	+35.4
	HK\$	HK\$	
Earnings per share *			
'A' shares	3.90	17.26	-77.4
'B' shares	0.78	3.45	
Dividends per share			
'A' shares	2.380	3.230	-26.3
'B' shares	0.476	0.646	
Equity attributable to the Company's shareholders per share			
'A' shares	89.98	89.38	+0.7
'B' shares	18.00	17.88	
<u>Underlying profit and equity</u> **	2008	2007	Change
	HK\$M	HK\$M	%
Underlying profit attributable to the Company's shareholders	5,293	10,283	-48.5
	HK\$	HK\$	
Underlying earnings per share *			
'A' shares	3.50	6.76	-48.2
'B' shares	0.70	1.35	
Underlying equity attributable to the Company's shareholders per share			
'A' shares	101.22	101.13	+0.1
'B' shares	20.24	20.23	

* Refer to note 8

** Underlying profit and equity attributable to the Company's shareholders have been adjusted for net property revaluation gains and the associated deferred taxation

Chairman's Statement

The profit attributable to shareholders for 2008 was HK\$5,908 million, compared to HK\$26,260 million in 2007. Underlying profit attributable to shareholders, which primarily adjusts for net property revaluation gains and the associated deferred tax, fell by HK\$4,990 million to HK\$5,293 million. The reduction in underlying profit principally reflects a very difficult year for the Aviation Division, which was faced with significant fluctuations in the oil price and, in the latter part of the year, significant weakness in passenger and cargo demand. This over-shadowed strong performances from the Group's property, marine services and beverages interests. The underlying profit for 2008 included a gain of HK\$1,721 million on disposal of the Group's interest in the Swire SITA waste management business, for further information on which see note 3 on page 13. The underlying profit for 2007 included a gain of HK\$1,078 million on the disposal of the Group's interest in Shekou Container Terminals.

Apart from aviation, 2008 was largely a year of sound organic growth in the face of increasingly difficult market conditions. Swire Properties and Swire Pacific Offshore both reported significant increases in recurring profit, principally reflecting continued strong demand for office space and offshore support services. Swire Beverages benefited from strong volume growth in markets outside the USA.

The Group continued to invest in its core businesses in 2008. Cash used in investing activities totalled HK\$11,083 million. Committed investments at the year-end were HK\$17,092 million.

The resilience of the Group's non-aviation interests in 2008 does not mean that the Group will be immune in 2009 from the adverse effects of the prevailing economic conditions. While the Group will continue to invest in accordance with its existing long-term commitments, it will, given the considerable current fragility in the world economy, remain cautious in its approach to new investment plans.

Dividends

The Directors recommend the payment of Final dividends for 2008 of HK¢148 per 'A' share and HK¢29.6 per 'B' share which, together with the Interim dividends paid on 3rd October 2008 of HK¢90.0 per 'A' share and HK¢18.0 per 'B' share, make total dividends for the year of HK¢238 per 'A' share and HK¢47.6 per 'B' share, compared to full year dividends of HK¢323 per 'A' share and HK¢64.6 per 'B' share in respect of 2007. The total distribution for the year is HK\$3,591 million. Subject to the approval of the 2008 Final dividends by the shareholders at the Annual General Meeting on 14th May 2009, it is expected that those dividends will be paid on 2nd June 2009 to shareholders registered on the record date, being 14th May 2009. The share registers will be closed from 11th May 2009 to 14th May 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for entitlement to the Final dividends, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 8th May 2009.

The reduction in 2008 dividends reflects the reduction in 2008 underlying profit attributable to shareholders and the uncertain outlook for 2009.

Key Developments

In February 2008 Swire Properties acquired a 50% joint-venture interest in a retail-led mixed-use development of 1.9 million square feet near Jiang Tai in the Chaoyang District of Beijing.

In March 2008 Swire Properties completed the construction of the 70-storey One Island East office building in Quarry Bay, Hong Kong, adding approximately 1.5 million square feet to Swire Properties' Island East investment property portfolio. The building is 94% leased and 76% physically occupied.

July 2008 saw the opening of the south site of The Village at Sanlitun retail and hotel development in Beijing, followed in August by that of The Opposite House hotel. This was the first of Swire Properties' Mainland China projects to open. It will be followed by others in Beijing, Shanghai and Guangzhou over the next four years.

In September 2008 the Group agreed to transfer its 50% interest in the Swire SITA waste management business to Suez Environnement, its joint-venture partner, for a consideration of HK\$1,888 million.

Operating Performance

Underlying profit in the Property Division rose by 11%, reflecting continued strong demand for, and positive rental reversions in, the Group's office portfolio in Hong Kong, and assisted by profits from closings at the Asia residential development in Miami. Gross rental income rose by 23%. On an attributable basis, the Property Division's net investment property valuation gain (before deferred tax) in 2008 of HK\$241 million compared to a net gain in 2007 of HK\$19,563 million. Values rose in the first half of 2008, but fell towards the end of the year, reflecting a deterioration in property market fundamentals.

The Cathay Pacific group contributed a loss for 2008 of HK\$3,552 million, reflecting high fuel costs in the first half of the year, and unrealised mark-to-market fuel hedging losses, weaker passenger and cargo demand and an attributable loss from its associated company, Air China, in the second-half. The fuel hedging losses were recognised in 2008 but relate to fuel hedging contracts covering the period 2009 to 2011. Cathay Pacific's results also reflect payment of a fine of US\$60 million (equivalent to HK\$468 million) under a plea agreement with the United States Department of Justice relating to its air cargo business in the USA.

Despite weakness in the aviation industry, demand for the HAECO group's services continued to be strong in 2008. The heavy airframe maintenance facilities in both Hong Kong and Xiamen were operating at near capacity for most of the year, with the profit attributable to Swire Pacific increasing by 8% to HK\$505 million.

In the Beverages Division, solid volume growth in Hong Kong, Mainland China and Taiwan more than compensated for weakness in the US market and margin pressure from high raw material costs in all markets, resulting in a 15% increase in attributable profit.

The Marine Services Division recorded a 20% rise in attributable profit, excluding the effect of the HK\$1,078 million profit on sale of Shekou Container Terminals in 2007. Continued strong offshore oil exploration activity throughout 2008 helped Swire Pacific Offshore to another record year, with very high charter rates and strong vessel utilisation.

Attributable profit from the Trading & Industrial Division fell by 5% in 2008, excluding the effect of the gain on disposal of the Group's interest in Swire SITA. There was a small reduction in attributable profit at Swire Resources. The car business in Taiwan was adversely affected by weak consumer demand. Improved results were recorded by the beverage cans and paint manufacturing joint ventures.

Finance

Net debt increased by HK\$7,954 million during the year to HK\$30,446 million, primarily as a result of investments in property projects and new vessels. HK\$11,675 million of financing was arranged, including HK\$4,569 million during the second-half. Gearing rose during the year by 5.8 percentage points from 16.5% to 22.3%. Cash and undrawn committed facilities totalled HK\$10,595 million at 31st December 2008, compared with HK\$12,484 million at 31st December 2007.

Corporate Governance

Swire Pacific's governance principles and the processes adopted to safeguard the interests of shareholders are set out in the Annual Report.

Sustainable Development

Swire Pacific recognises the importance of acting responsibly towards its stakeholders (including employees and the communities in which it is involved) and towards the natural environment in which it operates. In July 2008, the Group issued its first Sustainable Development Report, detailing the progress made in implementing a Group-wide Sustainable Development Policy.

Prospects

The property market in Hong Kong is expected to weaken during 2009. However, the Group's completed office portfolio is virtually fully let, with approximately 12% of tenancies by floor area due to expire during 2009. Overall rental income will benefit from a full year's contribution from the One Island East office building.

The Group's completed retail portfolio is virtually fully let, with approximately 14% of tenancies by floor area due to expire during 2009. However, the trading environment for the Group's retail developments in both Hong Kong and Mainland China is likely to remain subdued in 2009.

The north site of The Village at Sanlitun is expected to open progressively during 2009, starting in April.

Construction of the superstructure is underway at the TaiKoo Hui mixed-use development in central Guangzhou, with a phased opening expected to commence in late 2010.

Work has commenced at the Jiang Tai development in the Chaoyang district of Beijing. This development, which will consist of office and retail space, as well as a hotel to be managed by Swire Hotels, is scheduled for phased opening in 2011.

Site clearance and resettlement works continue at the Dazhongli mixed-use development in the Jing An district of Shanghai, with opening expected in 2013.

In Hong Kong, Swire Properties expects to open two new hotels in the next twelve months, both of which will be managed by Swire Hotels. The 117-room luxury hotel, The Upper House, at Pacific Place, is due to open at the end of 2009, while the 345-room EAST hotel at Cityplaza is due to open in early 2010.

On completion of current developments, Swire Properties will have a portfolio of 15.5 million square feet in Hong Kong and 7.9 million square feet in Mainland China, as well as property interests in the USA and the UK.

The Cathay Pacific group expects an extremely challenging year in 2009. Passenger and cargo demand are expected to remain weak and, if fuel prices remain at their present levels, further losses on fuel hedging contracts will be incurred (although they will not be at the levels incurred in 2008 and the actual cost of fuel will be substantially lower than in 2008). Up to the end of February, unrealised mark to market losses on fuel hedging of HK\$1.9 billion (of which the Group's share would be HK\$0.8 billion) have been incurred in 2009, compared with HK\$7.6 billion for the whole of 2008 (of which the Group's share was HK\$3.0 billion). The 2009 losses principally reflect reductions in the forward prices payable for fuel during the periods in which the relevant fuel hedging contracts will mature. Continued weakness in passenger yields and in air cargo demand will require careful management of resources. Measures being taken include the redeployment of capacity to routes where demand remains comparatively firm, the parking or disposal of a number of aircraft, and the deferral of completion of the new air cargo terminal at Hong Kong International Airport.

The HAECO group will not be immune from the sharp deterioration in aviation market conditions and a slowdown in demand for its maintenance, repair and overhaul business in 2009 is expected. The group will open its third hangar in Hong Kong in mid-2009.

The Beverages Division is expecting adverse conditions in the US market. It is hoped that this will be offset in part by continued volume growth and margin improvement in Mainland China.

After experiencing record high demand and charter rates in 2008, Swire Pacific Offshore expects a more challenging 2009 as additional fleet capacity enters a less buoyant offshore market.

The Trading & Industrial Division expects difficult trading conditions for Swire Resources and continued weakness in the Taiwan car market.

I believe that, notwithstanding the uncertain outlook for 2009, the Group's strategy of continued, measured investment for the long-term is the right course. This strategy positions the Group to withstand the effects of difficult economic times while enabling it to benefit from improved economic conditions in the future.

I am grateful for the commitment of our employees to the continued success of the Group and I take this opportunity to thank them.

By Order of the Board
SWIRE PACIFIC LIMITED
Christopher Pratt
Chairman
Hong Kong, 12th March 2009

**Consolidated Profit and Loss Account
For the year ended 31st December 2008**

	Note	2008 HK\$M	2007 HK\$M
Turnover	2	24,670	21,553
Cost of sales		(12,627)	(11,479)
Gross profit		12,043	10,074
Distribution costs		(3,016)	(2,687)
Administrative expenses		(1,677)	(1,346)
Other operating expenses		(373)	(262)
Profit on sale of interests in jointly controlled companies	3	1,721	1,122
Other net gains		278	232
Change in fair value of investment properties		177	19,446
Operating profit	4	9,153	26,579
Finance charges		(1,085)	(590)
Finance income		173	97
Net finance charges	5	(912)	(493)
Share of profits less losses of jointly controlled companies		638	621
Share of profits less losses of associated companies		(2,551)	3,684
Profit before taxation		6,328	30,391
Taxation	6	(47)	(4,004)
Profit for the year		6,281	26,387
Attributable to:			
The Company's shareholders		5,908	26,260
Minority interests		373	127
		6,281	26,387
Dividends			
Interim - paid		1,364	1,366
Final - proposed / paid		2,227	3,532
	7	3,591	4,898
		HK\$	HK\$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	8		
'A' shares		3.90	17.26
'B' shares		0.78	3.45

**Consolidated Balance Sheet
at 31st December 2008**

	Note	2008 HK\$M	2007 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		17,010	16,762
Investment properties		134,625	128,109
Leasehold land and land use rights		2,586	2,349
Intangible assets		867	860
Properties held for development		471	-
Jointly controlled companies		8,505	5,761
Associated companies		19,088	23,224
Available-for-sale assets		300	365
Long-term receivables		8	7
Long-term security deposits		380	553
Derivative financial instruments		103	37
Deferred expenditure		-	38
Deferred tax assets		295	148
Retirement benefit assets		197	181
		184,435	178,394
Current assets			
Properties for sale		1,842	2,413
Stocks and work in progress		1,733	1,575
Trade and other receivables	9	3,767	3,053
Available-for-sale assets	3	1,888	-
Derivative financial instruments		3	15
Cash and cash equivalents		4,146	3,684
Short-term deposits		262	297
		13,641	11,037
Current liabilities			
Trade and other payables	10	7,717	7,423
Provisions		8	8
Taxation payable		345	278
Derivative financial instruments		36	-
Bank overdrafts and short-term loans		2,083	4,078
Long-term loans and bonds due within one year		1,668	170
		11,857	11,957
Net current assets / (liabilities)		1,784	(920)
Total assets less current liabilities		186,219	177,474
Non-current liabilities			
Perpetual capital securities		2,325	2,340
Long-term loans and bonds		29,196	20,486
Derivative financial instruments		274	45
Deferred tax liabilities		17,382	17,748
Retirement benefit liabilities		208	177
		49,385	40,796
NET ASSETS		136,834	136,678
EQUITY			
Share capital	11	903	910
Reserves	12	134,484	134,607
Equity attributable to the Company's shareholders		135,387	135,517
Minority interests		1,447	1,161
TOTAL EQUITY		136,834	136,678

Notes:

1. Segment information

(a) Primary reporting format - business segments by division:

	Turnover	Operating profit	Net finance charges	Share of profits less losses of jointly controlled companies	Share of profits less losses of associated companies	Profit before taxation	Profit for the year	Profit attributable to the Company's shareholders
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Year ended 31st December 2008								
Property								
Property investment	6,907	5,012	(1,091)	28	16	3,965	3,482	3,485
Property trading	889	198	4	(48)	-	154	104	104
Hotels	156	(86)	(11)	13	140	56	73	73
Change in fair value of investment properties	-	184	-	50	(16)	218	868	631
	7,952	5,308	(1,098)	43	140	4,393	4,527	4,293
Aviation								
Cathay Pacific group	-	-	-	-	(3,552)	(3,552)	(3,552)	(3,552)
HAECO group	-	-	-	-	505	505	505	505
Hactl	-	-	-	-	274	274	274	183
Others	-	-	-	(3)	-	(3)	(3)	(3)
	-	-	-	(3)	(2,773)	(2,776)	(2,776)	(2,867)
Beverages								
Hong Kong	1,799	183	(1)	-	-	182	173	157
Taiwan	1,358	31	(5)	1	-	27	26	21
USA	3,512	340	2	-	-	342	256	256
Mainland China	1,332	(26)	(28)	232	36	214	196	169
Central costs	-	(18)	-	-	-	(18)	(18)	(18)
	8,001	510	(32)	233	36	747	633	585
Marine Services								
Swire Pacific Offshore group	4,007	1,750	7	-	-	1,757	1,691	1,691
Hongkong United Dockyards group	-	-	-	76	-	76	76	76
	4,007	1,750	7	76	-	1,833	1,767	1,767
Trading & Industrial								
Taikoo Motors group	2,534	10	1	-	-	11	4	4
Swire Resources group	1,776	49	-	4	46	99	87	87
Swire SITA group	-	-	-	72	-	72	72	72
CROWN Beverage Cans group	-	-	-	81	-	81	81	81
Akzo Nobel Swire Paints	-	-	-	132	-	132	132	132
Other activities	503	(21)	3	-	-	(18)	(20)	(20)
Sale of interest in Swire SITA group	-	1,721	-	-	-	1,721	1,721	1,721
Change in fair value of investment properties	-	14	-	-	-	14	23	23
	4,813	1,773	4	289	46	2,112	2,100	2,100
Head Office								
Net income/expenses	162	(167)	207	-	-	40	56	56
Change in fair value of investment properties	-	(21)	-	-	-	(21)	(26)	(26)
	162	(188)	207	-	-	19	30	30
Inter-segment elimination								
	(265)	-	-	-	-	-	-	-
Total	24,670	9,153	(912)	638	(2,551)	6,328	6,281	5,908

1. Segment information (continued)

(a) Primary reporting format - business segments by division (continued):

	Turnover	Operating profit	Net finance charges	Share of	Share of	Profit before taxation	Profit for the year	Profit attributable to the Company's shareholders
				profits less losses of jointly controlled companies	profits less losses of associated companies			
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Year ended 31st December 2007								
Property								
Property investment	5,663	4,040	(802)	46	12	3,296	2,949	2,950
Property trading	10	(33)	9	(46)	-	(70)	(42)	(42)
Sales of investment properties	283	90	-	-	-	90	111	111
Hotels	148	6	-	32	136	174	174	174
Change in fair value of investment properties	-	19,377	-	98	55	19,530	16,032	16,032
	6,104	23,480	(793)	130	203	23,020	19,224	19,225
Aviation								
Cathay Pacific group	-	-	-	-	2,680	2,680	2,680	2,680
HAECO group	-	-	-	-	469	469	469	469
Hactl	-	-	-	-	273	273	273	181
	-	-	-	-	3,422	3,422	3,422	3,330
Beverages								
Hong Kong	1,692	166	(2)	-	-	164	148	134
Taiwan	1,027	36	(5)	1	-	32	32	27
USA	3,294	351	3	-	-	354	272	272
Mainland China	1,053	(32)	(19)	190	-	139	131	113
Central costs	-	(38)	-	-	-	(38)	(40)	(39)
	7,066	483	(23)	191	-	651	543	507
Marine Services								
Swire Pacific Offshore group	3,104	1,503	(44)	8	-	1,467	1,405	1,405
Hongkong United Dockyards group	-	-	-	59	-	59	59	59
Container terminal operations	-	-	-	8	-	8	8	8
Sale of container terminal operations	-	1,078	-	-	-	1,078	1,078	1,078
	3,104	2,581	(44)	75	-	2,612	2,550	2,550
Trading & Industrial								
Taikoo Motors group	3,398	124	3	-	-	127	97	97
Swire Resources group	1,521	31	(1)	8	59	97	90	90
Swire SITA group	-	-	-	84	-	84	84	84
CROWN Beverage Cans group	-	-	-	38	-	38	38	38
Akzo Nobel Swire Paints (formerly ICI Swire Paints)	-	-	-	95	-	95	95	95
Other activities	461	(20)	1	-	-	(19)	(20)	(20)
Change in fair value of investment properties	-	19	-	-	-	19	15	15
	5,380	154	3	225	59	441	399	399
Head Office								
Net income/expenses	158	(169)	364	-	-	195	210	210
Change in fair value of investment properties	-	50	-	-	-	50	39	39
	158	(119)	364	-	-	245	249	249
Inter-segment elimination	(259)	-	-	-	-	-	-	-
Total	21,553	26,579	(493)	621	3,684	30,391	26,387	26,260

1. Segment information (continued)

(a) Primary reporting format – business segments by division (continued) :

Analysis of total assets and total liabilities of the Group

	Property		Aviation		Beverages		Marine Services		Trading & Industrial		Head Office		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<i>Segment assets</i>	148,362	141,050	-	-	4,371	4,059	8,459	7,217	3,653	1,861	517	1,529	165,362	155,716
Deferred tax assets (note 1)	142	44	-	-	80	74	-	-	30	22	43	8	295	148
Jointly controlled companies	6,670	4,071	22	39	1,168	1,030	(48)	(59)	693	680	-	-	8,505	5,761
Associated companies	820	913	17,640	22,144	409	-	35	33	184	134	-	-	19,088	23,224
Bank deposits and securities (note 1)	1,319	2,029	-	-	275	398	692	956	325	437	2,215	762	4,826	4,582
Total assets	157,313	148,107	17,662	22,183	6,303	5,561	9,138	8,147	4,885	3,134	2,775	2,299	198,076	189,431
<i>Segment liabilities</i>	4,011	4,229	-	-	1,733	1,513	926	627	927	911	646	373	8,243	7,653
Current and deferred tax liabilities (note 1)	17,352	17,653	-	-	255	247	90	68	4	12	26	46	17,727	18,026
Borrowings (note 1)	34,157	27,797	-	-	1,005	678	550	725	346	278	(786)	(2,404)	35,272	27,074
Total liabilities	55,520	49,679	-	-	2,993	2,438	1,566	1,420	1,277	1,201	(114)	(1,985)	61,242	52,753
Minority interests	1,067	797	25	30	355	334	-	-	-	-	-	-	1,447	1,161
Equity attributable to the Company's shareholders	100,726	97,631	17,637	22,153	2,955	2,789	7,572	6,727	3,608	1,933	2,889	4,284	135,387	135,517
<i>Borrowings comprise:</i>														
External borrowings	3,715	3,178	-	-	199	197	549	723	417	332	30,392	22,644	35,272	27,074
Inter-segment borrowings (note 2)	30,442	24,619	-	-	806	481	1	2	(71)	(54)	(31,178)	(25,048)	-	-
Total	34,157	27,797	-	-	1,005	678	550	725	346	278	(786)	(2,404)	35,272	27,074

Notes:

(1) Current and deferred taxation, bank deposits and securities and borrowings are allocated on an actual basis.

(2) Excludes equity loans from Head Office.

1. Segment information (continued)

(a) Primary reporting format - business segments by division (continued):

Analysis of turnover

	Turnover					
	2008			2007		
	External	Inter-	Total	External	Inter-	Total
HK\$M	segment	HK\$M	HK\$M	segment	HK\$M	HK\$M
Property						
Property investment	6,858	49	6,907	5,619	44	5,663
Property trading	889	-	889	10	-	10
Hotels	156	-	156	148	-	148
Sales of investment properties	-	-	-	283	-	283
	7,903	49	7,952	6,060	44	6,104
Beverages	8,001	-	8,001	7,066	-	7,066
Marine Services	4,007	-	4,007	3,104	-	3,104
Trading & Industrial	4,746	67	4,813	5,306	74	5,380
Head Office	13	149	162	17	141	158
Inter-segment elimination	-	(265)	(265)	-	(259)	(259)
Segment revenue to external customers	24,670	-	24,670	21,553	-	21,553

Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.

Analysis of capital expenditure, depreciation and amortisation

	Capital		Depreciation		Amortisation	
	expenditure		2008	2007	2008	2007
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Property	5,453	12,157	84	53	30	28
Beverages	374	316	294	300	13	11
Marine Services	1,412	1,385	346	297	1	-
Trading & Industrial	102	46	40	33	3	2
Head Office	2	831	-	-	-	-
	7,343	14,735	764	683	47	41

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets, including in 2007, additions resulting from acquisitions through business combinations.

1. Segment information (continued)

(b) Secondary reporting format - geographical segments:

The activities of the Swire Pacific Group are principally based in Hong Kong. Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

An analysis of turnover, operating profit, segment assets and capital expenditure of the Group by principal markets is outlined below:

	Turnover		Operating profit	
	2008	2007	2008	2007
	HK\$M	HK\$M	HK\$M	HK\$M
Hong Kong	10,037	8,978	5,330	24,608
Asia (excluding Hong Kong)	6,087	6,024	1,601	129
United States of America	4,402	3,299	504	330
United Kingdom	137	148	(32)	9
Ship owning and operating	4,007	3,104	1,750	1,503
	24,670	21,553	9,153	26,579

	Segment assets		Capital expenditure	
	2008	2007	2008	2007
	HK\$M	HK\$M	HK\$M	HK\$M
Hong Kong	140,103	135,470	3,607	6,641
Asia (excluding Hong Kong)	14,103	9,851	2,133	6,326
United States of America	2,251	2,585	149	129
United Kingdom	446	593	42	254
Ship owning and operating	8,459	7,217	1,412	1,385
	165,362	155,716	7,343	14,735

2. Turnover

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

	2008	2007
	HK\$M	HK\$M
Gross rental income from investment properties	6,791	5,551
Property trading	889	10
Hotels	156	148
Sales of investment properties	-	283
Charter hire income	4,007	3,104
Rendering of services	83	95
Sales of goods	12,744	12,362
	24,670	21,553

3. Disposal of interest in Swire SITA

On 22nd September 2008 Swire Industrial Limited ("Swire Industrial"), a wholly owned subsidiary of the Company, agreed to transfer to Suez Environnement all of Swire Industrial's shares in Swire SITA Waste Services Limited ("Swire SITA") for an aggregate cash consideration of HK\$1,888 million. In accordance with the terms of the Swire SITA shareholders agreement, full management control of Swire SITA passed to Suez Environnement on 23rd October 2008. Also in accordance with the terms of the Swire SITA shareholders agreement, the purchase monies were placed in escrow. Their release to Swire Industrial from escrow is subject to receipt of consent to the sale from the Government of Hong Kong SAR. The Directors are of the opinion that the consent of the Government of Hong Kong SAR to the sale to Suez Environnement will be forthcoming and that it is therefore appropriate to recognise the disposal on the date when management control passed. Accordingly, a gain on disposal of HK\$1,721 million has been recognised in the accounts.

4. Operating profit

	<u>2008</u>	<u>2007</u>
	HK\$M	HK\$M
<i>Operating profit has been arrived at after charging:</i>		
Depreciation of property, plant and equipment	764	683
Amortisation of leasehold land and land use rights	7	5
Amortisation of intangible assets	14	13
Amortisation of initial leasing costs and deferred expenditure	<u>26</u>	<u>23</u>
<i>And after crediting:</i>		
Profit on share dilution in subsidiary companies	49	-
Profit on sale of a subsidiary company	4	-
Net profit on sale of property, plant and equipment	<u>85</u>	<u>215</u>

5. Net finance charges

	<u>2008</u>		<u>2007</u>	
	HK\$M	HK\$M	HK\$M	HK\$M
<i>Interest charged on:</i>				
Bank loans and overdrafts		(679)		(389)
Other loans and bonds:				
Wholly repayable within five years	(188)		(68)	
Not wholly repayable within five years	<u>(662)</u>		<u>(558)</u>	
		(850)		(626)
Fair value gains/(losses) on derivative instruments:				
Interest rate swaps: cash flow hedges, transferred from equity	32		29	
Interest rate swaps: fair value hedges	27		6	
Interest rate swaps: not qualifying as hedges	<u>(5)</u>		<u>(3)</u>	
		54		32
Fair value losses on financial liabilities		-		(8)
Adjustments to financial liabilities - fair value hedges		(26)		-
Amortised loan fees - loans at amortised cost		(18)		(14)
Deferred into properties under development for sale		10		9
Capitalised on:				
Investment properties	80		156	
Properties	299		204	
Vessels	<u>45</u>		<u>46</u>	
		424		406
		<u>(1,085)</u>		<u>(590)</u>
<i>Interest income on:</i>				
Short-term deposits and bank balances	83		34	
Other loans	<u>90</u>		<u>63</u>	
		173		97
Net finance charges		<u><u>(912)</u></u>		<u><u>(493)</u></u>

6. Taxation

	2008		2007	
	HK\$M	HK\$M	HK\$M	HK\$M
Current taxation:				
Hong Kong profits tax	(364)		(310)	
Overseas taxation	(170)		(229)	
Over-provisions in prior years	4		21	
		(530)		(518)
Deferred taxation:				
Changes in Hong Kong tax rate	1,008		-	
Changes in fair value of investment properties	(207)		(3,436)	
Origination and reversal of temporary differences	(318)		(50)	
		483		(3,486)
		(47)		(4,004)

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the year. In June 2008, the Government of Hong Kong SAR enacted a change in the profits tax rate from 17.5% to 16.5% commencing with the fiscal year 2008/2009. Overseas tax is calculated at tax rates applicable in countries in which the Group is assessable for tax.

7. Dividends

	Company	
	2008 HK\$M	2007 HK\$M
Interim dividend paid on 3rd October 2008 of HK¢90.0 per 'A' share and HK¢18.0 per 'B' share (2007: HK¢90.0 and HK¢18.0)	1,364	1,366
Proposed Final dividend of HK¢148.0 per 'A' share and HK¢29.6 per 'B' share (2007 actual dividend paid: HK¢233.0 and HK¢46.6)	2,227	3,532
	3,591	4,898

The proposed Final dividend is not accounted for until it has been approved at the Annual General Meeting. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2009.

8. Earnings per share (basic and diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK\$5,908 million (2007: HK\$26,260 million) by the weighted average number of 913,214,691 'A' shares and 3,001,321,686 'B' shares in issue during the year (2007: 920,763,201 'A' shares and 3,003,486,271 'B' shares) in the proportion five to one.

9. Trade and other receivables

	<u>2008</u>	<u>2007</u>
	HK\$M	HK\$M
Trade debtors	1,916	1,730
Amounts due from fellow subsidiary companies	5	5
Amounts due from jointly controlled companies	35	14
Amounts due from associated companies	9	9
Other receivables	1,802	1,295
	<u>3,767</u>	<u>3,053</u>

The aged analysis of trade debtors at year-end was as follows:

	<u>2008</u>	<u>2007</u>
	HK\$M	HK\$M
Under three months	1,767	1,622
Between three and six months	35	78
Over six months	114	30
	<u>1,916</u>	<u>1,730</u>

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Aged analyses of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

10. Trade and other payables

	<u>2008</u>	<u>2007</u>
	HK\$M	HK\$M
Trade creditors	1,586	1,105
Amounts due to immediate holding company	210	97
Amounts due to jointly controlled companies	12	1
Amounts due to associated companies	46	51
Interest-bearing advances from jointly controlled companies	73	134
Interest-bearing advances from associated companies	151	-
Advances from minority interests	308	116
Rental deposits from tenants	1,547	1,801
Other payables	3,784	4,118
	<u>7,717</u>	<u>7,423</u>

The aged analysis of trade creditors at year-end was as follows:

	<u>2008</u>	<u>2007</u>
	HK\$M	HK\$M
Under three months	1,450	946
Between three and six months	102	81
Over six months	34	78
	<u>1,586</u>	<u>1,105</u>

11. 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
<i>Authorised:</i>					
At 31st December 2008 and 2007	1,140,000,000	3,600,000,000	684	432	1,116
<i>Issued and fully paid:</i>					
At 1st January 2008	915,564,500	3,003,486,271	549	361	910
Repurchased during the year	(9,986,000)	(8,266,271)	(6)	(1)	(7)
At 31st December 2008	905,578,500	2,995,220,000	543	360	903
At 1st January 2007	930,375,385	3,003,486,271	558	361	919
Repurchased during the year	(14,810,885)	-	(9)	-	(9)
At 31st December 2007	915,564,500	3,003,486,271	549	361	910

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

During the year under review and up to the date of this report, the Company purchased 9,986,000 'A' shares and 8,266,271 'B' shares on the Hong Kong Stock Exchange. The Company did not issue any shares during the year. Details of shares acquired by month, excluding transaction costs of HK\$1 million, are as follows:

'A' shares Month	Number purchased	Highest	Lowest	Total cost HK\$M
		price paid HK\$	price paid HK\$	
July	989,500	76.00	74.55	74
October	8,796,500	60.00	47.50	480
November	200,000	45.10	43.10	9
	<u>9,986,000</u>			<u>563</u>
'B' shares Month	Number purchased	Highest	Lowest	Total cost HK\$M
		price paid HK\$	price paid HK\$	
March	1,000,000	17.50	17.20	17
October	7,266,271	10.00	8.82	68
	<u>8,266,271</u>			<u>85</u>

12. Reserves

	Revenue reserve	Share premium account	Capital redemption reserve	Investment revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<i>Group</i>							
At 1st January 2007	112,751	342	33	484	(337)	222	113,495
Profit for the year	26,260	-	-	-	-	-	26,260
2006 Final dividend	(3,356)	-	-	-	-	-	(3,356)
2007 Interim dividend	(1,366)	-	-	-	-	-	(1,366)
Repurchase of the Company's shares							
- premium paid on repurchases	(1,287)	-	-	-	-	-	(1,287)
- transferred between reserves	(9)	-	9	-	-	-	-
Net fair value gains on available-for-sale assets recognised during the year	-	-	-	159	-	-	159
Changes in cash flow hedges							
- recognised during the year	-	-	-	-	102	-	102
- deferred tax recognised	-	-	-	-	(12)	-	(12)
- transferred to net finance charges	-	-	-	-	(29)	-	(29)
- transferred to initial cost of non-financial assets	-	-	-	-	(6)	-	(6)
Share of changes in reserves of jointly controlled and associated companies	(120)	-	-	65	14	262	221
Translation differences	-	-	-	-	-	426	426
At 31st December 2007	132,873	342	42	708	(268)	910	134,607
At 1st January 2008	132,873	342	42	708	(268)	910	134,607
Profit for the year	5,908	-	-	-	-	-	5,908
2007 Final dividend	(3,532)	-	-	-	-	-	(3,532)
2008 Interim dividend	(1,364)	-	-	-	-	-	(1,364)
Repurchase of the Company's shares							
- premium paid on repurchases	(642)	-	-	-	-	-	(642)
- transferred between reserves	(7)	-	7	-	-	-	-
Net fair value losses on available-for-sale assets recognised during the year	-	-	-	(130)	-	-	(130)
Changes in cash flow hedges							
- recognised during the year	-	-	-	-	(113)	-	(113)
- deferred tax recognised	-	-	-	-	22	-	22
- transferred to net finance charges	-	-	-	-	(32)	-	(32)
- transferred to operating profit - exchange differences	-	-	-	-	29	-	29
- transferred to initial cost of non-financial assets	-	-	-	-	(74)	-	(74)
Share of changes in reserves of jointly controlled and associated companies	(157)	-	-	(172)	(453)	457	(325)
Translation differences	-	-	-	-	-	130	130
At 31st December 2008	133,079	342	49	406	(889)	1,497	134,484

Sources of finance

At 31st December 2008, committed loan facilities and debt securities amounted to HK\$40,239 million, of which HK\$6,356 million (16%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$3,961 million. Sources of funds at 31st December 2008 comprised:

	Available	Drawn	Undrawn expiring within one year	Undrawn expiring beyond one year
	HK\$M	HK\$M	HK\$M	HK\$M
Committed facilities				
Loans and bonds				
Fixed / floating rate bonds	12,946	12,946	-	-
Bank loans, overdrafts and other loans	24,968	18,612	455	5,901
Perpetual capital securities	2,325	2,325	-	-
Total committed facilities	40,239	33,883	455	5,901
Uncommitted facilities				
Bank loans, overdrafts and other loans	5,430	1,469	3,750	211
Total	45,669	35,352	4,205	6,112

At 31st December 2008, 57% of the Group's gross borrowings were on a fixed rate basis and 43% were on a floating rate basis (2007: 38% and 62% respectively).

Staff

The Group, including its jointly controlled and associated companies, employs over 70,000 staff.

Corporate Governance

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("the CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") throughout the accounting period covered by the annual report.

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

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

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

Annual Report

The 2008 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Group website www.swirepacific.com. Printed copies will be sent to shareholders on 9th April 2009.

List of Directors

The Directors of the Company are as at the date of this announcement:

Executive Directors: C D Pratt (Chairman), P N L Chen, M Cubbon, D Ho, K G Kerr, J R Slosar, A N Tyler

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

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