SWIRE PACIFIC

Media Information

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Swire Pacific Limited Announces 2012 Annual Results

Swire Pacific Limited's consolidated profit attributable to shareholders for 2012 was HK$17,484 million, compared to HK$32,210 million in 2011. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK$8,948 million to HK$8,344 million. Adjusted to exclude the effect of non-recurring items (the most significant being the HK$8,615 million profit on disposal of Festival Walk in 2011), underlying profit decreased by HK$818 million or 9% to HK$7,910 million.

The decrease in adjusted underlying profit reflects significantly lower profit from the Cathay Pacific group and lower profits from the Beverages and Trading & Industrial Divisions. There were higher profits from the Property and Marine Services Divisions and from the Hong Kong Aircraft Engineering Company Limited ("HAECO") group.

Below is a summary of the 2012 results:

2012 Results Summary

	2012 HK$M	2011 HK$M	Change %
Turnover	**43,859**	36,286	+20.9%
Profit attributable to the Company's shareholders	**17,484**	32,210	-45.7%
Underlying profit attributable to the Company's shareholders	**8,344**	17,292	-51.7%
Underlying profit excluding profit on sale of Festival Walk	**8,344**	8,677	-3.8%
Adjusted underlying profit	**7,910**	8,728	-9.4%

	HK$	HK$	Change %
Earnings per share			
'A' Share	**11.62**	21.41	-45.7%
'B' Share	**2.32**	4.28	
Underlying earnings per share			
'A' Share	**5.55**	11.49	-51.7%
'B' Share	**1.11**	2.30	

	HK$	HK$	Change %
Full Year dividends per share			
'A' Share	**3.500**	3.500*	-
'B' Share	**0.700**	0.700*	

* Excluding the special interim dividends of HK$3.00 per 'A' Share and HK$0.60 per 'B' Share paid in 2011 following the sale of Festival Walk.

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Division Highlights:

Property Division

- Reduction in Swire Pacific's interest in Swire Properties from 100% to 82% as a result of the listing of Swire Properties in January 2012.
- Excluding revaluation gains and non-recurring items (most notably the HK$8,615 million profit on disposal of Festival Walk), adjusted underlying profit increased by HK$1,432 million to HK$5,545 million.
- The increase in profit principally reflects a significant trading profit of HK$1,534 million on sale of 98 units at the AZURA residential development in Hong Kong.
- Profit from property investment decreased, reflecting the reduction in Swire Pacific's interest in Swire Properties and the loss of rental income from Festival Walk following its sale in August 2011.

Aviation Division

- The attributable profit of the Aviation Division was HK$1,050 million in 2012, compared to a profit of HK$2,999 million in 2011.
- The Cathay Pacific group's attributable profit was HK$412 million compared to a profit of HK$2,405 million in 2011.
- There was pressure on passenger yields and demand for cargo services was weak. The high price of jet fuel had a major impact on operating results.
- Cathay Pacific took measures to reduce costs by reducing capacity and accelerating retirement of less fuel-efficient aircraft but the reductions were not enough.
- The HAECO group's attributable profit was HK$659 million in 2012, 7% higher than in 2011.
- Demand for HAECO's airframe maintenance services in Hong Kong was strong, but HAECO was not able to meet this demand in the second half because of a shortage of skilled and semi-skilled labour.

Beverages Division

- Attributable profit was HK$542 million, a decrease of 18% from 2011.
- Sales volume in Mainland China declined slightly. Good volume growth in inland territories was not enough to offset volume decreases in southern and eastern markets.
- The Mainland China business was also affected by a less favourable sales mix and higher operating costs.
- Overall sales declined by 0.5% to 990 million unit cases. Volume grew in the USA and Hong Kong but declined in Taiwan.

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Marine Services Division

- Attributable profit was HK$975 million, a 13% increase from 2011.
- Swire Pacific Offshore ("SPO")'s overall average fleet utilisation and charter hire rates increased by 4% points and 10% respectively.
- SPO benefited from the additional contribution from new vessels that commenced operations in 2012 and from two new businesses acquired in early 2012.
- Total operating costs increased by 9% excluding the impact of the inclusion of costs from the two newly acquired businesses.

Trading & Industrial Division

- Excluding the gain of HK$148 million on disposal of the Group's interest in PUMA in January 2011, attributable profit of the Trading & Industrial Division decreased by 9% to HK$247 million.
- The decrease reflected weaker results from Swire Resources and Taikoo Motors, increased losses from Campbell Swire and costs associated with new business development.

- End -

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Visit Swire Pacific's website at www.swirepacific.com

SWIRE PACIFIC

SWIRE PACIFIC LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

2012 Final Results

2012 Final Results

	Note	2012 HK$M	2011 HK$M	Change %
Turnover		**43,859**	36,286	+20.9 %
Operating profit		**23,287**	31,424	-25.9 %
Profit attributable to the Company's shareholders		**17,484**	32,210	-45.7 %
Cash generated from operations		**10,186**	9,204	+10.7 %
Net cash (outflow)/inflow before financing		**(2,288)**	15,968	N/A
Total equity (including non-controlling interests)		**249,334**	232,476	+7.3 %
Net debt		**44,418**	35,679	+24.5 %
		HK$	HK$	
Earnings per share	(a)			
'A' share		**11.62**	21.41	-45.7 %
'B' share		**2.32**	4.28	
Dividends per share				
'A' share		**3.500**	6.500	-46.2 %
'B' share		**0.700**	1.300	
Equity attributable to the Company's shareholders per share				
'A' share		**139.33**	151.24	-7.9 %
'B' share		**27.87**	30.25	

Underlying Profit and Equity	Note	HK$M	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(b)	**8,344**	17,292	-51.7 %
		HK$	HK$	
Underlying earnings per share	(a)			
'A' share		**5.55**	11.49	-51.7 %
'B' share		**1.11**	2.30	
Underlying equity attributable to the Company's shareholders per share	(b)			
'A' share		**142.55**	154.73	-7.9 %
'B' share		**28.51**	30.95	

Notes:

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

(b) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 56.

Chairman's Statement

Our consolidated profit attributable to shareholders for 2012 was HK$17,484 million, HK$14,726 million lower than in 2011. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK$8,948 million to HK$8,344 million. Adjusted to exclude the effect of non-recurring items (the most significant being the HK$8,615 million profit on disposal of Festival Walk in 2011), underlying profit decreased by HK$818 million or 9% to HK$7,910 million.

This decrease in adjusted underlying profit reflects significantly lower profit from the Cathay Pacific group and lower profits from the Beverages and Trading & Industrial Divisions. There were higher profits from the Property and Marine Services Divisions and from the Hong Kong Aircraft Engineering Company Limited ("HAECO") group.

Listing of Swire Properties

In January 2012, the shares in Swire Properties were listed on The Stock Exchange of Hong Kong Limited. The listing was achieved through a distribution in specie by Swire Pacific of 18% of the shares in Swire Properties. Following the listing, Swire Pacific's shareholding in Swire Properties was reduced to 82%.

The Economic Background in 2012

World economic conditions were subject to considerable uncertainties in 2012. The airline industry was significantly affected by this. Global economic uncertainties had less of an impact within Hong Kong. However, in the Hong Kong property market, measures introduced by the government towards the end of the year reduced demand for luxury residential properties. There was a slowdown in the growth of the Mainland China economy, particularly in coastal provinces. This adversely affected consumer confidence and expenditure. The high price of oil adversely affected our airlines but also resulted in increased exploration and production by oil companies, which benefited our Marine Services Division.

Operating Performance

The attributable adjusted underlying profit from the Property Division increased by HK$1,432 million to HK$5,545 million. This was achieved despite the reduction in Swire Pacific's interest in Swire Properties from 100% to 82% as a result of the listing of Swire Properties. The increase principally reflects a significant trading profit of HK$1,534 million on the sale of 98 units in the AZURA residential development in Hong Kong. Profit from property investment decreased, reflecting the reduction in Swire Pacific's interest in Swire Properties and the loss of rental income from Festival Walk following its sale in August 2011, partially offset by positive rental reversions from the Hong Kong portfolio, the first full year contribution from TaiKoo Hui in Guangzhou and a better performance at Sanlitun Village.

The Property Division's net investment property valuation gain in 2012, before deferred tax in Mainland China, was HK$12,751 million, compared to a net gain in 2011 of HK$20,899 million.

The Aviation Division recorded an attributable profit of HK$1,050 million in 2012, compared to a profit of HK$2,999 million in 2011. Cathay Pacific was affected by the difficult conditions in the airline industry. The Cathay Pacific group contributed a profit of HK$412 million, compared with a profit of HK$2,405 million in 2011. There was pressure on passenger yields and demand for cargo services was weak. The high price of jet fuel had a major impact on operating results. In May 2012, Cathay Pacific announced measures designed to protect its business in an environment of high fuel prices and weak revenues. By the end of the year costs had been reduced significantly as a result of reduced capacity and early retirement of less fuel-efficient aircraft. However, the reductions were not enough to offset in full the effects of high fuel prices and weak revenues.

Chairman's Statement (continued)

The HAECO group's profit attributable to shareholders in 2012 was HK$659 million, an increase of 7% compared to the corresponding figure in 2011 of HK$615 million. Demand for HAECO's airframe maintenance services in Hong Kong was strong, but HAECO was not able to meet this demand in the second half because of a shortage of skilled and semi-skilled labour. HAECO's line maintenance business in Hong Kong benefited from an increase in aircraft movements at Hong Kong International Airport. Results from TAECO were adversely affected by exchange rate and deferred tax movements. HAESL performed well. The operating results of HAECO's joint ventures in Mainland China improved, but losses continued to be incurred because of under-utilisation of facilities.

The Beverages Division recorded an attributable profit of HK$542 million in 2012, a decrease of 18% compared to 2011. The decrease principally reflected a weak performance in Mainland China, higher taxes in the USA and higher operating costs in all territories. Overall sales volume fell by 0.5% to 990 million unit cases, compared with growth of 8% in 2011. Volume grew in the USA and Hong Kong but declined in Mainland China and Taiwan.

The Marine Services Division reported an attributable profit of HK$975 million, an increase of 13% compared to 2011. At Swire Pacific Offshore ("SPO"), there was an increase in fleet utilisation and charter hire rates. However, this was partially offset by an increase in operating costs. The results of SPO benefited from the additional contribution from new vessels that commenced operations in 2012.

Attributable profit from the Trading & Industrial Division in 2012 decreased by 41% to HK$247 million. Excluding the gain of HK$148 million on disposal of the Group's interest in PUMA in January 2011, attributable profit decreased by HK$23 million. The decrease reflected weaker results from Swire Resources and Taikoo Motors, increased losses from Campbell Swire and costs associated with new business development.

Economic Outlook

We are cautiously optimistic about economic prospects. Growth in the USA may be restricted by fiscal tightening and in Europe by the continuing problems of the Eurozone. The outlook for the Asian region is better. It appears that the Mainland China economy is returning to more robust growth. Hong Kong is likely to benefit from this.

Prospects

Demand from financial services companies for office space in the Central district of Hong Kong is likely to remain soft. However, occupancy at Pacific Place is high and there are no major leases expiring until the latter part of 2013. Rents are therefore expected to be fairly resilient in 2013. Our new development at 28 Hennessy Road is attracting interest from smaller businesses. At Island East, rents are expected to remain robust owing to high occupancy levels. In Mainland China, demand for office space and rental rates are expected to remain stable.

Demand for retail space in Hong Kong continues to be strong. Rents are expected to continue to increase. In Mainland China, retailers of internationally branded goods in high quality shopping malls remain popular. Retail rents are expected to be steady in 2013.

Profits from property trading are expected to be lower in 2013 than in 2012, but nevertheless significant, with the completion of the ARGENTA development and the expected sale of the remaining units at the AZURA development. The effect of substantial increases and other changes in Hong Kong stamp duty on demand for luxury residential properties is uncertain.

Chairman's Statement (continued)

The Cathay Pacific group operates in a volatile and challenging industry, one that will always be highly susceptible to external factors that remain largely beyond its control. The cost of fuel remains the biggest challenge, particularly for an airline where long-haul operations form a significant part of the business. The group's focus will remain on protecting the business and managing short-term difficulties while remaining committed to its long-term strategy. Its financial position remains strong and it will continue to invest in the future.

The HAECO group expects to do less airframe maintenance work in Hong Kong in 2013 than in 2012, with labour shortages restricting manhours expected to be sold in the first half to 1.2 million compared with 1.6 million in the first half of 2012. Although these labour shortages may ease in the second half of 2013, the first half shortfall is likely to have a material adverse effect on HAECO's overall turnover and profit for the full year.

Swire Beverages is cautiously optimistic about 2013. In Mainland China there are indications that the pace of economic growth will resume. Following completion of its reorganisation, the business in Taiwan is in a good position. The Hong Kong and USA businesses are doing well and should continue to benefit from their strong market positions.

The price of oil is expected to remain high in 2013, leading to a further increase in offshore exploration and production commitments by energy companies. In turn, demand for offshore support vessels is expected to improve, but the over-supply of tonnage in the industry will continue to restrict charter hire rates until it has been absorbed by the market.

The performance of the Trading & Industrial Division will depend on economic conditions in the markets in which it operates. But the results of the division in 2013 are likely in any event to continue to be affected by the cost of new business development.

Finance

In 2012, we raised HK$21,577 million of new finance. This principally comprised issues of HK dollar and US dollar denominated medium-term notes under the Group's medium-term note programmes. The remaining finance raised mainly consists of HK dollar and US dollar loans.

Net debt at 31st December 2012 was HK$44,418 million, an increase of HK$8,739 million since 31st December 2011. The increase principally reflects investments in property projects in Mainland China and Hong Kong and in new vessels at SPO. Gearing increased by 2.4 percentage points to 17.8%. Cash and undrawn committed facilities totalled HK$22,459 million at 31st December 2012, compared with HK$20,339 million at 31st December 2011.

Sustainable Development

Sustainability is integral to Swire Pacific's long-term approach to business. We wish to protect the environment we work in. Our ultimate goal is for our operating companies to achieve zero net impact on the environment. We try to conduct our operations in a manner which safeguards the health and safety of our employees, those with whom we do business, our visitors and the communities in which we operate. We work hard to recruit and retain employees and to develop their potential. We support the communities in which we operate with charitable donations from the Swire Group Charitable Trust (which we fund) and by supporting the community initiatives of our staff. We share values and knowledge with those with whom we deal and encourage them to adopt similar ethical standards and sustainability practices.

Chairman's Statement (continued)

In 2012, we held our first energy conference and established a carbon desk. We introduced quarterly reporting on health and safety performance and developed a staff transportation safety policy. We held our second sustainable development forum. The Swire Group Charitable Trust's donations in 2012 included one to Xiamen University to assist it to develop a marine research centre. We made progress in extending our purchases of sustainable seafood and other certified products.

Dividends

The Directors have declared second interim dividends of HK$2.50 per 'A' share and HK$0.50 per 'B' share which, together with the first interim dividends of HK$1.00 per 'A' share and HK$0.20 per 'B' share paid in October 2012, amount to full year dividends of HK$3.50 per 'A' share and HK$0.70 per 'B' share, the same as those paid in respect of 2011 (disregarding the special interim dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share paid in 2011). The second interim dividends, which total HK$3,761 million (2011: HK$3,536 million), will be paid on 3rd May 2013 to shareholders registered at the close of business on the record date, being Friday, 12th April 2013. Shares of the Company will be traded ex-dividend from Wednesday, 10th April 2013.

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

By Order of the Board
SWIRE PACIFIC LIMITED
Christopher Pratt
Chairman
Hong Kong, 14th March 2013

REVIEW OF OPERATIONS

PROPERTY DIVISION

OVERVIEW OF THE BUSINESS

Swire Properties is a leading developer, owner and operator of mixed-use, principally commercial properties in Hong Kong and Mainland China, with a well-established record of creating long-term value by transforming urban areas. Swire Properties' business comprises three main areas:

Property Investment:

Swire Properties' property investment portfolio in Hong Kong comprises Grade A office and retail premises in prime locations, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 14.1 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.8 million square feet on completion. Of this, 6.3 million square feet has already been completed. In the United States, Swire Properties is the primary developer in an equity partnership undertaking a mixed-use commercial development at Brickell CityCentre in Miami, Florida. On completion after two phases of development, Brickell CityCentre is expected to comprise approximately 2.9 million square feet (5.4 million square feet including car park and circulation areas). Swire Properties was responsible for the redevelopment of OPUS HONG KONG at 53 Stubbs Road, which is owned by Swire Pacific Limited. Swire Properties is responsible for the leasing and management of the property.

Hotel Investment:

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST Hong Kong at Island East. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In Mainland China, Swire Hotels manages two hotels, The Opposite House at Sanlitun Village in Beijing, which is wholly-owned by Swire Properties, and EAST Beijing at INDIGO in the Jiangtai area of Beijing, in which Swire Properties owns a 50% interest. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental, Guangzhou, which opened in January 2013. In the United Kingdom, Swire Properties wholly-owns four hotels, in Cheltenham, Bristol, Brighton and Exeter. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental Hotel in Miami.

Property Trading:

Swire Properties' trading portfolio comprises six luxury residential projects under development in Hong Kong (four on Hong Kong Island, one in Kowloon and one on Lantau Island), a residential complex under development at Brickell CityCentre in Miami, an office property under development as part of the Daci Temple project in Chengdu, and the remaining units at the completed ASIA development in Miami and at the completed developments at AZURA and 5 Star Street in Hong Kong. There are also land banks in Miami and Fort Lauderdale in Florida in the United States.

Principal Property Investment Portfolio – Gross Floor Area
('000 Square Feet)

Location	At 31st December 2012 Offices	Retail	Hotels	Residential	Total	At 31st December 2011 Total
Completed						
Pacific Place	2,186	711	496	443	3,836	3,836
TaiKoo Place	6,180 *	-	-	-	6,180	6,180
Cityplaza	1,633	1,105	200	-	2,938	2,938
Others	410	608	47	98	1,163	1,029
- Hong Kong	10,409	2,424	743	541	14,117	13,983
Sanlitun Village	-	1,296	169	-	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	3,841	3,208
INDIGO	298	470	179	-	947	298
Others	-	91	-	-	91	91
- Mainland China	2,030	3,330	932	52	6,344	5,062
- United States	-	-	259	-	259	259
- United Kingdom	-	-	208	-	208	196
Total completed	12,439	5,754	2,142	593	20,928	19,500
Under and pending development						
- Hong Kong	(28) **	12	-	63	47	220
- Mainland China	922	1,111	354	41	2,428	3,728
- United States	982	505	218	102	1,807	1,791
Total	14,315	7,382	2,714	799	25,210	25,239

Gross floor area represents 100% of space owned by Group companies and the Group's attributable share of space owned by jointly controlled and associated companies.
* Includes 1.8 million square feet at three techno-centres (Somerset House, Warwick House and Cornwall House).
** Somerset House is due to be demolished for development in 2013. Once complete, the total gross floor area will be approximately 28,000 square feet lower than it is currently.

STRATEGY:

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

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

IMPLEMENTING STRATEGIES:	2012 PERFORMANCE:
New Projects – Swire Properties designs projects which it believes will have the necessary scale, mix of uses and transport links to become key commercial destinations and to transform the areas in which they are situated. Swire Properties' experience and record of success as a developer of major commercial projects gives it a strong competitive advantage in securing new projects. In Hong Kong suitable development sites of significant size are not easy to obtain due to strong competition and the limited amount of suitable undeveloped land. The progress and cost of developments can be adversely affected by a number of different factors. In Mainland China, Swire Properties aims to replicate the success which it has experienced in Hong Kong. It intends to take a measured approach to land purchases. Swire Properties will focus on developments where it can secure sites through early engagement with local governments who recognise its strengths in developing large-scale mixed-use projects.	**Capital Expenditure: HK$3.8bn** **Capital Commitments at Year-end: HK$15.9bn**
Rental Income – Swire Properties actively manages its completed property developments (including by optimising the mix of retail tenants and negotiations with office tenants about early renewal). Its long-term aim is to maintain consistently high levels of service and to enhance and reinforce its assets. By doing so, Swire Properties expects to maximise the occupancy and earnings potential of its properties. Notwithstanding Swire Properties' active management of its developments, the growth of rental income principally depends on the performance of the real estate markets in Hong Kong and Mainland China (in the latter in particular in Beijing and Guangzhou). Any real estate market downturn in these areas could affect Swire Properties' rental income.	**Gross Rental Income (HK): 2% decrease*** **Gross Rental Income (Mainland China): 75% increase**
Trading Profit – A key objective of Swire Properties is to expand its luxury residential property activities through acquiring appropriate sites for the development of luxury residential projects.	**Property Trading-Operating Profit: +HK$2.4bn** **Units Closed: 115**
Capital Base – Swire Properties aims to maintain a strong capital base by investing in and financing projects in a disciplined and targeted manner. Its aim in managing its capital base is to safeguard its ability to operate as a going concern and to have access to finance at a reasonable cost. In monitoring its capital structure, Swire Properties considers (among other things) its gearing ratio, its cash interest cover and the return cycle of its various investments.	**Gearing: -0.7% pts** **Return on Equity: 9%**
Sustainability – Tenants increasingly scrutinise the sustainability credentials of landlords and buildings. Swire Properties aims to be at the forefront of sustainable development by designing energy efficient buildings through the innovative use of design, materials and new technology.	**Energy Consumption:** 11% decrease** **Water Consumption: 1% increase****

* Disregarding the gross rental income from Festival Walk in 2011, the gross rental income in Hong Kong in 2012 grew by 7%.

** The size of the completed property portfolio grew by 7% in the same period.

2012 PERFORMANCE

Property Division – Financial Highlights

	2012 HK$M	2011 HK$M
Turnover		
Gross rental income derived from		
Offices	**5,008**	4,537
Retail	**3,675**	3,710
Residential	**332**	310
Other revenue *	**108**	94
Property investment	**9,123**	8,651
Property trading	**4,147**	213
Hotels	**782**	717
Total turnover	**14,052**	9,581
Operating profit/(loss) derived from		
Property investment	**6,861**	6,143
Valuation gains on investment properties	**12,159**	20,179
Sale of investment properties	**12**	638
Property trading	**2,395**	(50)
Hotels	**(39)**	(93)
Total operating profit	**21,388**	26,817
Share of post-tax profits from jointly controlled and associated companies	**821**	1,007
Attributable profit	**18,647**	24,999
Swire Pacific share of attributable profit	**15,290**	24,999

* Other revenue is mainly estate management fees.

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties.

	Note	2012 HK$M	2011 HK$M
Reported attributable profit		**18,647**	24,999
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(12,751)**	(20,899)
Deferred tax on investment properties	(b)	**661**	523
Realised profit on sale of investment properties	(c)	**176**	7,977
Depreciation of investment properties occupied by the Group	(d)	**20**	27
Non-controlling interests' share of revaluation movements less deferred tax		**17**	46
Underlying attributable profit		**6,770**	12,673
Swire Pacific share of underlying attributable profit		**5,551**	12,673

Notes:

(a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of jointly controlled and associated companies.

(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by jointly controlled and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

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

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

PROPERTY INDUSTRY BACKGROUND

Office and Retail Markets:

Hong Kong:

Office – Global economic uncertainties continued to affect demand for office space in 2012, particularly from financial institutions. Rents in Central came under pressure. However, rents outside Central remained robust. This reflected high occupancy rates and the fact that tenants are continuing to relocate from Central.

Retail – Growth in the local economy and in tourist arrivals continued to underpin demand for retail space in the first half of 2012, resulting in higher rents. Retail sales growth weakened in the second half, but demand for retail space remained robust.

Mainland China:

Office – Demand for office space weakened in 2012 in line with slowing economic growth. However, rents remained steady.

Retail – The retail market continued to grow in 2012, but more slowly towards the end of the year. Rents in major cities grew modestly.

Hotel Industry:

Hong Kong – Hotels in Hong Kong did well in 2012. There were more visitors from Mainland China despite slowing economic growth there.

Mainland China – Trading conditions weakened in the second half of 2012 as economic growth slowed. New supply is expected to increase in 2013, putting pressure on rates and occupancy.

UK – Trading conditions were challenging in 2012 in unfavourable economic conditions.

Property Sales Markets:

Hong Kong – Sales of residential properties in Hong Kong were strong for much of 2012. But they were adversely affected in the last quarter by government administrative measures. The effect of substantial increases and other changes in Hong Kong stamp duty on demand for luxury residential properties is uncertain.

USA – Sales of residential properties in urban Miami continued to improve with most of the excess condominium inventory having been absorbed. Average prices for new and resale units increased by approximately 12% in 2012.

2012 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$15,290 million compared to HK$24,999 million in 2011. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$12,751 million and HK$20,899 million in 2012 and 2011 respectively. Underlying profit, which principally adjusts for changes in the valuation of investment properties, decreased by HK$7,122 million to HK$5,551 million.

Excluding the underlying profit of HK$8,615 million on the disposal of Festival Walk in 2011 and other non-recurring items, adjusted underlying profit increased by HK$1,432 million to HK$5,545 million in 2012.

This was achieved despite a reduction in Swire Pacific's interest in Swire Properties from 100% to 82% as a result of the listing of Swire Properties. The increase principally reflects a significant trading profit of HK$1,534 million on completion of the sale of 98 units at the AZURA development in Hong Kong in the last quarter of 2012.

Adjusted underlying profit from property investment decreased. This reflected the reduction in Swire Pacific's interest in Swire Properties and the loss of rental income from Festival Walk following its sale in August 2011, partially offset by positive rental reversions from the Hong Kong portfolio, the first full year contribution from TaiKoo Hui in Guangzhou and a better performance at Sanlitun Village.

There were better performances in 2012 from the three managed hotels, The Upper House and EAST in Hong Kong and The Opposite House in Beijing. However, this was more than offset by pre-opening expenses at the Mandarin Oriental hotel in TaiKoo Hui and EAST in Beijing.

INVESTMENT PROPERTIES

Hong Kong

Offices

Swire Properties' completed office portfolio comprises 10.4 million square feet of space in Hong Kong, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza in Island East and 6.2 million square feet at TaiKoo Place in Island East.

Swire Properties has office tenants in Hong Kong operating in different sectors. The top ten office tenants occupied approximately 21% of the office space in Hong Kong at 31st December 2012. Approximately one-third of the office space in Hong Kong is occupied by companies operating in the financial services sector.

The Hong Kong office portfolio did well in 2012. Demand for space was strong in the first half, both from new tenants and from existing tenants wanting more space. Demand slowed in the second half but growth in rental income continued as a result of reversionary rent increases on tenancy renewals and rent reviews. Occupancy rates at Pacific Place and Island East remained high throughout the year.

28 Hennessy Road, a 145,390 square foot office building, was completed in the second half of 2012. Two of the 24 floors have been leased. The property continues to attract interest from smaller businesses currently based in Central.

At 31st December 2012, the office occupancy rate (excluding Somerset House which is scheduled to be demolished for development in 2013 and the newly opened 28 Hennessy Road) was 98%.

Retail

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

Rental income from the retail portfolio in Hong Kong improved in 2012. Rental reversions were positive. This reflected strong demand for space and a lack of supply.

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

Retail sales growth in The Mall at Pacific Place was 0.3% and same store retail sales growth was 3% (after excluding major shops which were closed or fitted out in 2011 and 2012). Retail sales at the Cityplaza and Citygate malls were 6% and 21% higher respectively in 2012 than in 2011.

Residential

The completed residential portfolio comprises Pacific Place Apartments, the recently completed luxury OPUS HONG KONG development (owned by Swire Pacific) and a small number of luxury houses and apartments.

Rental income from the residential portfolio continued to improve in 2012. But demand for space at Pacific Place Apartments softened in the fourth quarter of 2012.

Two units at OPUS HONG KONG were sold.

Occupancy at the residential portfolio was approximately 86% at 31st December 2012 (excluding OPUS HONG KONG).

Investment Properties under Construction

In 2012, improvement works continued at the Mall at Pacific Place. The space previously occupied by a department store has been reconfigured. New stores have opened. A beauty gallery has been created for retailers of high quality cosmetic and skin care brands. An additional arcade has linked the two sides of the Mall in order to improve the flow of pedestrian traffic. Refurbishment of the external façade is scheduled to be completed in the first half of 2013.

Swire Properties has leased the whole of 8 Queen's Road East, a 19-storey commercial building with 81,346 square feet of space, for a ten year term. Refurbishment of the building is scheduled to be completed later in the first half of 2013.

The property at 23 Tong Chong Street, which is being redeveloped into serviced apartments with a total area of approximately 75,000 square feet, is scheduled to be completed in 2014.

In March 2013, the company which owns the existing Citygate Outlets development at Tung Chung in Hong Kong (in which Swire Properties Limited has a 20% equity interest) won a tender to develop an adjacent commercial site.

Mainland China

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

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

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

TaiKoo Hui is a mixed-use development in the Tianhe central business district of Guangzhou with a total area of 3.8 milllion square feet. The development comprises a premium shopping mall, two Grade A office towers, a cultural centre and a Mandarin Oriental hotel with serviced apartments, together with approximately 700 car parking spaces, all of which are interconnected. The shopping mall opened in September 2011, with tenants including retailers of major international brands. The hotel and serviced apartments opened in January 2013.

INDIGO is a 1.9 million square foot mixed-use development at Jiangtai in the Chaoyang district of Beijing, comprising a retail mall, a Grade A office tower - ONE INDIGO, and a 369-room hotel operated by EAST, which opened in September 2012.

Offices

Gross rental income from the office portfolio in Mainland China grew strongly in 2012, reflecting a full-year contribution from the office towers at TaiKoo Hui.

At TaiKoo Hui, some of the remaining office space was taken up during the year. At 31st December 2012, tenants (including those who had signed letters of intent) had committed to take 79% of the office space at TaiKoo Hui. The corresponding figure at 31st December 2011 was 68%. Further vacant office space at TaiKoo Hui is expected to be leased in 2013.

The occupancy rate at the offices at ONE INDIGO was 95% at 31st December 2012. The corresponding figure at 31st December 2011 was 46%.

Retail

Gross rental income from the retail portfolio in Mainland China improved significantly in 2012. This reflected a full year of operation in 2012 of the shopping mall at TaiKoo Hui and better rental performance at Sanlitun Village.

Retail sales at the shopping mall at TaiKoo Hui have been encouraging since it opened in September 2011. The mall was 99% leased at 31st December 2012.

At Sanlitun Village, retail sales increased strongly in 2012 compared with 2011. At 31st December 2012, occupancy rates were 97% at Village South and 90% at Village North.

The shopping mall at INDIGO in Beijing opened gradually from March 2012. At 31st December 2012, tenants (including those who had signed letters of intent) had committed to take 84% of the space at the mall.

The put option in respect of the non-controlling interest in Sanlitun Village is recognised in the accounts. The movement in its fair value during the year resulted in a finance charge of HK$175 million, compared to HK$259 million in 2011.

Investment Properties under Construction

Site clearance and resettlement works at the Dazhongli project in Shanghai have largely been completed. Upon its scheduled completion in phases from 2016 onwards, the Dazhongli development will consist of a retail mall, two office towers and three hotels. The project will be linked to the Nanjing West Road Station of Metro Line 13, which is expected to open at the end of 2015.

The site is being prepared at the Daci Temple project in Chengdu. Site excavation and piling are close to completion. This mixed-use development will comprise a street style retail complex, an office tower, a boutique hotel and serviced apartments. The office tower, to be called "Pinnacle One", is intended to be developed for trading purposes. The project is scheduled to be completed from 2013 and to open in phases from 2014 onwards.

In January 2012, Swire Properties entered into an agreement with Sino-Ocean Land Limited to fund the whole of the remaining land premium (and associated taxes) payable in respect of the Daci Temple project and certain working capital requirements in an aggregate amount of US$230 million. Following this transaction, Swire Properties' interest in the project was increased to 81%, reflecting its contribution to the overall funding of the project. Sino-Ocean Land had a call option, exercisable for one year commencing from the date of the agreement, to purchase Swire Properties' additional interest in the project for an amount equal to one half of the additional funding plus interest at the rate of 10% per year. Swire Properties had the right, exercisable for one year commencing one week before the end of the call option period, to require Sino-Ocean Land to purchase Swire Properties' additional interest in the project on the same terms as those described above. In January 2013, the above arrangements were amended. Sino-Ocean Land purchased part of Swire Properties' additional interest in the project and the options in respect of the remaining part of the additional interest were extended for a further year. The effect of the amended arrangements was to reduce Swire Properties' interest in the project to 63% and to increase Sino-Ocean Land's interest in the project to 37%. Until the extended options described above are exercised or lapse, Swire Properties' remaining additional interest in the project will be accounted for as a secured loan and Swire Properties' existing interest will continue to be accounted for as a 50% interest in a jointly controlled entity.

USA

Swire Properties owns 100% of the office, hotel and residential portions, and 87.5% of the retail portion, of the mixed-use development at Brickell CityCentre located in the financial district in Miami, with a site area of 393,678 square feet. Construction work began in June 2012. Phase 1 of the development, comprising a shopping centre, a hotel, serviced apartments, two office buildings and two residential towers, is scheduled to be completed in 2015.

Singapore

In December 2012, Swire Properties agreed to acquire eight residential units at Hampton Court, 2 Draycott Park in Singapore as investment properties.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2012 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$205,273 million compared to HK$191,515 million at 31st December 2011 and HK$199,300 million at 30th June 2012.

The change in the valuation of the investment property portfolio since 31st December 2011 principally reflects increased rental income.

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

Hong Kong Lease Expiry Profile - at 31st December 2012

% of the total rental income attributable to the Group for the month ended 31st December 2012	2013	2014	2015 and beyond
Office	17%	19%	64%
Retail	15%	21%	64%

Audited financial information		**Group**		**Company**
Investment Properties		**Under**		
	Completed	**Construction**	**Total**	**Total**
	HK$M	**HK$M**	**HK$M**	**HK$M**
At 1st January 2012	**174,130**	**17,385**	**191,515**	**5,266**
Translation differences	**190**	**-**	**190**	**-**
Additions	**465**	**1,812**	**2,277**	**73**
Disposals	**(931)**	**(2)**	**(933)**	**(931)**
Transfer upon completion	**7,391**	**(7,391)**	**-**	**-**
Other net transfers from property,				**-**
plant and equipment	**72**	**5**	**77**	**-**
Fair value gains	**11,674**	**473**	**12,147**	**(12)**
	192,991	**12,282**	**205,273**	**4,396**
Add: Initial leasing costs	**315**	**-**	**315**	**-**
At 31st December 2012	**193,306**	**12,282**	**205,588**	**4,396**
At 1st January 2011	160,763	19,485	180,248	2,295
Translation differences	374	421	795	-
Change in composition of the Group	(18,090)	-	(18,090)	-
Additions	141	5,084	5,225	303
Transfer upon completion	11,142	(11,142)	-	-
Other net transfers from property,				
plant and equipment	175	38	213	-
Other net transfers from property				
held for development	104	249	353	-
Fair value gains	19,521	3,250	22,771	2,668
	174,130	17,385	191,515	5,266
Add: Initial leasing costs	290	-	290	-
At 31st December 2011	174,420	17,385	191,805	5,266

Geographical Analysis of Investment Properties	**Group**		**Company**	
	2012	2011	**2012**	2011
	HK$M	HK$M	**HK$M**	HK$M
Held in Hong Kong				
On medium-term leases				
(10 to 50 years)	**25,342**	25,143	-	-
On long-term leases				
(over 50 years)	**156,272**	144,751	**4,396**	5,266
	181,614	169,894	**4,396**	5,266
Held in Mainland China				
On medium-term leases				
(10 to 50 years)	**23,105**	21,230		
Held in USA				
Freehold	**554**	391		
	205,273	191,515		

Note:

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

HOTELS

Hong Kong

Swire Properties wholly-owns Swire Hotels, which manages two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place and EAST Hong Kong, a 345-room hotel at Cityplaza. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung.

The performance of the wholly-owned and managed hotels improved in 2012. At The Upper House, revenue per available room increased by 9% from 2011. At EAST, Hong Kong, revenue per available room increased by 5%. The performance of the non-managed hotels also improved in 2012.

Mainland China

Swire Hotels manages two hotels in Mainland China, The Opposite House, a 99-room luxury hotel at Sanlitun Village, Beijing, and EAST, a 369-room hotel located at INDIGO, Beijing. Swire Properties owns the whole of The Opposite House and 50% of EAST. Swire Properties owns 97% of, but does not manage, the Mandarin Oriental at TaiKoo Hui, which has 263 rooms and 24 serviced apartments.

The accommodation, restaurant and bar businesses at The Opposite House continued to improve in 2012. Revenue per available room increased by 3% from 2011. EAST, Beijing, opened in September 2012. The Mandarin Oriental at TaiKoo Hui opened in January 2013.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami. Results in 2012 improved from 2011 levels. Higher room rates were partially offset by lower occupancy rates in the second half.

United Kingdom

Swire Properties wholly-owns four hotels in the United Kingdom, one each in Cheltenham, Bristol, Brighton and Exeter. The hotel in Exeter, The Magdalen Chapter, re-opened in June 2012 after a major refurbishment. Although occupancy and room rates improved in 2012, trading conditions remained challenging.

CAPITAL EXPENDITURE AND COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

Capital expenditure in 2012 on Hong Kong investment properties and hotels, including completed projects, was HK$1,828 million (2011: HK$3,104 million). Outstanding capital commitments at 31st December 2012 were HK$5,405 million (31st December 2011: HK$6,740 million).

Capital expenditure in 2012 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of jointly controlled companies, was HK$1,776 million (2011: HK$3,180 million). Outstanding capital commitments at 31st December 2012 were HK$7,546 million (2011: HK$8,430 million), including the Group’s share of the capital commitments of jointly controlled companies of HK$6,620 million (2011: HK$7,101 million). The Group is committed to funding HK$818 million (31st December 2011: HK$1,828 million) of the capital commitments of jointly controlled companies in Mainland China.

Capital expenditure in 2012 on USA, UK and Singapore investment properties and hotels was HK$239 million (2011: HK$102 million). Outstanding capital commitments at 31st December 2012 were HK$2,963 million (2011: HK$2,510 million).

Profile of Capital Commitments for Investment Properties and Hotels

(HK$M)	Expenditure	Forecast year of expenditure				Commitments *
	2012	2013	2014	2015	2016 & beyond	**At 31st Dec 2012**
Hong Kong	**1,828**	879	548	606	3,372	**5,405**
Mainland China	**1,776**	3,680	2,361	831	674	**7,546**
USA and others	**239**	1,360	1,603	-	-	**2,963**
Total	**3,843**	5,919	4,512	1,437	4,046	**15,914**

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies. The Group is committed to funding HK$818 million of the capital commitments of jointly controlled companies.

PROPERTY TRADING

Audited financial information
Property Trading Portfolio at Cost

	Group	
	2012 HK$M	2011 HK$M
Properties held for development		
Freehold land	**188**	124
Properties for sale		
Completed properties - development costs	**401**	270
Completed properties - freehold land	**4**	7
Completed properties - leasehold land	**145**	4
Properties under development - development costs	**1,762**	1,329
Freehold land under development for sale	**175**	175
Leasehold land under development for sale	**4,423**	5,025
	6,910	6,810

Hong Kong

The AZURA development on Seymour Road was completed in the second half of 2012. Sales of 98 out of the total 126 units were completed in 2012. A further 13 units have been sold since the end of 2012. Swire Properties has an 87.5% interest in this development.

Superstructure work at the 75,805 square foot residential development at ARGENTA is progressing on schedule, with completion and handover to purchasers expected in 2013. Six of the total 30 units in the development have been pre-sold.

Superstructure work at the 151,954 square foot residential development known as MOUNT PARKER RESIDENCES (formerly known as Sai Wan Terrace), in which Swire Properties has an 80% interest, is progressing on schedule, with completion expected in 2013 and handover to purchasers expected in 2014.

Construction work at the 165,792 square foot Phase 1 of the residential development at 33 Seymour Road is progressing on schedule, with completion expected in 2014 and handover to purchasers expected in 2015. Foundation work is progressing at the adjacent Phase 2 of this residential development. The Phase 2 site is to be redeveloped into a 195,531 square foot residential development, with completion expected in 2016 and handover to purchasers expected in 2017.

Superstructure work is progressing at the 88,555 square foot residential development known as DUNBAR PLACE (formerly known as 148 Argyle Street). Completion of this 50% joint venture project is expected in 2013 with handover to purchasers expected in 2014.

Two sites at Cheung Sha, Lantau Island, are being redeveloped into detached houses, providing an aggregate GFA of 64,412 square feet. Completion of this development and handover to purchasers is expected in 2015.

<u>USA</u>

Sales of 16 units were closed at the ASIA residential development in Miami in 2012. Of the 123 units at ASIA, 109 units had been sold and three units had been leased at 31st December 2012.

The residential portion of Brickell CityCentre in Miami, which is intended to be developed for trading purposes, is expected to be completed in 2015.

<u>OUTLOOK</u>

<u>Office and Retail:</u>

Hong Kong:

Office – Swire Properties is cautious about the outlook for 2013. Demand from financial services companies for office space in Central is likely to remain soft. However, occupancy at Pacific Place is high and there are no major leases expiring until the latter part of 2013. Rents are therefore expected to be fairly resilient in 2013.

At Island East, rents are expected to remain robust owing to high occupancy. Somerset House, one of the techno-centres at Island East, is scheduled to be demolished for redevelopment in August 2013, with completion of an office tower expected in 2017.

Office tenancies accounting for approximately 17% of rental income in the month of December 2012 are due to expire in 2013 with no committed renewals or new lettings, with a further 19% due to expire in 2014.

Retail – Despite slower growth in sales towards the end of 2012, the Hong Kong retail market is expected to continue to benefit from local economic growth and from tourists from Mainland China. Demand for retail space, particularly at prime locations, continues to be strong. Rents are expected to continue to increase.

Retail tenancies accounting for approximately 15% of rental income in the month of December 2012 are due to expire in 2013 with no committed renewals or new lettings, with a further 21% due to expire in 2014.

Mainland China:

Office – Demand for office space and rental rates is expected to remain stable in 2013.

Retail – There has been some reduction in consumer confidence and spending in Mainland China. However, retailers of internationally branded goods in the few high quality shopping malls remain popular. Retail rents are expected to be steady in 2013.

Hotels:

Results in 2013 from the hotel portfolio will benefit from the fact that EAST, Beijing, will be in operation for its first full year and from a contribution from the Mandarin Oriental in TaiKoo Hui.

Property Trading:

Hong Kong:

Profits from property trading are expected to be lower in 2013 than in 2012, but nevertheless significant, with the completion of the ARGENTA development and the expected sale of the remaining units at the AZURA development. The effect of substantial increases and other changes in Hong Kong stamp duty on demand for luxury residential properties is uncertain.

USA:

The residential market in downtown Miami is expected to continue to improve gradually in 2013. Excess condominium supply has been largely absorbed and new condominium developments are being built.

Martin Cubbon

REVIEW OF OPERATIONS

AVIATION DIVISION

OVERVIEW OF THE BUSINESS

The Aviation Division comprises significant investments in the Cathay Pacific group and the Hong Kong Aircraft Engineering ("HAECO") group.

The Cathay Pacific Group:
The Cathay Pacific group includes Cathay Pacific Airways ("Cathay Pacific"), its wholly-owned subsidiary Hong Kong Dragon Airlines ("Dragonair"), its 60%-owned subsidiary AHK Air Hong Kong ("AHK"), an associate interest in Air China and an interest in the Air China Cargo jointly controlled entity. In addition, Cathay Pacific has interests in companies providing flight catering and ramp and cargo handling services and in an inventory technical management joint venture with HAECO. Cathay Pacific is listed on the Hong Kong Stock Exchange.

Cathay Pacific offers scheduled passenger and cargo services to 172 destinations in 39 countries and territories. At 31st December 2012, it operated 138 aircraft and had 92 new aircraft due for delivery up to 2020. It recently completed the building of its own cargo terminal in Hong Kong.

Dragonair is a regional airline based in Hong Kong. It operates 38 aircraft on scheduled services to 44 destinations in Mainland China and elsewhere in Asia.

Cathay Pacific owns 19.57% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in Mainland China. Air China serves 96 domestic and 49 international, including regional, destinations. Cathay Pacific also has a cargo joint venture with Air China, which operates 11 Boeing 747-400F freighters and carries cargo in the bellies of the Air China passenger fleet.

AHK, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express, the remaining 40% shareholder, to 12 Asian cities with a fleet of eight Airbus A300-600F freighters, three Boeing 747-400BCF freighters dry-leased from Cathay Pacific and one wet-leased Boeing 727 freighter. In January 2013, the wet-leased Boeing 727 freighter was replaced by an Airbus A300-600F freighter.

Cathay Pacific and its subsidiaries employ some 29,900 people worldwide (more than 22,800 of them in Hong Kong).

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

Engine overhaul work is performed by HAECO's jointly controlled company Hong Kong Aero Engine Services Limited ("HAESL") and by HAESL's jointly controlled company Singapore Aero Engine Services Pte. Limited ("SAESL"). The HAECO group has other subsidiaries and jointly controlled companies in Mainland China, which offer a range of aircraft engineering services.

HAECO is listed on the Hong Kong Stock Exchange.

STRATEGY:

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

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

IMPLEMENTING STRATEGIES:

Turnover – Changes in turnover are determined by changes in capacity, load factors and yields. Capacity is determined by the size and composition of the fleets and by the intensity of their usage. Load factors are determined by economic conditions, competition, the routes on which the airlines fly, flight schedules, pricing and standards of service. Yields depend on pricing and, in the case of passenger services, the split between premium and economy class passengers. To the extent that these factors are within the control of the airlines, they do their best to ensure that they result in increased turnover. However, factors which are not within the control of the airlines, in particular economic conditions, cause fluctuations in turnover.

HAECO tries to increase turnover by expanding and improving the range of aircraft engineering services the HAECO group can offer to customers. Where possible, HAECO will increase prices to generate increased revenue. HAECO's ability to expand services in Hong Kong, which is its most important area of operations, can be constrained by labour shortages.

Operating Costs – Managing operating costs is important for the Cathay Pacific group and the HAECO group. Fuel is the Cathay Pacific group's biggest single cost and high fuel prices have a significant adverse effect on operating results. Managing the risk associated with changing fuel prices is a high priority. To this end, Cathay Pacific hedges some of its fuel costs. Investing in a younger, more fuel efficient fleet helps to control fuel costs (and to reduce the Cathay Pacific group's environmental impact). The Cathay Pacific group is vigilant in managing other operating costs but aims to ensure that this does not compromise the quality of its products and services or the long-term strategic investment in its business.

Employee costs make up over 45% of HAECO's operating expenses. Managing these costs whilst retaining a highly skilled workforce is a key challenge for HAECO.

Investments – The Cathay Pacific group invests in new aircraft, new facilities and new services. Investing in new aircraft and facilities can expand capacity and control operating costs. Investing in new facilities is intended to attract and retain customers.

The HAECO group invests in order to expand its facilities and technical capabilities and to improve and widen the range of services it can offer to customers. By doing so, HAECO aims to set itself apart from competitors and to attract and retain new customers.

Sustainability – The Cathay Pacific group and the HAECO group endeavour to minimise their impact on the environment. The Cathay Pacific group invests in fuel efficient aircraft and tries to fly the shortest practicable distances between airports and to reduce the weight of its aircraft. The HAECO group tries to minimise the effect of effluents on the environment.

The HAECO group conducts business in a manner intended to protect the health and safety of its employees, its customers, those with whom it does business and the public. There is safety training and there are safety audits. Safety is of course a core commitment of the airlines.

Both groups recognise that the development of their staff is key to the sustainable development of their businesses and accordingly place great emphasis on supporting, rewarding, motivating and training staff.

Aviation Division – 2012 Performance

Cathay Pacific and Dragonair

		2012	2011	Change
Available tonne kilometres ("ATK")	*Million*	**26,250**	26,383	-0.5%
Available seat kilometres ("ASK")	*Million*	**129,595**	126,340	+2.6%
Passenger revenue	*HK$m*	**70,133**	67,778	+3.5%
Revenue passenger kilometres ("RPK")	*Million*	**103,837**	101,536	+2.3%
Revenue passengers carried	*'000*	**28,961**	27,581	+5.0%
Passenger load factor	*%*	**80.1**	80.4	-0.3%pt
Passenger yield	*HK¢*	**67.3**	66.5	+1.2%
Cargo revenue – Group	*HK$m*	**24,555**	25,980	-5.5%
Cargo revenue – Cathay Pacific and Dragonair	*HK$m*	**21,601**	23,335	-7.4%
Cargo and mail carried	*Tonnes '000*	**1,563**	1,649	-5.2%
Cargo and mail load factor	*%*	**64.2**	67.2	-3.0%pt
Cargo and mail yield	*HK$*	**2.42**	2.42	-
Cost per ATK	*HK$*	**3.64**	3.45	+5.5%
Cost per ATK without fuel	*HK$*	**2.13**	2.01	+6.0%
Aircraft utilisation	*Hours per day*	**12.0**	12.3	-2.4%

On-time performance	*%*	**77.4**	82.0	-4.6%pt
Average age of fleet	*Years*	**10.1**	10.6	-4.7%
Number of destinations at year end	*Destinations*	**179**	167	+7.2%
Fuel consumption – Group	*Barrels (million)*	**40.1**	40.4	-0.7%
GHG emissions per ATK	*Tonnes of CO_2e (million)*	**600**	601	-0.2%
Lost time injury rate – Cathay Pacific	*Per 100 full-time equivalent employees*	**5.3**	5.3	-
Lost time injury rate – Dragonair	*Per 100 full-time equivalent employees*	**4.2**	5.0	-16%

HAECO group		**2012**	2011	Change
Revenue	*HK$m*	**5,830**	5,171	+13%
Operating costs	*HK$m*	**5,328**	4,670	+14%
Airframe maintenance manhours sold – HAECO	*Million*	**2.96**	3.00	-1%
Airframe maintenance manhours sold – TAECO	*Million*	**3.42**	3.42	-
Line maintenance movements handled – HAECO	*Average per day*	**320**	306	+5%
Average hours of training per employee	*Hours*	**61.0**	60.9	+0.2%
Lost time injury rate	*Number of injuries per 100 full-time equivalent employees*	**1.76**	2.18	-19%

Fleet Profile

At 31st December 2012, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 176, an increase of 12 since 31st December 2011.

In January 2012, Cathay Pacific ordered six Airbus A350-900s. In August, Cathay Pacific ordered ten Airbus A350-1000s and converted an existing order for 16 Airbus A350-900s into an order for 16 Airbus A350-1000s.

In 2012, Cathay Pacific took delivery of 15 new aircraft: five Boeing 777-300ERs, six Airbus A330-300s and four Boeing 747-8F freighters. Dragonair took delivery of four new Airbus A320-200s.

In response to the high cost of jet fuel, Cathay Pacific is accelerating the retirement of its older, less fuel-efficient Boeing 747-400 passenger aircraft. Three were retired from the fleet in the second half of 2012. As at 31 December 2012, there were 18 747-400s in the passenger fleet. By the end of 2013, this number will be reduced to 12. One more 747-400 will be retired in 2014.

The introduction of new Boeing 747-8F freighters has resulted in a significant improvement in the operating economics of Cathay Pacific's ultra-long-haul cargo services. Two more aircraft of this type will be delivered in 2013. In addition, three more Boeing 747-8F freighters will be delivered in 2013 as a result of the agreements with The Boeing Company referred to below. By the end of 2013, 13 Boeing 747-8F freighters will be in operation.

One Boeing 747-400BCF converted freighter was retired from the fleet and scrapped in 2012. A further four Boeing 747-400BCF converted freighters were withdrawn from service in 2012 and early 2013 and were sold to The Boeing Company as part of the agreements referred to below. The third of four Boeing 747-400BCF converted freighters being sold to the cargo joint venture with Air China was delivered in July 2012 and the final one was sold in March 2013.

The remaining two of the four Airbus A340-300s parked by Cathay Pacific during the financial crisis of 2008 and 2009 had been returned to their lessors by February 2012. In February 2013, agreements to lease two new Airbus A321-200 aircraft were entered into. These aircraft will be delivered in February and October 2014.

In March 2013, the Cathay Pacific group entered into agreements with The Boeing Company under which the Cathay Pacific group agreed to buy three Boeing 747-8F freighter aircraft and the agreement to purchase eight Boeing 777-200F freighters entered into in August 2011 was cancelled. Pre-delivery payments already made in respect of the eight Boeing 777-200F freighters (which were scheduled to be delivered from 2014 to 2016), will be credited to the consideration for the purchase of the three Boeing 747-8F freighters (which are scheduled to be delivered in 2013). Under the agreements, Cathay Pacific also acquired options to purchase five Boeing 777-200F freighters and The Boeing Company agreed to purchase four Boeing 747-400BCF converted freighters, which were taken out of service in 2012 and early 2013. The transaction is part of a package of transactions between The Boeing Company (on the one hand) and the Cathay Pacific group, Air China Cargo and Air China (on the other hand).

At 31st December 2012, the Cathay Pacific group had a total of 92 aircraft on firm order, of which 16 will arrive in 2013. Including the trade-in deal, 19 aircraft will be delivered in 2013.

Fleet Profile *

Aircraft type	Number as at 31st December 2012				Firm orders				Expiry of operating leases						Purchase rights
		Leased													
	Owned	Finance	Operating	Total	'13	'14	'15 and beyond	Total	'13	'14	'15	'16	'17	'18 and beyond	
Aircraft operated by Cathay Pacific:															
A330-300	13	16	8	37	5	5	3	13			2	1	3	2	
A340-300	6	5		11											
A350-900							22[a]	22							
A350-1000							26	26							20[b]
747-400	17		1	18							1				
747-400F	3	3		6											
747-400BCF	2[c]		4[d]	6[e]					2	1				1	
747-400ERF		6		6											
747-8F		8		8	2			2							
777-200	5			5											
777-200F						4	4	8[e]							
777-300	5	7		12											
777-300ER	4	11	14	29	9	7	5	21					2	12	20[f]
Total	55	56	27	138	16	16	60	92	2	1	3	1	5	15	40
Aircraft operated by Dragonair:															
A320-200	5		10	15							2	2		6	
A321-200	2		4	6							2	2			
A330-300	4	1	12	17					4	3	1	2	2		
Total	11	1	26	38					4	3	5	6	2	6	
Aircraft operated by Air Hong Kong:															
A300-600F	2	6		8											
747-400BCF			3	3								1	2		
Total	2	6	3	11								1	2		
Grand total	**68**	**63**	**56**	**187**	**16**	**16**	**60**	**92**	**6**	**4**	**8**	**8**	**9**	**21**	**40**

* Includes parked aircraft. This profile does not reflect aircraft movements after 31st December 2012.

(a) Including two aircraft on 12-year operating leases.

(b) Purchase rights to be exercised no later than 2024, for A350 family aircraft.

(c) One aircraft was parked in May 2012 and the other aircraft was sold to Air China Cargo in March 2013.

(d) Two aircraft were parked in July and December 2012, respectively.

(e) Four B747-400BCF aircraft were disposed of in a trade-in deal with The Boeing Company entered into in March 2013. The four aircraft included three B747-400BCF aircraft taken out of service during 2012 and one aircraft taken out of service in February 2013. These aircraft will leave the fleet during 2013. Three new B747-8F aircraft will be acquired and delivered in 2013. The trade-in deal also included options to purchase five Boeing 777-200F aircraft.

(f) Purchase rights for aircraft to be delivered by 2017.

(g) In February 2013, the group agreed to lease two new Airbus A321-200 aircraft. These aircraft will be delivered in February and October 2014.

Aviation Division – Financial Highlights

	2012 HK$M	2011 HK$M
HAECO group		
Turnover	**5,830**	5,171
Operating profit	**494**	532
Attributable profit	**659**	615
Share of post-tax profits from associated companies		
Cathay Pacific group	**412**	2,405
Attributable profit	**1,050**	2,999

Accounting for the Cathay Pacific group

The group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated income statement.

Cathay Pacific Group

AIRLINE INDUSTRY BACKGROUND

In 2012, the airline industry was significantly affected by the high price of jet fuel, pressure on passenger yields and weak air cargo demand. Economic uncertainty, particularly in the Eurozone countries, and an increasingly competitive environment increased these difficulties. It was a challenging year.

2012 RESULTS SUMMARY

The Cathay Pacific group's attributable profit on a 100% basis was HK$916 million in 2012, compared to a profit of HK$5,501 million in 2011.

In May 2012, Cathay Pacific announced measures designed to protect the business in an environment of high fuel prices and weak revenues. The retirement of less fuel-efficient Boeing 747-400 passenger aircraft was accelerated. Three of these aircraft had left the fleet by November. Four Boeing 747-400 BCF converted freighters were withdrawn from service. Schedules were changed and capacity was reduced on some long-haul routes. Inessential recruitment of ground staff was stopped. Voluntary unpaid leave was introduced for cabin crew. By the end of the year, costs, particularly of aircraft maintenance and fuel, had been reduced significantly from what they would otherwise have been as a result of reduced capacity and early retirement of aircraft. However, the reductions were not enough to offset in full the effects of high fuel prices and weak revenues.

Passenger revenue in 2012 was HK$70,133 million, an increase of 3.5% compared with 2011. Capacity increased by 2.6%. 29 million passengers were carried, a rise of 5.0% compared to the previous year. The passenger load factor fell by 0.3 percentage points. Yield increased by 1.2% to HK67.3 cents, largely due to higher fuel surcharges consequent upon a 1.7% increase in average fuel prices.

The group's cargo revenue in 2012 was HK$24,555 million, a decrease of 5.5% compared to 2011. Capacity on Cathay Pacific and Dragonair was down by 3.1%. The cargo load factor was down by 3.0 percentage points to 64.2%. Yield was the same as in 2011 at HK$2.42. The tonnage carried in 2012 fell by 5.2% to 1.6 million tonnes by comparison with 2011.

Fuel is the airline's most significant cost. The high jet fuel price had a major impact on operating results in 2012. Disregarding the effect of fuel hedging, the group's fuel costs increased by HK$323 million (or 0.8%) in 2012. The increase reflected higher fuel prices despite a 0.7% decrease in fuel consumption. Cathay Pacific hedges some of its fuel costs in an effort to manage the risk associated with changing fuel prices. In 2012, a profit of HK$544 million was recognised from fuel hedging activities.

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions and continues to defend itself vigorously. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances.

Passenger Services

Uncertain economic conditions and strong competition on key routes put pressure on passenger yields. Premium class revenues were weak, including during what is normally the peak period for corporate travel after the summer. The numbers of passengers travelling in the premium classes and premium class yields were affected by economic weakness in major economies and travel restrictions imposed by corporations. High fuel prices significantly affected the profitability of passenger services, particularly on long-haul routes operated by older, less fuel-efficient aircraft.

Cathay Pacific started flying to Hyderabad in India in December. In response to generally robust travel demand in Asia, Cathay Pacific increased frequencies on the Bangkok, Ho Chi Minh City, Kuala Lumpur, Penang, Chennai and Singapore routes. Four more flights per week were added to the Los Angeles route in March 2012. However, from September 2012, the frequency of flights on the Los Angeles, New York and Toronto routes was reduced. This enabled fuel-efficient Boeing 777-300ER aircraft to operate on the London, Paris and San Francisco routes and reduced the number of services operated by older, less fuel-efficient Boeing 747-400 aircraft.

In 2012, Dragonair introduced or resumed flights to eight destinations – Chiang Mai, Clark, Guilin, Haikou, Jeju, Kolkata, Taichung and Xi'an. Dragonair added more flights on two secondary routes in Mainland China, Ningbo and Qingdao, increased its Okinawa service from two to four flights a week and used larger aircraft for some flights on the Guangzhou, Kunming and Xiamen routes. The number of flights per week to Cambodia was increased from seven to ten in October. In January 2013, Dragonair added three more destinations: Wenzhou, Yangon and Zhengzhou. It will introduce a service to Da Nang in March 2013.

Cargo Services

Demand for air cargo shipments from the two key markets, Hong Kong and Mainland China, was well below expectations, although there were short term upturns in March and in the last quarter reflecting launches of new consumer electronics products. Capacity was adjusted in line with demand. New routes were opened where demand was robust. Freighter services were introduced to Zhengzhou in March 2012, to Hyderabad in May and to Colombo in December. The service to Zaragoza was suspended in November. The high price of fuel made it difficult to operate profitably on European routes. However, the new Boeing 747-8F freighters helped to improve the operating economics of the business.

AHK Air Hong Kong ("AHK")

AHK recorded a higher profit compared with 2011. Capacity increased by 11% in 2012 and yield improved by 7%, but the load factor fell by four percentage points.

Air China

The Cathay Pacific group's share of Air China's profit is based on accounts drawn up three months in arrear. Consequently the 2012 results include Air China's results for the twelve months ended 30th September 2012, with account being taken of any significant events or transactions for the period from 1st October 2012 to 31st December 2012.

The Cathay Pacific group recorded a decrease in profit from Air China in 2012. This primarily reflected reduced demand, increased fuel costs and unfavourable exchange rate movements.

Air China Cargo Joint Venture ("Air China Cargo")

The Cathay Pacific group recorded an increased loss from Air China Cargo's results in 2012 owing to weak demand in air cargo markets.

Shanghai International Airport Services Co., Limited

In March 2012, Cathay Pacific announced the formation of a new ground handling company, Shanghai International Airport Services Co., Limited. This joint venture between Cathay Pacific, Air China, the Shanghai Airport Authority and Shanghai International Airport Co., Ltd. provides airport ground handling services at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport.

Inventory Technical Management

In September 2012, HAECO and Cathay Pacific announced the formation of a joint venture to undertake inventory technical management. The joint venture started operations on 1st November 2012. It is conducted through HAECO ITM Limited, a company incorporated in Hong Kong owned as to 70% by HAECO and 30% by Cathay Pacific.

Cargo Terminal

Cathay Pacific Services Limited, a wholly owned subsidiary of Cathay Pacific, established to design, build and operate the new Cathay Pacific cargo terminal at Hong Kong International Airport, commenced operations at its new HK$5.9 billion facility in February 2013. To ensure a smooth transition from the current cargo operations, a staged transition of operations has been adopted for the opening of the terminal. The terminal will be fully operational in the latter half of 2013. When fully operational, the terminal will have an annual capacity of 2.6 million tonnes and will employ more than 1,800 staff. It will be one of the biggest and most sophisticated facilities of its kind in the world. It will significantly reduce the time it takes to process and ship cargo in Hong Kong.

Other Operations

Cathay Pacific Catering Services group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, is the principal flight kitchen in Hong Kong. CPCS reported an increase in profit in 2012 compared to 2011 mainly due to growth in the number of meals produced. Outside Hong Kong, profits increased in Taipei and Canada and fell in Ho Chi Minh City and Cebu.

Hong Kong Airport Services ("HAS")

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

The 2012 results of HAS were lower than expected. This reflected high operating costs and manpower shortages at Hong Kong International Airport.

Outlook

The Cathay Pacific group operates in a volatile and challenging industry, one that will always be highly susceptible to external factors that remain largely beyond its control. The cost of fuel remains the biggest challenge, particularly for an airline where long-haul operations form a significant part of the business. The group's focus will remain on protecting the business and managing short-term volatility while remaining committed to its long-term strategy. Its financial position remains strong and it will continue to invest in the future. The group's core strengths remain the same as ever: a superb team, a strong international network, exceptional standards of customer service, a strong relationship with Air China and its position in Hong Kong. These will help to ensure the success of the Cathay Pacific group in the long term.

John R Slosar

Cathay Pacific Group - Fuel Price and Consumption

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fuel Price (before hedging)	US$ per barrel (jet fuel)	38.09	52.46	72.52	85.83	91.48	131.95	73.46	94.02	129.47	131.71
Fuel Price (after hedging)	US$ per barrel (jet fuel)	35.07	47.42	71.38	84.11	88.14	158.68	63.16	94.15	123.98	129.96
Fuel consumption	millions of barrels	20.64	24.86	27.62	30.48	35.82	38.28	35.29	38.66	40.36	40.13

Cathay Pacific and Dragonair - Passenger and Cargo Services Data

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Passenger load factor	%	72.2	77.3	78.7	79.5	79.8	78.8	80.5	83.4	80.4	80.1
Passenger yield	HK¢	43.9	46.7	48.9	52.9	60.4	63.5	51.1	61.2	66.5	67.3
Cargo load factor	%	68.7	68.7	67.0	68.6	66.7	65.9	70.8	75.7	67.2	64.2
Cargo yield	HK¢	193.0	202.0	219.0	225.0	226.0	254.0	186.0	233.0	242.0	242.0
ASK	millions	59,280	74,062	82,766	91,769	102,462	115,478	111,167	115,748	126,340	129,595
ATK	millions	13,355	15,794	17,751	19,684	23,077	24,410	22,249	24,461	26,383	26,250

Hong Kong Aircraft Engineering Company ("HAECO") Group

HAECO Group – Financial Highlights

	2012 HK$M	2011 HK$M	Change %
Turnover			
HAECO	**3,421**	3,307	+3%
TAECO	**1,668**	1,581	+6%
Others	**741**	283	+162%
Net operating profit	**477**	525	-9%
Profit attributable to the Company's shareholders			
HAECO	**329**	381	-14%
TAECO	**70**	98	-29%
Share of profit/(loss) of:			
HAESL and SAESL	**531**	415	+28%
Other subsidiary and jointly controlled companies	**(54)**	(73)	+26%
Total	**876**	821	+7%
Swire Pacific share	**659**	615	+7%

AVIATION MAINTENANCE AND REPAIR INDUSTRY BACKGROUND

The aviation industry was affected by instability and uncertainty in the world's major economies in 2012. Despite this, airlines increased the size of their fleets. There were more passenger flights than in 2011 but fewer cargo flights. Demand for HAECO's aviation maintenance services in Hong Kong was firm. Demand for TAECO's aviation maintenance services in Mainland China was similar to that in 2011.

2012 RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in 2012 on a 100% basis was HK$876 million, an increase of 7% compared to the corresponding figure in 2011 of HK$821 million. Demand for HAECO's airframe maintenance services in Hong Kong was strong throughout 2012, but HAECO was not able to meet this demand in the second half because of a shortage of skilled and semi-skilled labour. This was reflected in the results of the group for the second half, when profit attributable to shareholders was HK$394 million, compared with HK$482 million in the first half of 2012 and HK$396 million in the second half of 2011. HAECO's line maintenance business in Hong Kong benefited from an increase in aircraft movements at Hong Kong International Airport.

Results from TAECO were adversely affected by exchange rate and deferred tax movements.

HAESL performed well, with an increase in engine output and the amount of work done per engine. The operating results of the group's joint ventures in Mainland China improved. Output was higher, but losses continued because of under-utilisation of facilities.

HAECO

Manhours sold by HAECO for airframe maintenance decreased from 3.00 million in 2011 to 2.96 million in 2012. Demand for airframe maintenance remained firm. Approximately 76% of the work was for airlines based outside Hong Kong. Line maintenance aircraft movements increased by 5% compared with 2011, with an average of 320 aircraft handled per day. This reflected growth in air traffic. HAECO's operating expenses increased by 5% to HK$3,062 million reflecting higher wage costs.

TAECO

TAECO recorded a 29% decrease in attributable profit in 2012 to HK$70 million. Manhours sold by TAECO for airframe maintenance were 3.42 million in 2012, the same as in 2011. Five passenger to freighter conversions took place in 2012, in line with 2011. Results from TAECO were adversely affected by exchange rate differences on forward foreign exchange contracts and a write-off of deferred tax assets as a result of a change in the applicable tax rate from 25% to 15%.

HAESL and SAESL

HAESL recorded a 26% increase in profit to HK$973 million in 2012. Engine output was 220, compared with 194 in 2011. The HAECO group's share of the after-tax profit of HAESL, including that derived from HAESL's interest in SAESL, increased by 28% in 2012 to HK$531 million.

General

The group continued to invest in Hong Kong and Mainland China in order to expand its facilities and technical capabilities and so to improve and widen the range of services it can offer to customers.

In September 2012, HAECO and Cathay Pacific announced the formation of a joint venture to undertake inventory technical management for Cathay Pacific and other airlines. The joint venture is conducted through HAECO ITM Limited, a company incorporated in Hong Kong owned as to 70% by HAECO and 30% by Cathay Pacific.

TAECO improved its operational efficiency and developed its capacity for cabin modification and cabin completion services.

Taikoo Engine Services (Xiamen) Company Limited completed 18 quick turn repairs and six performance restorations for GE engines. There will be further investment in equipment to support this capability.

There was a fire at Taikoo (Xiamen) Landing Gear Services Company Limited ("TALSCO")'s premises in November 2012. No work has been done by TALSCO at the premises since then. The recovery of operations following the fire is likely to take more than nine months. Provisions of HK$4 million have been made for possible uninsured losses.

Outlook

HAECO expects to do less airframe maintenance work in Hong Kong in 2013 than in 2012, with labour shortages restricting manhours expected to be sold in the first half to 1.2 million compared with 1.6 million in the first half of 2012. Although these labour shortages may ease in the second half of 2013, the first half shortfall is likely to have a material adverse effect on overall group turnover and profits for the full year. Line maintenance services in Hong Kong are expected to remain stable in 2013.

TAECO's airframe maintenance business is expected to improve slightly in 2013, assisted by its first Airbus corporate jet cabin completion.

HAESL's performance in 2013 is expected to be adversely affected by the early retirement of some of Cathay Pacific's Boeing 747-400 aircraft and by a reduction in the required frequency of scheduled maintenance on Trent 700 engines, which power the Airbus A330 aircraft.

The joint ventures in Mainland China are expected to continue to be affected by underutilisation of facilities.

The HAECO group will continue to take measures to improve productivity in order to mitigate the effect of cost increases.

Augustus Tang

HAECO Group Key Operating Highlights (2003 – 2012)

YEAR		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Airframe maintenance manhours sold - HAECO	million	1.35	1.42	1.64	1.85	2.53	2.65	2.39	2.74	3.00	2.96
Airframe maintenance manhours sold - TAECO	million	1.70	2.11	2.50	3.58	3.87	4.07	2.98	2.52	3.42	3.42
Line maintenance movements handled - HAECO	Average per day	177	223	253	250	266	274	249	278	306	320

REVIEW OF OPERATIONS

BEVERAGES DIVISION

OVERVIEW OF THE BUSINESS

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

Swire Beverages has two wholly-owned franchise businesses, in Taiwan and the USA, and two majority owned franchise businesses, in Hong Kong and Fujian province in Mainland China. It has jointly controlled interests in six other franchises in Mainland China and an associate interest in a manufacturing company, Coca-Cola Bottlers Manufacturing Holdings Limited, which supplies still beverages to all Coca-Cola franchises in Mainland China.

Swire Beverages manufactures over 63 beverage brands and distributes them to a franchise population of over 440 million people.

The Beverages Supply Chain :
Concentrate Plants – TCCC manufactures concentrated beverage base which it distributes to its bottlers, including Swire Beverages.
Bottlers – As a Coca-Cola bottler, Swire Beverages converts concentrated beverage base into ready-to-drink packaged beverages at its 16 bottling plants.
Sales and Distribution – Swire Beverages sells and distributes ready-to-drink packaged beverages to customers in its franchise territories.
Marketing – Swire Beverages markets the brands it distributes in accordance with plans developed in conjunction with TCCC.
Potential Environmental Impacts – Swire Beverages consumes water, energy and packaging materials. It affects the atmosphere and produces waste.

FRANCHISE TERRITORIES

	Population (millions)	**GDP per capita (US$)**	**Sales volume (million unit cases) 2012**	Sales volume (million unit cases) 2002	**Per capita consumption* (8 oz servings) 2012**	Per capita consumption* (8 oz servings) 2002
Mainland China						
Guangdong	77.1	10,392	191	60	59	25
Zhejiang	50.2	9,844	149	41	71	23
Anhui	59.9	5,017	71	11	29	4
Jiangsu	54.9	8,940	118	33	52	15
Fujian	37.4	8,442	82	20	52	14
Shaanxi	37.5	5,461	55	17	35	11
Henan	94.0	5,123	117	17	30	4
Hong Kong	7.1	35,596	65	45	219	158
Taiwan	23.3	20,694	58	45	60	49
USA	6.2	42,028	84	79	325	333

* Per capita consumption of all TCCC beverages

STRATEGY:

The strategic objective of Swire Beverages is to build a world-class bottling system which is recognised as a first class employer, a first class entity with which to do business and a first class corporate citizen in all territories where it does business. The strategies employed in order to achieve this objective are:

- An uncompromising commitment to safety and quality.
- A commitment to work with TCCC to improve our understanding of our customers' businesses, and to use that understanding to create value for our customers and consumers.
- A focus on market execution in sales outlets, recognising that our business depends critically on selling to millions of consumers through such outlets in our franchise territories every day.
- Effective revenue management, through volume growth and optimisation of pricing and product mix.
- Effective management of costs, through improvements in productivity and efficiency in our supply chain and in sales and distribution.
- A commitment to sustainability, by seeking to reduce the environmental impact of our operations, with a particular focus on water conservation, and by engaging with the communities in which we operate.

IMPLEMENTING STRATEGIES:

Sales Volume – Swire Beverages aims to increase volume and to do so profitably. This can be achieved by making its beverages available in more places, by improving market execution and by selling more brands of beverages and more categories of beverages within brands.

Turnover – Swire Beverages aims to ensure that sales volume growth is translated into revenue growth. This can be achieved by maintaining or increasing sales prices and by improving the sales mix. The extent to which this is possible depends on the state of the economies in which it operates, consumer habits, competition and resistance by consumers to price increases.

Cost of Sales – Swire Beverages aims to reduce the costs associated with the manufacturing and distribution of its beverage products and at the same time to ensure that high quality goods and services are provided to customers in a cost efficient and effective manner. Swire Beverages seeks to minimise overheads by improving productivity and efficiency.

Sustainability – Swire Beverages is committed to the sustainable development of the business, in particular by reducing consumption of water and energy and by adopting safe working practices.

Beverages Division – 2012 Performance

		Percentage Change			
		Mainland China	Hong Kong	Taiwan	USA
Safety	Lost Time Injury Rate	-1.3%	-23.5%	-75.3%	+78.4%
Quality	Production Quality Index	+1.7%	+2.1%	+1.0%	-0.4%
Customers	Active Outlets	+0.9%	-3.0%	-8.8%	+5.9%
Revenue Management	Sales Volume	-0.5%	+0.3%	-5.7%	+3.0%
	Revenue *	-3.7%	+3.7%	+1.1%	+0.3%
Cost Management	Gross Margin *	+1.7%	+6.0%	+4.7%	+1.8%
	Operating Profit	-21.1%	+9.6%	-11.9%	-9.0%
Sustainability	Water Consumption	-0.6%	-1.2%	+3.2%	+1.2%
	Energy Consumption	-4.2%	0.0%	-3.6%	0.0%

* Per unit case

2012 PERFORMANCE

Beverages Division – Financial Highlights

	2012 HK$M	2011 HK$M (Restated)
Turnover	**9,216**	9,223
Operating profit	**483**	537
Share of post-tax profits from jointly controlled and associated companies	**323**	362
Attributable profit	**542**	657

Beverages Division – Segment information

	Turnover		Attributable Profit / (Loss)	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Mainland China	**1,769**	1,854	**207**	265
Hong Kong	**2,123**	2,046	**178**	164
Taiwan	**1,500**	1,600	**14**	18
USA	**3,824**	3,723	**165**	223
Central costs	**-**	-	**(22)**	(13)
Swire Beverages	**9,216**	9,223	**542**	657

Accounting for the Beverages Division

The four wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan and the USA and in Fujian province in Mainland China) are accounted for as subsidiaries and fully consolidated in the financial statements of Swire Pacific. Turnover and operating profit shown above, therefore, are attributable to these franchise businesses only. The division's jointly controlled interests in six other franchises in Mainland China and its associate interest in Coca-Cola Bottlers Manufacturing Holdings Limited are accounted for using the equity method of accounting. Swire Pacific recognises its share of net profit or loss from each of these companies as a single line-item in the consolidated income statement.

For reference, the total turnover from the jointly controlled interests in six franchises in Mainland China was HK$14,503 million (2011: HK$14,911 million). The turnover of Coca-Cola Bottlers Manufacturing Holdings Limited, excluding sales to the seven franchises, was HK$4,763 million (2011: HK$5,659 million).

Note: The results of the Campbell Swire joint venture (which were previously included in the results of the Beverages Division) have been included in the results of the Trading & Industrial Division from 2012. As a result, the 2011 comparative results for the division have been restated from those in the Group's 2011 statutory accounts.

BEVERAGE INDUSTRY BACKGROUND

The volume of non-alcoholic ready-to-drink beverages in Mainland China grew by 10% in 2012. The volume of sparkling beverages declined by 2%; that of juice and juice drinks grew by 10%; that of tea declined by 9%; that of packaged water grew by 18%; and that of bulk water grew by 16%. A slowdown in the growth of the Mainland China economy and population shifts away from the export-oriented coastal provinces adversely affected beverage sales, especially in the south and east of the country. A number of successful new products, especially new juices and juice drinks with perceived health and other benefits and ready-to-drink packaged milk tea, gained significant market share at the expense of sparkling beverages and other juice and tea products. Health and safety concerns, and a desire for products which are perceived to deliver specific benefits, are becoming increasingly important to consumers.

The Taiwanese beverage market grew by 2% in 2012 reflecting strong growth in sales of tea.

The Hong Kong beverage market grew by 2% in 2012. Sparkling soft drinks volume decreased by 6%. Still drinks volume grew by 3%.

The USA beverage market was solid in 2012. Total volumes increased by 1%.

2012 RESULTS SUMMARY

Swire Beverages made an attributable profit of HK$542 million in 2012, an 18% decrease from 2011. The decrease principally reflected a weak performance in Mainland China, higher taxes in the USA and higher operating costs in all territories.

Overall sales volume declined by 0.5% to 990 million unit cases, compared with growth of 8% in 2011. Volume grew in the USA and Hong Kong but declined in Mainland China and Taiwan.

Mainland China

Attributable profit from Mainland China was HK$207 million, a 22% decrease from 2011.

The decrease in profit principally reflected lower sales volume, a less favourable sales mix and higher operating costs.

Sales volume was adversely affected by the slowdown in economic growth, particularly in the export-oriented provinces of southern and eastern China. Volumes grew strongly in inland territories (for example Henan and Anhui), but not enough to offset volume reductions in the southern and eastern markets (for example Guangdong and Zhejiang). Successful introductions by competitors of new juice and tea products also adversely affected sales volumes. Low-margin water sales volume increased by 48%. Juice sales volumes declined by 18%.

Notwithstanding a decrease in sales volumes and an unfavorable change in sales mix, gross margin increased due to lower raw material costs. However, operating profit decreased by 21% due to a significant increase in operating costs, particularly staff costs (which increased by 11%) and IT costs (due to the introduction of a new Enterprise Resource Planning system).

Hong Kong

Attributable profit from the Hong Kong operation was HK$178 million, a 9% increase from 2011.

Sales volume increased by 0.3% compared with 2011. Sparkling sales volume increased by 0.6%, reflecting strong growth in sales of the Schweppes brand. Still sales volume was in line with 2011.

Raw material costs increased by 2% per unit case. This increase was more than offset by the favourable effect of improvements in the sales mix and higher prices, resulting in a 6% improvement in margin per unit case.

Taiwan

Attributable profit from Taiwan was HK$14 million, a 22% decrease from 2011.

Sales volume fell by 6% compared with 2011, reflecting generally weak retail sales. Sparkling and still sales volumes fell by 7% and 3% respectively. Increased competition and the generally weak retail background restricted the scope for increasing prices, but margins benefited from a 1% per unit case reduction in raw material costs. Profit in 2012 was adversely affected by restructuring costs of HK$32 million (2011: HK$24 million). Restructuring is designed to improve the competitiveness of the Taiwan operations.

USA

Attributable profit from the USA was HK$165 million, a 26% decrease from 2011.

Sales volume increased by 3%. Sparkling sales volume increased by 2%. Still sales volume increased by 7%. Sales of tea and energy drinks increased significantly.

Revenues benefited from price increases averaging 0.3%. Margins improved by 2% per unit case compared with 2011, reflecting price increases, changes in the sales mix and lower raw material costs.

Profits were adversely affected by higher fuel, healthcare and retirement benefit costs and by a withholding tax of HK$29 million paid on a dividend.

A project to expand warehousing capacity in Salt Lake City (including installation of an automated case picking system) was completed in the second half of 2012. The total investment was HK$329 million and will improve efficiency.

OUTLOOK

Swire Beverages is cautiously optimistic about 2013. In Mainland China there are indications that the pace of economic growth will resume. This should benefit the business in Mainland China.

Following completion of its reorganisation, the business in Taiwan is in a good position to reinforce its leading position in the sparkling category and to compete effectively in other categories, especially tea, where there are plans to introduce new products.

The Hong Kong and USA businesses are doing well and should continue to benefit from their strong market positions.

Cost inflation will continue to put pressure on margins in all areas in which Swire Beverages operates. This is especially true of staff costs and distribution costs in Mainland China, which continue to rise. Swire Beverages is reorganising its operations to improve productivity and efficiency so as to offset the effect of increasing costs. The introduction of new products, both within categories in which we currently compete and in new categories, is also a priority.

P Healy

Sales Volume (million unit cases)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mainland China	237	287	348	415	500	600	700	719	788	783
USA	79	77	79	84	86	86	82	82	81	84
Taiwan	45	46	44	41	46	58	61	62	61	58
Hong Kong	46	46	48	50	55	57	61	60	65	65
	407	456	519	590	687	801	904	923	995	990

Capital Expenditure by Operation (HK$M)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mainland China	129	176	265	343	464	924	758	1,060	577	831
USA	100	100	89	121	126	147	154	141	334	248
Taiwan	44	64	40	34	50	50	44	48	31	34
Hong Kong	39	36	45	59	64	51	56	76	51	97
	312	376	439	557	704	1,172	1,012	1,325	993	1,210

Breakdown of Total Volume by Channel

	Mainland China 2012	HK 2012	Taiwan 2012	USA 2012	Total 2012
Modern Trade	23%	37%	74%	67%	31%
General Trade	25%	11%	23%	7%	22%
Other channels	52%	52%	3%	26%	47%
	100%	100%	100%	100%	100%

Breakdown of Total Volume by Category

	2012	2011
Sparkling	59%	60%
Juice	16%	19%
Tea	3%	4%
Other still (excluding water)	3%	4%
Water	19%	13%
	100%	100%

MARINE SERVICES DIVISION

OVERVIEW OF THE BUSINESS

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

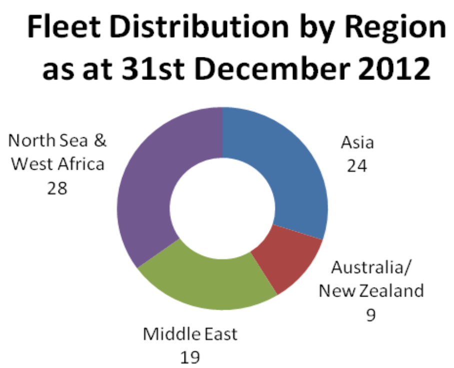
SPO:

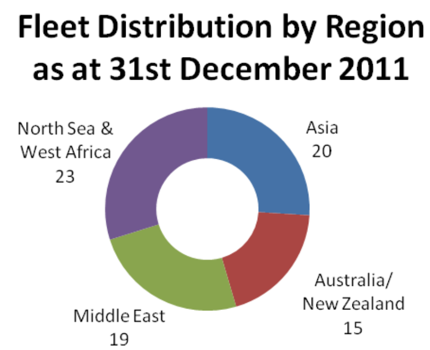
SPO's Fleet:
At 31 December 2012, SPO was operating a fleet of 80 offshore support vessels. SPO's expansion plan involves building larger, more highly specialised vessels capable of operating in deeper waters, where demand for offshore services is expected to be greatest.

The fleet comprises three main segments, being anchor handling tug supply vessels ("AHTS"), platform supply vessels ("PSVs") and construction and specialist vessels ("CSVs"). The CSVs include inspection, maintenance and repair vessels ("IMRs"), seismic survey vessels, wind farm installation vessels and accommodation barges.

SPO can support drilling, production, exploration, pipe-laying, subsea construction and floating production storage and offloading operations. SPO and its subsidiaries can also carry out seismic survey support, marine salvage, oil spill preparedness and response, offshore wind farm construction and servicing, oil rig decommissioning, subsea remotely operated vehicle support and supply base logistics.

Except for vessels committed to long-term charters, SPO's operating fleet can be easily relocated from one operating region to another to take advantage of more attractive employment opportunities.





	2012	**%**	2011	%
Asia	**24**	**30%**	20	26%
Australia/New Zealand	**9**	**11%**	15	19%
Middle East	**19**	**24%**	19	25%
North Sea and West Africa	**28**	**35%**	23	30%
Total	**80**	**100%**	77	100%

Four older vessels were sold in 2012 and SPO took delivery of seven new vessels. There were 80 vessels in the fleet as at 31st December 2012 and there are another 26 new vessels on order or under construction.

SPO – Fleet Size Growth

Vessel class	2011	Additions 2012	Disposals 2012	Year-end 2012	Vessels expected to be received in: 2013	2014	2015
Anchor Handling Tug Supply Vessels	51	-	4	47	-	-	-
Large Anchor Handling Tug Supply Vessels	15	-	-	15	5	4	-
Platform Supply Vessels	8	-	-	8	-	2	4
Large Platform Supply Vessels	1	2	-	3	1	6	2
Construction and Specialist Vessels	2	5	-	7	2	-	-
	77	**7**	**4**	**80**	**8**	**12**	**6**

* SPO's fleet includes one PSV and one CSV chartered from external parties.

In January 2012, SPO acquired a 70% controlling interest in Altus Logistics Pte Ltd ("Altus Logistics"), a Singapore-based logistics group working in the oil and gas industry. In February 2012, SPO acquired a 100% interest in Seabed AS. This company, which has been renamed Swire Seabed AS ("Swire Seabed"), owned an IMR vessel. In May 2012, Swire Seabed chartered a second IMR vessel from a third party for five years. In November 2012, Swire Seabed committed to purchase a third IMR vessel, which is expected to be delivered in the second quarter of 2013.

In March 2012, SPO exercised an option to purchase a Large PSV which was previously chartered from a third party and at the same time purchased a sister vessel, which had recently been built at the same shipyard. Another sister vessel was purchased in the second half of the year and a fourth sister vessel was delivered in January 2013.

In June 2012, SPO acquired the 19.9% interest in Lamor Swire Environmental Solutions Pte Ltd that it did not already own. This company has been renamed Swire Emergency Response Services Pte Ltd.

In the second half of 2012, SPO took delivery of two wind farm installation vessels and one accommodation barge.

<u>SPO's Geographical Distribution:</u>

SPO is headquartered in Singapore, with shore support for its vessels provided by outport offices in Angola, Australia, Brazil, Brunei, Cameroon, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Malaysia, New Zealand, Norway, Qatar, Philippines, Russia, Scotland and the United Arab Emirates. Altus Logistics provides logistics to customers from offices in Australia, Indonesia, Malaysia, Norway, Singapore, the USA and Vietnam.

SPO's Competitors and Customers:

Competitors: The industry has approximately 1,300 offshore support vessel owners. The main operators are:	SPO's Principal Customers:
- Tidewater Marine - Bourbon - Edison Chouest - Gulfmark Offshore - Maersk - Farstad Shipping	- Oil Majors (ENI, ExxonMobil, Shell, Total, BP, Chevron, ConocoPhillips) - National oil companies (PTSC, Petronas, Petrobras, PTTEP) - Independent exploration companies (Anadarko, Apache, Cairn Newfield, Pioneer) - Construction and subsea companies (Leighton Contractors, McDermott, Saipem, Subsea 7) - Seismic and survey companies (WesternGeco, CGG)

HUD:

HUD, a joint venture between Hutchison Whampoa and Swire Pacific, is a leading provider of ship repair, harbour towage and salvage services from its facilities on Tsing Yi Island in Hong Kong. HUD has two main business units:

- Ship Repair – HUD provides 24-hour ship repair from a floating dock.
- Salvage and Towage – Hongkong Salvage & Towage ("HKST") is the largest towage operator in Hong Kong, operating 15 tugs and providing 24-hour service in Hong Kong. HKST manages six container vessels which are on long-term contracts to transport refuse for the Hong Kong Government.

STRATEGY:

The principal strategic objective of the Marine Services Division is to maintain and strengthen SPO's position as a leader in the offshore energy supply industry. The strategies employed in order to achieve this objective are these:

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

IMPLEMENTING STRATEGIES:	**2012 PERFORMANCE:**
Fleet – The key objective is to strengthen SPO's fleet by making it more diverse and reducing the average age of the vessels. A more diverse and younger fleet helps SPO to meet the needs of its customers by offering modern vessels capable of providing a wide range of offshore support services. Increased investment in vessels designed to operate in deeper waters means that SPO is well placed in the market where the fastest growth in oil and gas exploration is expected. Customers expect a modern, reliable fleet. SPO's investments in new vessels and the retiring of older vessels has reduced the average age of its tonnage by over a third in the past ten years.	**Capital Expenditure: HK$5.6bn** **Fleet Size: 4% growth** **Average Age of Vessels at Year-end: 8.5 years**
Charter hire revenue – SPO aims to maximise its charter hire revenue, which is its primary source of revenue. Charter hire revenue depends on demand for and supply of tonnage and on utilisation and current charter hire rates (which are themselves a product of demand and supply but also vary significantly between vessel classes and operating regions). SPO aims to deploy its vessels where demand and charter hire rates are expected to be strongest and to offer specialised offshore services in order to maximise its revenue.	**Charter Hire Revenue: 18% growth (10% growth excluding new acquisitions)** **Average Charter Hire Rates: +USD1,773 per day**
Fleet utilisation – SPO aims to maintain a high fleet utilisation rate by reducing the number of days that vessels are unavailable. Low utilisation rates can occur as a result of a lack of demand or because vessels are unavailable due to repairs and maintenance (a modern fleet helps in this regard).	**Average Utilisation Rate: +4% pts**
Operating costs – While SPO seeks to maximise its revenues, it is also important that operating costs are kept low to maintain margins. SPO's principal operating costs are manning costs, repair and maintenance costs and depreciation of vessels.	**Operating Costs: 40% increase (9% increase excluding new acquisitions)**
Health and Safety – Customers are increasingly risk averse and demand high standards of health and safety and operational excellence. SPO already has a strong reputation in the market for being a safe and reliable operator, but it constantly seeks to do more and places great emphasis on safety and training.	**Lost Time Injury Rate: 10% increase** **Average Training Hours:* 8% increase**

* Average training hours represents seafarer health and safety training hours per year.

2012 PERFORMANCE

Marine Services Division – Financial Highlights

	2012 HK$M	2011 HK$M
Swire Pacific Offshore group		
Charter hire revenue	**3,870**	3,291
Non-charter hire revenue	**994**	214
Turnover	**4,864**	3,505
Charter hire related operating profit	**665**	642
Non-charter hire related operating profit	**325**	177
Operating profit	**990**	819
Attributable profit	**917**	785
Share of post-tax profits from jointly controlled companies		
HUD group	**58**	78
Attributable profit	**975**	863

Marine Services Division – Fleet Size

	2012	2011
Fleet size (number of vessels)		
Swire Pacific Offshore group	**80**	77
HUD group - Hongkong Salvage & Towage	**21**	19
Total	**101**	96

Swire Pacific Offshore Group

OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Exploration and production spending increased by an average of 13% per annum in 2011 and 2012 as oil companies, against a background of rising oil prices, increased exploration and production activity. As a result, demand for offshore services increased in 2012 and this was reflected in higher utilisation of vessels. However, the over-supply of tonnage entering the industry continued to restrict the recovery in charter hire rates.

The move by energy companies towards exploration in deeper waters continued in 2012, as did demands by national governments for local participation in offshore supply vessel contracts. Brazil and West Africa continued to be important growth areas.

2012 RESULTS SUMMARY

SPO reported an attributable profit of HK$917 million in 2012, an increase of 17% compared to 2011. Excluding the profit of HK$79 million on disposal of seven vessels in 2011 and the profit of HK$23 million on disposal of four vessels in 2012, the attributable profit increased by 27% compared to 2011.

Charter hire revenue increased by 18% to HK$3,870 million in 2012. Of the increase, HK$343 million was contributed by new vessels delivered in 2011 and 2012, and HK$230 million was contributed by Swire Seabed, acquired in 2012. Fleet utilisation improved by four percentage points to 90% and average charter hire rates rose by 10% to USD19,800 per day.

Non-charter hire income increased by HK$780 million to HK$994 million, of which HK$601 million was due to the inclusion of revenue from Altus Logistics, acquired in 2012. HK$77 million was due to higher revenue from SPO's salvage business, which carried out a number of challenging salvage operations in 2012.

Total operating costs increased by HK$1,105 million, mainly due to the inclusion of costs from Swire Seabed and Altus Logistics, which accounted for 77% of the increase. Excluding the effect on operating profit from the two new acquisitions, the operating profit margin would have increased by 1.5 percentage points.

FLEET EXPANSION

Total capital expenditure on new vessels and other fixed assets in 2012 was HK$5,583 million, compared to HK$2,992 million in 2011. The main expenditure was on the two wind farm installation vessels which were delivered during the year.

SPO committed to purchase 27 vessels in 2011. The commitment to acquire ten PSVs was converted to an order for six PSVs and two Large PSVs. One of the Large PSVs was delivered in 2012 and the other is expected to be delivered in 2013. The six smaller PSVs will be delivered in 2014 and 2015.

The shipyard with which SPO contracted to build three Large AHTS vessels could not perform the contracts. SPO has entered into a contract with another shipyard to complete the first such vessel, which is expected to be delivered in 2013. SPO intends to include the remaining two vessels in a later newbuilding programme.

SPO took delivery of two wind farm installation vessels and the first of two accommodation barges in the second half of 2012. The second accommodation barge was delivered in January 2013. SPO has committed to purchase an additional IMR vessel of a similar size to the existing IMR vessels, which is expected to be delivered in 2013.

At 31st December 2012, SPO had total capital expenditure commitments of HK$10,301 million (31st December 2011: HK$13,469 million).

These commitments reflect SPO's strategy of focusing a large part of its new building programme on vessels capable of operating in deeper waters where demand is expected to be greatest and in improving the balance of PSVs to AHTS vessels within its fleet.

OUTLOOK

The price of oil is expected to remain high in 2013 leading to a further increase in exploration and production commitments by energy companies. In turn, demand for offshore support vessels is expected to improve, but the over-supply of tonnage in the industry will continue to restrict charter hire rates until it has been absorbed by the market.

In the longer-term, depletion of reserves and increasing consumption of oil and gas are expected to intensify the trend to increased exploration by energy companies in deeper waters. Brazil and West Africa are expected to be growth areas, as are Mexico, Australia, China and the Philippines. Barriers to entry to certain markets may increase as national governments demand more local participation.

To address these industry trends, SPO has taken steps to develop a fleet which is balanced, flexible and supported by a strong network of regional offices and complementary businesses. The two wind farm installation vessels will begin their first projects in Europe and are contracted for the balance of 2013. The IMR business will continue to expand with the delivery of a third IMR vessel and SPO will have two accommodation barges providing floating hotel services to those working on offshore projects. An additional five Large AHTS vessels, capable of operating in deep water, are expected to be delivered in 2013. Together these vessels represent a significant development in SPO's fleet, which was previously characterised by small and medium AHTS vessels, and give SPO the capability and capacity to strengthen its position as a leader in the offshore marine support industry.

SPO - Profile of Capital Commitments (HK$M)

	Expenditure					**Commitments**
	2012	2013	2014	2015	2016	**at 31st Dec 2012**
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**2,855**	4,835	2,957	1,490	42	**9,324**
Construction and Specialist Vessels	**2,647**	741	-	-	-	**741**
Other fixed assets	**81**	187	38	10	1	**236**
Total	**5,583**	5,763	2,995	1,500	43	**10,301**

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

Year category	Dec 2003	Dec 2004	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016
0-5	18	17	19	28	33	33	27	29	27	30	31	39	39	31
6-10	6	9	10	10	10	15	18	19	29	25	26	28	31	29
11-15	-	-	-	-	-	3	8	10	10	15	18	16	19	29
16-20	4	2	2	1	1	-	-	2	2	5	6	10	10	10
21-25	26	24	23	14	11	3	2	1	-	-	-	-	-	-
26-30	1	2	2	9	8	14	14	14	5	1	-	-	-	-
31-35	-	-	-	-	-	1	1	1	4	4	2	1	-	-
36-40	-	-	-	-	-	-	-	-	-	-	1	1	1	1
Total	55	54	56	62	63	69	70	76	77	80	84	95	100	100
Average age	13.9	13.9	14.0	12.4	11.0	10.4	10.8	11.1	9.2	8.5	7.9	7.6	7.9	8.9

** Includes two vessels chartered from external parties.*

2. SPO – Charter Hire Revenue by Vessel Class

Vessel Class	**2012 HK$M**	**2012 %**	2011 HK$M	2011 %
Anchor Handling Tug Supply Vessels	**1,717**	**44%**	1,615	49%
Large Anchor Handling Tug Supply Vessels	**993**	**26%**	946	29%
Platform Supply Vessels	**607**	**16%**	580	18%
Large Platform Supply Vessels	**165**	**4%**	15	0%
Construction and Specialist Vessels	**388**	**10%**	135	4%
Total	**3,870**	**100%**	3,291	100%

3. SPO – Lost Time Injury Rate (2003 – 2012)

YEAR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
SPO LTIR	0.32	0.19	0.09	0.06	0.11	0.27	0.14	0.14	0.15	0.16
ISOA LTIR (2012 data not available)	0.24	0.20	0.14	0.14	0.29	0.23	0.10	0.11	0.12	N.A.

4. SPO – Average Utilisation Rates (2003 – 2012)

YEAR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average utilisation rate	86%	88%	91%	94%	92%	91%	89%	80%	86%	90%

Hongkong United Dockyards ("HUD") Group

INDUSTRY BACKGROUND

Over supply of tonnage continued to depress the shipping industry in 2012. Larger generation container ships are being launched which HUD's dockyard is too small to handle. Hong Kong is still a major regional container port. But some Mainland China container ports are starting to handle more cargo than Hong Kong.

2012 RESULTS SUMMARY

The attributable profit of the HUD group for 2012 was HK$58 million compared to HK$78 million in 2011.

The ship repair division recorded a loss (before tax and interest and on a 100% basis) for 2012 of HK$61 million, compared with a loss of HK$5 million in 2011. Demand for ship repair services was weak, reflecting the weakness of the shipping industry. The division was unable to handle the new larger generation container ships. Operating costs increased because of a shortage of skilled labour in Hong Kong.

In 2012, HKST's profit (before tax and interest and on a 100% basis) was HK$187 million, compared with the corresponding 2011 figure of HK$210 million. Against a weak shipping industry background, there were 9% fewer tug moves in 2012 than in 2011.

The final two (of an order of four) 5,000 bhp tugs were delivered during the year and became operational by July 2012.

OUTLOOK

The ship repair division will continue to be affected by the weakness of the shipping industry, by its inability to handle the new larger generation container ships and by high operating costs caused by labour shortages. The results of the ship repair division are not expected to improve in 2013. HKST expects to maintain its market share in 2013 and to increase its revenues from work generated by infrastructure projects in Hong Kong and from ocean going work.

J B Rae-Smith

REVIEW OF OPERATIONS

TRADING & INDUSTRIAL DIVISION

OVERVIEW OF THE BUSINESS

The Trading & Industrial Division has interests in the following wholly-owned companies and jointly controlled companies:

- Swire Resources group – distribution and retailing of sports and casual footwear and apparel in Hong Kong and Mainland China
- Taikoo Motors group – distribution and retailing of motor vehicles in Taiwan and Hong Kong
- Swire Foods:
  - (i) Taikoo Sugar – packaging and selling sugar in Hong Kong and Mainland China
  - (ii) Campbell Swire – manufacture and distribution of soup and broth products in Mainland China
- Swire Pacific Cold Storage group – provision of cold storage and warehousing services in Mainland China
- Akzo Nobel Swire Paints – manufacture and distribution of paint in Mainland China and Hong Kong

Swire Resources Group:

Swire Resources retails and distributes sports and casual footwear, apparel and related accessories. It operates 175 retail outlets in Hong Kong and 134 retail outlets in Mainland China. There are 215 single brand outlets and 94 multi-brand outlets, the latter operating under the Marathon Sports, GigaSports, Catalog, d2r and Actif names.

Swire Resources distributes the following brands of sports and casual footwear, apparel and related accessories: Aerosoles, Arena, Cath Kidston, Chevignon, Columbia, DKNY, Jockey, Montrail, Mountain Hardwear, Penguin, Repetto, Rockport, Sorel, Speedo, Surf-Siders, Teva and UGG.

Taikoo Motors Group:

Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. It is the principal distributor in Taiwan for Volkswagen and Škoda cars, Volkswagen light commercial vehicles, Volvo trucks and buses, Harley-Davidson motorcycles and Vespa scooters. In Hong Kong and Macau, it is the principal importer and distributor of FIAT and Alfa Romeo passenger cars, and Volvo, UD and Renault trucks.

Swire Foods:

(i) Taikoo Sugar:

Taikoo Sugar packages and sells sugar in Hong Kong and Mainland China under the Taikoo Sugar brand. It is the market leader in packaged sugar in the retail, catering and industrial sectors in Hong Kong. In Mainland China, it operates two packaging plants. It also exports sugar to Southeast Asia, the Middle East and North America, and sells tea, coffee, salt and pepper in Hong Kong and Mainland China.

(ii) Campbell Swire:

Campbell Swire is a joint venture with The Campbell Soup Company which manufactures and distributes soup and broth products in Mainland China. The joint venture has a manufacturing plant in Xiamen. Swire Foods has a 40% interest in the venture.

Swire Pacific Cold Storage Group:

Swire Pacific Cold Storage was established in 2010. A 60% equity interest in a company which operates a cold storage facility in Guangzhou was acquired in September 2012 from John Swire & Sons Pty Ltd, a wholly-owned subsidiary of John Swire & Sons Limited, the ultimate holding company of the Company. In the second half of 2012, land was acquired in Shanghai and Hebei on which cold storage facilities will be built. In the first quarter of 2013, two more sites were acquired (in Nanjing and Ningbo) on which cold storage facilities will be built. These four cold storage facilities are expected to open in 2014.

Akzo Nobel Swire Paints:

Akzo Nobel Swire Paints is a joint venture with Akzo Nobel which manufactures and distributes decorative paints, primarily under the Dulux brand, in Mainland China and Hong Kong. The joint venture has manufacturing plants in Guangzhou, Shanghai and Hebei.

STRATEGY:

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

- Strengthening the capability of Swire Resources in branded sports and apparel goods, particularly in the Greater China region and including by expanding the range and quality of those branded goods and by increasing the number of retail outlets operated by Swire Resources.
- Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to the portfolio of brands represented.
- Expanding Taikoo Motors' capability into other motor-related businesses and into other parts of Asia.
- Increasing the volume and broadening the range of products sold by Swire Foods.
- Establishing a network of cold storage and logistics businesses in Mainland China.
- Expanding the distribution network of Akzo Nobel Swire Paints in smaller cities and towns in Mainland China.

IMPLEMENTING STRATEGIES:	**2012 PERFORMANCE:**
Distribution – A key objective of each business in the Trading & Industrial Division is to strengthen its distribution capability so as to make its products available to more people. Swire Resources aims to open new retail outlets, particularly in Mainland China, where there are greater opportunities for growth than in Hong Kong. Swire Resources and Taikoo Motors aim to increase the number of brands which they distribute. Taikoo Sugar and Akzo Nobel Swire Paints aim to distribute their products in more cities in Mainland China.	**Number of Retail Outlets: +40** **Number of New Brands Sold: +1** **Expansion Into New Cities: +14**

Turnover – Strengthening the distribution capability of each business is expected to lead to sales volume growth. The extent to which sales volume growth is translated into revenue growth will depend on the ability of each business to raise prices, reduce discounting and sell a higher proportion of more expensive goods. The extent to which this is possible depends largely on the state of the economies in which the businesses operate, consumer habits, competition and resistance by consumers to price increases.	**Vehicles Sold: 10% growth** **Sugar Sold: 1% growth** **Revenue: 12% growth**
Cost of Sales – The businesses of the Trading & Industrial Division aim to reduce the costs of selling their products. Taikoo Sugar aims to ensure that suppliers of sugar provide a high quality product in a cost efficient manner. Swire Resources aims to minimise costs associated with renting premises.	**Gross Margin: 1% pt increase** **Operating Costs: 20% increase**
People – Employees are key to the businesses of the Trading & Industrial Division. The Trading & Industrial Division believes that proper treatment of employees is an essential part of conducting a sustainable business. The businesses of the Trading & Industrial Division aim to build highly-trained teams, keep staff motivated, reduce staff turnover and adopt safe working practices.	**Average Training Hours:* 25% decrease** **Staff Turnover: 1% pt increase**

* Average training hours represents training hours per employee per year.

2012 PERFORMANCE

Trading & Industrial Division - Financial Highlights

	2012 HK$M	2011 HK$M (Restated)
Turnover		
Swire Resources group	**3,584**	2,914
Taikoo Motors group	**5,763**	5,336
Taikoo Sugar	**738**	732
Other subsidiary companies	**3**	-
	10,088	8,982
Operating profits/(losses)		
Swire Resources group	**182**	192
Taikoo Motors group	**120**	121
Taikoo Sugar	**7**	(2)
Swire Pacific Cold Storage group	**(24)**	(17)
Other subsidiary companies and central costs	**(14)**	(16)
	271	278
Attributable profits/(losses)		
Swire Resources group*	**143**	149
Taikoo Motors group	**87**	93
Taikoo Sugar	**3**	(3)
Swire Pacific Cold Storage group^	**(22)**	(18)
Other subsidiary companies and central costs	**(14)**	(12)
	197	209

* Including post-tax profits from a jointly controlled company within the Swire Resources group shown below.

^ Including post-tax profits from a jointly controlled company within the Swire Pacific Cold Storage group shown below.

	2012 HK$M	2011 HK$M (Restated)
Share of post-tax profits/(losses) from jointly controlled companies		
Swire Resources group	**3**	2
Campbell Swire	**(82)**	(69)
Swire Pacific Cold Storage group	**3**	-
Akzo Nobel Swire Paints	**138**	130
Other jointly controlled companies	**(6)**	-
	56	63
Attributable profit (excluding profit on sale of interest in PUMA)	**247**	270
Profit on sale of interest in PUMA	**-**	148
Attributable profit	**247**	418

Note: The results of the Campbell Swire joint venture (which were previously included in the results of the Beverages Division) have been included in the results of the Trading & Industrial Division from 2012. As a result, the 2011 comparative results for the division have been restated from those in the Group's 2011 statutory accounts.

INDUSTRY BACKGROUND

Retailing in Mainland China and Hong Kong – The growth of retail sales slowed in Hong Kong and Mainland China in 2012. More visitors came to Hong Kong from Mainland China but they spent less. The slowdown in Mainland China was in line with the Mainland China economy generally.

Car sales in Taiwan and Hong Kong – Car registrations in Taiwan decreased by 4% to 360,481 units in 2012. Car registrations in Hong Kong increased by 3% to 36,837 units in 2012.

Sugar sales in Mainland China and Hong Kong – The total amount of sugar sold in Mainland China increased by 3% to 30,864 million pounds in 2012. Sugar sales in Hong Kong in 2012 were little changed, at approximately 331 million pounds.

Soup market in Mainland China – Ready to consume soups and broths are a new concept in Mainland China, which has high consumption per capita of home-made soup. The Trading & Industrial Division is investing in this industry as it believes that the development of a commercial soup market in Mainland China represents a good business opportunity.

Cold storage in Mainland China – There are concerns about the safety and quality of food in Mainland China. Foreign investment in the cold storage industry is welcomed. The Trading & Industrial Division is investing in this industry accordingly.

Paint market in Mainland China and Hong Kong – Total sales of decorative paints in Mainland China increased by 2% to 2,636 million litres in 2012, reflecting a small increase in residential property construction and in demand for decorative paints. In Hong Kong, decorative paint sales fell 11% to 12 million litres in 2012, reflecting a reduction in residential property construction.

2012 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2012 decreased by 41% to HK$247 million. Excluding the gain of HK$148 million on disposal of the Group's interest in PUMA in January 2011, attributable profit decreased by 9% or HK$23 million. The decrease principally reflected weaker results from Swire Resources and Taikoo Motors, increased losses from Campbell Swire and costs associated with new business development.

Swire Resources Group

Excluding the gain on disposal of the Group's interest in PUMA in 2011, attributable profit decreased by 4% in 2012 to HK$143 million. Results from the distribution of Columbia products were good. However, the effect of this was more than offset by expenditure on developing the new Chevignon business and higher occupancy and staff costs.

Turnover in Hong Kong was 22% higher than in 2011. Retail sales benefited from demand from visitors from Mainland China and the new Chevignon business. Gross margins remained broadly the same as in 2011. Higher occupancy and staff costs reduced net margins.

Turnover increased by 31% in Mainland China. This principally reflected increased sales of Columbia and Chevignon products. Gross margins declined because lower margin wholesale sales accounted for a higher proportion of total sales and there were more promotions and discounting.

Taikoo Motors Group

Attributable profit in 2012 was HK$87 million, compared to HK$93 million in 2011. This decrease in attributable profit reflected weaker results from the retail business and the costs of developing a new commercial vehicles business in Hong Kong and a new dealership business in Mainland China.

Turnover increased by 8% in 2012. This principally reflected higher sales of cars and commercial vehicles, particularly in Taiwan. The FIAT and Alfa Romeo businesses in Hong Kong did well. Gross margins improved because of a favourable product mix.

Taikoo Motors sold 17,441 cars and commercial vehicles in 2012, 8% more than in 2011.

Volkswagen passenger car sales in Taiwan increased by 2% in 2012 to 10,547 units.

1,943 Škoda cars were sold in Taiwan in 2012, compared with 2,047 in 2011.

Taikoo Motors took responsibility for sales of FIAT and Alfa Romeo passenger cars in Hong Kong in the second half of 2011. 236 cars were sold in that year. 687 cars were sold in 2012.

2,401 Volkswagen light commercial vehicles were sold in Taiwan in 2012, 16% more than in 2011.

Sales of Volvo commercial vehicles in Taiwan increased by 46% compared to 2011. 362 Volvo trucks and buses were sold in the year.

In April 2012, Taikoo Motors started to assemble Volvo trucks in Taiwan. 220 Volvo trucks were assembled in the year.

Sales of Volvo trucks started in Hong Kong in June 2012. 132 Volvo trucks were sold in the year.

Sales of Harley-Davidson motorcycles continued to grow. 504 motorcycles were sold in Taiwan in 2012, an increase of 1% from 2011.

Sales of Vespa scooters started in Taiwan in April 2011. 1,507 scooters were sold in that year. In 2012 1,886 scooters were sold.

At the end of 2012, Taikoo Motors operated 22 showrooms and 16 service centres in Taiwan and two showrooms and two service centres in Hong Kong.

Swire Foods

Taikoo Sugar

Taikoo Sugar reported an attributable profit of HK$3 million in 2012, compared with a loss of HK$3 million in 2011.

Taikoo Sugar sold 17.2 million pounds of sugar to retail and catering users in Hong Kong, an increase of 6% compared with 2011. In Mainland China, Taikoo Sugar sold 28.1 million pounds of sugar in 2012, an increase of 8% compared with 2011. The increase reflected expansion of the distribution network in Mainland China. Turnover in Mainland China was 24% higher than in 2011, reflecting both volume and price increases. Margins benefited from a decrease in average sugar costs. Taikoo Sugar sold sugar in 102 cities in Mainland China at the end of 2012. In order to expand the business in Mainland China, a third plant (in Chengdu) will start operations shortly.

Campbell Swire

The joint venture with The Campbell Soup Company manufactures, sells and distributes soup and broth products in Mainland China under the Campbell's and Swanson brands. Initial volume growth has been slow, as might be expected for what is a new concept in Mainland China. An attributable loss of HK$82 million was recorded in 2012. This was in line with expectations.

Cold Storage

Swire Pacific Cold Storage recorded an attributable loss of HK$22 million in 2012 compared to a loss of HK$18 million in 2011. This principally reflected the costs of developing new cold stores in Shanghai and Hebei. These costs were partly offset by an attributable profit of HK$3 million from the 60% interest in Guangdong Swire Cold Chain Logistics Co. Ltd. which was acquired in September 2012.

Akzo Nobel Swire Paints

Attributable profit for 2012 was HK$138 million, compared to HK$130 million in 2011.

Sales volume in Mainland China grew by 12% from 2011. Lower average material costs resulted in increased gross margins. But the beneficial effect of this was partially offset by higher operating costs, in particular, staff and selling and distribution costs. Akzo Nobel Swire Paints distributed paint in 603 cities in Mainland China at the end of 2012.

OUTLOOK

The outlook for Swire Resources in 2013 depends principally on the growth of retail sales in Hong Kong and the performance of the Columbia wholesale business in Mainland China. The outlook for retail sales in Hong Kong will depend on the growth in the number of visitors to Hong Kong from Mainland China. In any event, increased staff and rental costs are likely to put pressure on profit margins.

The outlook for Taikoo Motors depends principally on the economic outlook for Taiwan and its effect on the sales of cars and commercial vehicles. The Volkswagen group plans to set up a national sales company in Taiwan. There will be a transitional period up to the end of 2014 (subject to fulfilment of certain conditions) for Taikoo Motors to cease to be the Volkswagen importer in Taiwan. Taikoo Motors will focus on the development of its dealer network and other motor-related businesses in Taiwan and elsewhere in Asia. It will also continue to seek to broaden its geographical coverage by developing businesses in Mainland China and Malaysia. The costs of developing sales and of expanding showrooms are expected to increase.

Swire Foods intends to start selling hot cereals and dried fruits.

Taikoo Sugar is increasing the number of cities in which it sells its products in Mainland China and expects to increase the volume of sales in 2013.

Campbell Swire will increase the number of products which it sells and expects solid but gradual growth in retail and catering sales.

Swire Pacific Cold Storage will be principally engaged in constructing its four new cold stores in Mainland China and in acquiring suitable sites for more cold stores in Mainland China.

Akzo Nobel Swire Paints expects to continue to expand its network in Mainland China in 2013.

The results of the division as a whole are likely to continue to be affected by the cost of new business development.

J B Rae-Smith

FINANCIAL REVIEW

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties. There is also an analysis of the effect of other significant non-recurring items.

Underlying profit		**2012**	2011
	Note	**HK$M**	HK$M
Profit attributable to the Company's shareholders per accounts		**17,484**	32,210
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(12,739)**	(23,491)
Deferred tax on investment properties	(b)	**661**	523
Realised profit on sale of investment properties	(c)	**763**	7,977
Depreciation of investment properties occupied by the Group	(d)	**20**	27
Non-controlling interests' share of adjustments		**2,155**	46
Underlying profit attributable to the Company's shareholders		**8,344**	17,292
Other significant items:			
Profit on sale of interest in Festival Walk		**-**	(8,615)
Profit on sale of investment properties		**(651)**	-
Profit on sale of interest in PUMA		**-**	(148)
Loss/(profit) on sale of property, plant and equipment and other investments		**135**	(91)
Net impairment of property, plant and equipment, leasehold land and intangible assets		**82**	290
Adjusted underlying profit		**7,910**	8,728
Underlying equity			
Equity attributable to the Company's shareholders per accounts		**208,738**	227,559
Deferred tax on investment properties		**3,236**	3,284
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**1,423**	912
Revaluation of investment properties occupied by the Group		**1,036**	997
Cumulative depreciation of investment properties occupied by the Group		**58**	63
Underlying equity attributable to the Company's shareholders		**214,491**	232,815
Underlying non-controlling interests		**40,961**	4,961
Underlying equity		**255,452**	237,776

Notes:

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

(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by jointly controlled and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

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

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

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

Consolidated Income Statement
For the year ended 31st December 2012

	Note	2012 HK$M	2011 HK$M
Turnover	2	**43,859**	36,286
Cost of sales		**(24,923)**	(21,359)
Gross profit		**18,936**	14,927
Distribution costs		**(4,406)**	(3,959)
Administrative expenses		**(3,236)**	(3,084)
Other operating expenses		**(348)**	(250)
Profit on sale of interests in associated and jointly controlled companies		**-**	149
Other net gains		**194**	870
Change in fair value of investment properties		**12,147**	22,771
Operating profit	3	**23,287**	31,424
Finance charges		**(1,988)**	(1,687)
Finance income		**191**	77
Net finance charges	4	**(1,797)**	(1,610)
Share of profits less losses of jointly controlled companies		**1,647**	1,801
Share of profits less losses of associated companies		**607**	2,570
Profit before taxation		**23,744**	34,185
Taxation	5	**(2,289)**	(1,630)
Profit for the year		**21,455**	32,555
Profit for the year attributable to:			
The Company's shareholders		**17,484**	32,210
Non-controlling interests		**3,971**	345
		21,455	32,555
Cash dividends			
First Interim - paid		**1,505**	1,730
Special Interim - paid		**-**	4,514
Second Interim - declared/paid		**3,761**	3,536
Special interim dividend by way of a distribution in specie		**31,589**	-
	6	**36,855**	9,780
		HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	7		
'A' shares		**11.62**	21.41
'B' shares		**2.32**	4.28

Consolidated Statement of Comprehensive Income
For the year ended 31st December 2012

	2012 HK$M	2011 HK$M
Profit for the year	**21,455**	32,555
Other comprehensive income		
Cash flow hedges		
- gains recognised during the year	**86**	88
- transferred to net finance charges	**(19)**	5
- transferred to operating profit - exchange differences	**33**	-
- transferred to initial cost of non-financial assets	**(56)**	1
- deferred tax	**13**	(46)
Net fair value changes on available-for-sale assets		
- gains/(losses) recognised during the year	**153**	(100)
- transferred to operating profit	**-**	(3)
Revaluation of property previously occupied by the Group		
- gains recognised during the year	**54**	188
- deferred tax	**(9)**	-
Share of other comprehensive income of jointly controlled and associated companies	**860**	208
Net translation differences on foreign operations	**215**	698
Other comprehensive income for the year, net of tax	**1,330**	1,039
Total comprehensive income for the year	**22,785**	33,594
Total comprehensive income attributable to:		
The Company's shareholders	**18,767**	33,142
Non-controlling interests	**4,018**	452
	22,785	33,594

Consolidated Statement of Financial Position
at 31st December 2012

	Note	2012 HK$M	2011 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**33,641**	27,288
Investment properties		**205,588**	191,805
Leasehold land and land use rights		**998**	969
Intangible assets		**4,509**	4,270
Properties held for development		**188**	124
Jointly controlled companies		**20,969**	18,866
Associated companies		**27,946**	27,145
Available-for-sale assets		**340**	188
Long-term other receivables		**17**	6
Derivative financial instruments		**643**	785
Deferred tax assets		**338**	305
Retirement benefit assets		**637**	600
		295,814	272,351
Current assets			
Properties for sale		**6,910**	6,810
Stocks and work in progress		**3,860**	3,287
Trade and other receivables	8	**8,835**	6,275
Derivative financial instruments		**31**	18
Cash and cash equivalents		**5,888**	3,707
Short-term deposits		**310**	215
		25,834	20,312
Current liabilities			
Trade and other payables	9	**14,376**	14,179
Taxation payable		**873**	557
Derivative financial instruments		**49**	207
Bank overdrafts and short-term loans		**1,918**	1,333
Long-term loans and bonds due within one year		**5,508**	8,750
		22,724	25,026
Net current assets/(liabilities)		**3,110**	(4,714)
Total assets less current liabilities		**298,924**	267,637
Non-current liabilities			
Perpetual capital securities		**2,325**	2,331
Long-term loans and bonds		**40,917**	27,237
Receipt in advance from an associated company		**48**	58
Derivative financial instruments		**125**	119
Deferred tax liabilities		**5,757**	5,050
Deferred profit		**114**	108
Retirement benefit liabilities		**304**	258
		49,590	35,161
NET ASSETS		**249,334**	232,476
EQUITY			
Share capital	10	**903**	903
Reserves	11	**208,738**	226,656
Equity attributable to the Company's shareholders		**209,641**	227,559
Non-controlling interests		**39,693**	4,917
TOTAL EQUITY		**249,334**	232,476

Consolidated Statement of Cash Flow
For the year ended 31st December 2012

	2012 HK$M	2011 HK$M
Operating activities		
Cash generated from operations	**10,186**	9,204
Interest paid	**(2,053)**	(1,690)
Interest received	**101**	88
Tax paid	**(1,290)**	(913)
	6,944	6,689
Dividends received from jointly controlled and associated companies and available-for-sale assets	**1,337**	2,859
Net cash generated from operating activities	**8,281**	9,548
Investing activities		
Purchase of property, plant and equipment	**(7,183)**	(4,735)
Additions of investment properties	**(2,616)**	(4,993)
Purchase of intangible assets	**(19)**	(28)
Proceeds from disposals of property, plant and equipment	**100**	84
Proceeds from disposals of vessels	**49**	86
Proceeds from disposals of investment properties	**995**	-
Proceeds from disposal of Festival Walk	**-**	18,305
Net cash outflow on disposal of subsidiary companies	**-**	(6)
Purchase of shares in subsidiary companies	**(220)**	(39)
Purchase of shares in jointly controlled companies	**(296)**	(77)
Purchase of shares in associated companies	**(63)**	(1,299)
Purchase of available-for-sale assets	**-**	(3)
Proceeds from disposal of interest in a jointly controlled company	**-**	2
Proceeds from disposal of interest in an associated company	**-**	413
Proceeds from disposals of available-for-sale assets	**-**	22
Loans to jointly controlled companies	**(1,426)**	(2,339)
Repayment of loans by jointly controlled companies	**293**	1,169
Net loans from/to associated companies	**66**	15
Net (increase)/decrease in deposits maturing after more than three months	**(134)**	36
Initial leasing costs incurred	**(115)**	(193)
Net cash (used in)/generated from investing activities	**(10,569)**	6,420
Net cash (outflow)/inflow before financing	**(2,288)**	15,968
Financing activities		
Loans drawn and refinancing	**19,455**	6,998
Repayment of loans and bonds	**(9,129)**	(13,078)
	10,326	(6,080)
Security deposits uplifted	**42**	170
Capital contribution from non-controlling interests	**97**	24
Dividends paid to the Company's shareholders	**(5,041)**	(10,005)
Dividends paid to non-controlling interests	**(954)**	(146)
Net cash generated from/(used in) financing activities	**4,470**	(16,037)
Increase/(decrease) in cash and cash equivalents	**2,182**	(69)
Cash and cash equivalents at 1st January	**3,706**	3,790
Currency adjustment	**(4)**	(15)
Cash and cash equivalents at 31st December	**5,884**	3,706
Represented by:		
Bank balances and short-term deposits maturing within three months	**5,888**	3,707
Bank overdrafts	**(4)**	(1)
	5,884	3,706

1. Segment information

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

Year ended 31st December 2012	External turnover	Inter-segment turnover	Operating profit	Finance charges	Finance income	Share of profits less losses of jointly controlled companies	Share of profits less losses of associated companies	Tax (charge)/ credit	Profit for the year	Profit attributable to the Company's shareholders	Depreciation and amortisation charged to operating profit
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property											
Property investment	9,060	63	6,873	(1,443)	113	146	-	(770)	4,919	4,019	(177)
Change in fair value of investment properties	-	-	12,159	-	-	568	1	(638)	12,090	9,900	-
Property trading	4,147	-	2,395	-	3	(14)	-	(422)	1,962	1,360	(20)
Hotels	781	1	(39)	(40)	-	(40)	160	(29)	12	11	(123)
	13,988	**64**	**21,388**	**(1,483)**	**116**	**660**	**161**	**(1,859)**	**18,983**	**15,290**	**(320)**
Aviation											
Cathay Pacific group	-	-	-	-	-	-	412	-	412	412	-
HAECO group	5,830	-	494	(35)	18	564	-	(132)	909	659	(443)
Others	-	-	(52)	-	-	6	-	-	(46)	(21)	(52)
	5,830	**-**	**442**	**(35)**	**18**	**570**	**412**	**(132)**	**1,275**	**1,050**	**(495)**
Beverages											
Mainland China	1,769	-	(1)	(54)	15	290	33	(46)	237	207	(95)
Hong Kong	2,122	1	217	-	-	-	-	(20)	197	178	(70)
Taiwan	1,500	-	25	(7)	-	-	-	(4)	14	14	(59)
USA	3,824	-	264	-	1	-	-	(100)	165	165	(146)
Central costs	-	-	(22)	-	-	-	-	-	(22)	(22)	-
	9,215	**1**	**483**	**(61)**	**16**	**290**	**33**	**(170)**	**591**	**542**	**(370)**
Marine Services											
Swire Pacific Offshore group	4,864	-	990	(24)	4	-	1	(42)	929	917	(590)
HUD group	-	-	-	-	-	58	-	-	58	58	-
	4,864	**-**	**990**	**(24)**	**4**	**58**	**1**	**(42)**	**987**	**975**	**(590)**
Trading & Industrial											
Swire Resources group	3,584	-	182	-	3	3	-	(53)	135	143	(22)
Taikoo Motors group	5,763	-	120	(8)	2	-	-	(27)	87	87	(55)
Taikoo Sugar	606	132	7	-	-	-	-	(4)	3	3	(2)
Campbell Swire	-	-	-	(6)	-	(76)	-	-	(82)	(82)	-
Swire Pacific Cold Storage	-	-	(24)	-	-	3	-	(1)	(22)	(22)	-
Akzo Nobel Swire Paints	-	-	-	-	-	145	-	(7)	138	138	-
Other activities	3	-	(14)	-	-	(6)	-	-	(20)	(20)	(1)
	9,956	**132**	**271**	**(14)**	**5**	**69**	**-**	**(92)**	**239**	**247**	**(80)**
Head Office											
Net income/(expenses)	6	42	(275)	(1,414)	1,075	-	-	6	(608)	(608)	(2)
Change in fair value of investment properties	-	-	(12)	-	-	-	-	-	(12)	(12)	-
	6	**42**	**(287)**	**(1,414)**	**1,075**	**-**	**-**	**6**	**(620)**	**(620)**	**(2)**
Inter-segment elimination	**-**	**(239)**	**-**	**1,043**	**(1,043)**	-	-	-	-	-	-
Total	**43,859**	**-**	**23,287**	**(1,988)**	**191**	**1,647**	**607**	**(2,289)**	**21,455**	**17,484**	**(1,857)**

Notes: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by Head Office to the business segments is based on market interest rates and the Group’s cost of debt.

1. Segment information (continued)

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

	External turnover	Inter-segment turnover	Operating profit	Finance charges	Finance income	Share of profits less losses of jointly controlled companies	Share of profits less losses of associated companies	Tax (charge)/ credit	Profit for the year	Profit attributable to the Company's shareholders	Depreciation and amortisation charged to operating profit
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Year ended 31st December 2011											
Property											
Property investment	8,591	60	6,781	(1,464)	24	123	-	(759)	4,705	4,695	(170)
Change in fair value of investment properties	-	-	20,179	-	-	676	1	(480)	20,376	20,330	-
Property trading	210	3	(50)	(5)	3	59	-	(3)	4	7	(9)
Hotels	717	-	(93)	(35)	-	(7)	155	(53)	(33)	(33)	(121)
	9,518	**63**	**26,817**	**(1,504)**	**27**	**851**	**156**	**(1,295)**	**25,052**	**24,999**	**(300)**
Aviation											
Cathay Pacific group	-	-	-	-	-	-	2,405	-	2,405	2,405	-
HAECO group	5,171	-	532	(25)	18	435	-	(84)	876	615	(421)
Others	-	-	(52)	-	-	4	-	-	(48)	(21)	(52)
	5,171	**-**	**480**	**(25)**	**18**	**439**	**2,405**	**(84)**	**3,233**	**2,999**	**(473)**
Beverages											
Mainland China	1,854	-	22	(48)	8	355	7	(43)	301	265	(95)
Hong Kong	2,045	1	197	-	-	-	-	(16)	181	164	(64)
Taiwan	1,600	-	28	(6)	-	-	-	(4)	18	18	(59)
USA	3,723	-	303	-	3	-	-	(83)	223	223	(136)
Central costs	-	-	(13)	-	-	-	-	-	(13)	(13)	-
	9,222	**1**	**537**	**(54)**	**11**	**355**	**7**	**(146)**	**710**	**657**	**(354)**
Marine Services											
Swire Pacific Offshore group	3,505	-	819	(5)	2	-	2	(26)	792	785	(479)
HUD group	-	-	-	-	-	78	-	-	78	78	-
	3,505	**-**	**819**	**(5)**	**2**	**78**	**2**	**(26)**	**870**	**863**	**(479)**
Trading & Industrial											
Swire Resources group	2,914	-	192	-	3	2	-	(50)	147	149	(20)
Taikoo Motors group	5,336	-	121	(2)	2	-	-	(28)	93	93	(38)
Taikoo Sugar	612	120	(2)	(1)	-	-	-	-	(3)	(3)	(1)
Campbell Swire*	-	-	(4)	(5)	-	(60)	-	-	(69)	(69)	-
Swire Pacific Cold Storage	-	-	(17)	-	-	-	-	(1)	(18)	(18)	-
Akzo Nobel Swire Paints	-	-	-	-	-	136	-	(6)	130	130	-
Sale of interest in PUMA	-	-	148	-	-	-	-	-	148	148	-
Other activities	-	-	(12)	-	-	-	-	-	(12)	(12)	(1)
	8,862	**120**	**426**	**(8)**	**5**	**78**	**-**	**(85)**	**416**	**418**	**(60)**
Head Office											
Net income/(expenses)	8	40	(247)	(1,245)	1,168	-	-	6	(318)	(318)	(1)
Change in fair value of investment properties	-	-	2,592	-	-	-	-	-	2,592	2,592	-
	8	**40**	**2,345**	**(1,245)**	**1,168**	**-**	**-**	**6**	**2,274**	**2,274**	**(1)**
Inter-segment elimination	**-**	**(224)**	**-**	**1,154**	**(1,154)**	-	-	-	-	-	-
Total	**36,286**	**-**	**31,424**	**(1,687)**	**77**	**1,801**	**2,570**	**(1,630)**	**32,555**	**32,210**	**(1,667)**

Notes: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

* Campbell Swire has been accounted for under the Trading & Industrial Division rather than the Beverages Division to reflect the basis on which the Group's internal segment reports are prepared.

1. Segment information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2012

	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	206,004	12,737	55	1,529	220,325	2,396
Property trading and development	7,272	1,063	-	345	8,680	66
Hotels	5,532	1,078	666	66	7,342	414
	218,808	**14,878**	**721**	**1,940**	**236,347**	**2,876**
Aviation						
Cathay Pacific group	-	-	26,233	-	26,233	-
HAECO group	8,074	1,171	-	1,423	10,668	349
Others	4,727	2,821	-	-	7,548	-
	12,801	**3,992**	**26,233**	**1,423**	**44,449**	**349**
Beverages						
Swire Beverages	**6,011**	**1,427**	**981**	**756**	**9,175**	**489**
Marine Services						
Swire Pacific Offshore group	19,433	2	11	251	19,697	6,170
HUD group	-	55	-	-	55	-
	19,433	**57**	**11**	**251**	**19,752**	**6,170**
Trading & Industrial						
Swire Resources group	855	18	-	364	1,237	28
Taikoo Motors group	2,750	-	-	14	2,764	186
Taikoo Sugar	139	-	-	50	189	2
Campbell Swire	-	(55)	-	-	(55)	-
Swire Pacific Cold Storage	81	255	-	33	369	-
Akzo Nobel Swire Paints	-	395	-	-	395	-
Other activities	143	2	-	78	223	59
	3,968	**615**	**-**	**539**	**5,122**	**275**
Head Office	**5,462**	**-**	**-**	**1,341**	**6,803**	**73**
	266,483	**20,969**	**27,946**	**6,250**	**321,648**	**10,232**

At 31st December 2011

	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	190,072	11,303	55	1,003	202,433	5,117
Property trading and development	7,479	842	-	76	8,397	2
Hotels	5,165	855	584	101	6,705	586
	202,716	**13,000**	**639**	**1,180**	**217,535**	**5,705**
Aviation						
Cathay Pacific group	-	-	25,596	-	25,596	-
HAECO group	7,663	1,100	-	1,345	10,108	608
Others	4,778	2,817	-	-	7,595	-
	12,441	**3,917**	**25,596**	**1,345**	**43,299**	**608**
Beverages						
Swire Beverages	**5,419**	**1,551**	**899**	**696**	**8,565**	**495**
Marine Services						
Swire Pacific Offshore group	12,597	-	11	386	12,994	2,968
HUD group	-	(2)	-	-	(2)	-
	12,597	**(2)**	**11**	**386**	**12,992**	**2,968**
Trading & Industrial						
Swire Resources group	854	15	-	188	1,057	53
Taikoo Motors group	2,057	-	-	17	2,074	158
Taikoo Sugar	160	-	-	41	201	3
Campbell Swire *	-	4	-	-	4	-
Akzo Nobel Swire Paints	-	381	-	-	381	-
Other activities	6	-	-	18	24	2
	3,077	**400**	**-**	**264**	**3,741**	**216**
Head Office	**6,430**	**-**	**-**	**101**	**6,531**	**380**
	242,680	**18,866**	**27,145**	**3,972**	**292,663**	**10,372**

Note: In this analysis, additions to non-current assets during the year exclude financial instruments (which include jointly controlled and associated companies), deferred tax assets and retirement benefit assets.

* Campbell Swire has been accounted for under the Trading & Industrial Division rather than the Beverages Division to reflect the basis on which the Group's internal segment reports are prepared.

1. Segment information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2012

	Segment liabilities	Current and deferred tax liabilities	Inter-segment borrowings/ (advances)	External borrowings	Total liabilities	Non-controlling interests
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property						
Property investment	6,435	5,224	10,999	14,483	37,141	33,425
Property trading and development	557	469	4,265	423	5,714	604
Hotels	165	-	-	691	856	1,167
	7,157	**5,693**	**15,264**	**15,597**	**43,711**	**35,196**
Aviation						
HAECO group	**1,643**	**368**	**-**	**1,664**	**3,675**	**3,968**
Beverages						
Swire Beverages	**2,095**	**341**	**1,395**	**109**	**3,940**	**500**
Marine Services						
Swire Pacific Offshore group	**1,772**	**55**	**6,816**	**102**	**8,745**	**15**
Trading & Industrial						
Swire Resources group	716	14	(30)	-	700	14
Taikoo Motors group	972	25	-	470	1,467	-
Taikoo Sugar	82	2	-	-	84	-
Campbell Swire	-	-	144	-	144	-
Swire Pacific Cold Storage	1	-	-	-	1	-
Other activities	27	12	-	-	39	-
	1,798	**53**	**114**	**470**	**2,435**	**14**
Head Office	**551**	**120**	**(23,589)**	**32,726**	**9,808**	**-**
	15,016	**6,630**	**-**	**50,668**	**72,314**	**39,693**

At 31st December 2011

	Segment liabilities	Current and deferred tax liabilities	Inter-segment borrowings/ (advances)	External borrowings	Total liabilities	Non-controlling interests
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property						
Property investment	6,085	4,664	16,411	6,440	33,600	532
Property trading and development	1,721	19	5,003	406	7,149	-
Hotels	183	-	-	619	802	-
	7,989	**4,683**	**21,414**	**7,465**	**41,551**	**532**
Aviation						
HAECO group	**1,216**	**354**	**-**	**1,447**	**3,017**	**3,929**
Beverages						
Swire Beverages	**2,046**	**317**	**1,349**	**144**	**3,856**	**448**
Marine Services						
Swire Pacific Offshore group	**1,265**	**72**	**1,740**	**42**	**3,119**	**(2)**
Trading & Industrial						
Swire Resources group	714	17	(24)	-	707	10
Taikoo Motors group	964	26	-	13	1,003	-
Taikoo Sugar	80	-	-	-	80	-
Campbell Swire *	-	-	125	-	125	-
Other activities	24	5	-	-	29	-
	1,782	**48**	**101**	**13**	**1,944**	**10**
Head Office	**631**	**133**	**(24,604)**	**30,540**	**6,700**	**-**
	14,929	**5,607**	**-**	**39,651**	**60,187**	**4,917**

* Campbell Swire has been accounted for under the Trading & Industrial Division rather than the Beverages Division to reflect the basis on which the Group's internal segment reports are prepared.

1. Segment information (continued)

(a) Information about reportable segments (continued)

The Swire Pacific Group is organised on a divisional basis: Property, Aviation, Beverages, Marine Services and Trading & Industrial.

The reportable segments within each of the five divisions are classified according to the nature of the business. The Head Office is also considered to be a reportable segment as discrete financial information is available for the Head Office activities and regularly provided to the executive directors of the Board.

The Beverages Division is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated income statement in note 1(a) presents the results of the Beverages Division by geographical location in order to provide further information to the user of this analysis.

(b) Information about geographical areas

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

An analysis of turnover and non-current assets of the Group by principal markets is outlined below:

	Turnover		Non-current assets*	
	2012	2011	**2012**	2011
	HK$M	HK$M	**HK$M**	HK$M
Hong Kong	**20,329**	15,794	**193,002**	181,374
Asia (excluding Hong Kong)	**15,090**	13,004	**31,886**	29,514
United States of America	**4,039**	3,872	**1,907**	1,555
United Kingdom	**132**	111	**566**	517
Ship owning and operating activities	**4,269**	3,505	**17,563**	11,496
	43,859	36,286	**244,924**	224,456

* In this analysis, the total of non-current assets excludes financial instruments (which include jointly controlled and associated companies), deferred tax assets and retirement benefit assets.

2. Turnover

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

	2012	2011
	HK$M	HK$M
Gross rental income from investment properties	**8,954**	8,502
Property trading	**4,147**	210
Hotels	**781**	717
Aircraft and engine maintenance services	**5,603**	5,034
Sales of goods	**19,266**	18,107
Charter hire	**3,870**	3,291
Rendering of other services	**1,238**	425
	43,859	36,286

3. Operating profit

	2012	2011
	HK$M	HK$M
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,689**	1,527
Amortisation of leasehold land and land use rights	**28**	27
Amortisation of intangible assets	**51**	48
Amortisation of initial leasing costs	**89**	65
And after crediting:		
Profit on sale of interest in Festival Walk	**-**	638
Profit on sale of available-for-sale assets	**-**	7
Profit on sale of investment properties	**66**	-
Profit on sale of property, plant and equipment	**24**	82

4. Net finance charges

	2012		2011	
	HK$M	**HK$M**	HK$M	HK$M
Interest charged on:				
Bank loans and overdrafts		**(708)**		(566)
Other loans, bonds and perpetual capital securities:				
Wholly repayable within five years	**(572)**		(391)	
Not wholly repayable within five years	**(806)**		(743)	
		(1,378)		(1,134)
Fair value gains/(losses) on derivative instruments:				
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**19**		(5)	
Interest rate swaps: fair value hedges	**-**		(3)	
		19		(8)
Adjustments to financial liabilities - fair value hedges		**-**		13
Amortised loan fees - loans at amortised cost		**(67)**		(66)
Fair value loss on put option over non-controlling interest in Sanlitun Village		**(175)**		(259)
Other financing costs		**(116)**		(58)
Capitalised on:				
Investment properties	**95**		197	
Properties for sale	**244**		155	
Hotel and other properties	**43**		24	
Vessels	**55**		15	
		437		391
		(1,988)		(1,687)
Interest income on:				
Short-term deposits and bank balances	**44**		40	
Other loans	**147**		37	
		191		77
Net finance charges		**(1,797)**		(1,610)

5. Taxation

	2012		2011	
	HK$M	**HK$M**	HK$M	HK$M
Current taxation:				
Hong Kong profits tax	**(1,240)**		(711)	
Overseas taxation	**(364)**		(256)	
(Under)/over-provisions in prior years	**(2)**		23	
		(1,606)		(944)
Deferred taxation:				
Changes in fair value of investment properties in Mainland China	**(249)**		(384)	
Origination and reversal of temporary differences	**(434)**		(302)	
		(683)		(686)
		(2,289)		(1,630)

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

6. Dividends

	Company	
	2012	2011
	HK$M	HK$M
Cash dividends		
First Interim dividend paid on 5th October 2012 of HK¢100.0 per 'A' share and HK¢20.0 per 'B' share (2011: HK¢115.0 and HK¢23.0)	**1,505**	1,730
2011 Special interim dividend paid on 4th October 2011 of HK¢300.0 per 'A' share and HK¢60.0 per 'B' share	**-**	4,514
Second interim dividend declared on 14th March 2013 of HK¢250 per 'A' share and HK¢50 per 'B' share (2011 actual dividend paid: HK¢235.0 and HK¢47.0)	**3,761**	3,536
Special interim dividend by way of a distribution in specie	**31,589**	-
	36,855	9,780

The second interim dividend is not accounted for in 2012 because it had not been declared at the year end date. The actual amount payable in respect of 2012 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2013.

The Directors have declared second interim dividends of HK$2.50 per ‘A’ share and HK$0.50 per ‘B’ share which, together with the first interim dividends of HK$1.00 per ‘A’ share and HK$0.20 per ‘B’ share paid in October 2012, amount to full year dividends of HK$3.50 per ‘A’ share and HK$0.70 per ‘B’ share, compared to full year dividends of HK$6.50 per ‘A’ share and HK$1.30 per ‘B’ share in respect of 2011. The second interim dividends will be paid on 3rd May 2013 to shareholders registered at the close of business on the record date, being Friday, 12th April 2013. Shares of the Company will be traded ex-dividend from Wednesday, 10th April 2013.

The register of members will be closed on Friday, 12th April 2013, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim 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 Thursday, 11th April 2013.

To facilitate the processing of proxy voting for the annual general meeting to be held on 9th May 2013, the register of members will be closed from 6th May 2013 to 9th May 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, 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, 3rd May 2013.

On 7th October 2011, the Company submitted a spin-off proposal to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in relation to the proposed spin-off of Swire Properties Limited ("Swire Properties") by way of a separate listing of the ordinary shares of HK$1.00 each of Swire Properties ("Swire Properties Shares") on the Main Board of the Stock Exchange.

On 27th October 2011, Swire Properties submitted a listing application form (Form A1) to the Stock Exchange in order to apply for the listing of, and permission to deal in, the Swire Properties Shares on the Main Board of the Stock Exchange. The listing of the Swire Properties Shares would be by way of introduction achieved by a distribution in specie by the Company of 18% of the Swire Properties Shares.

On 21st December 2011, the Board declared conditional special interim dividends (the "Conditional Dividend") for the year ended 31st December 2011 of 7 Swire Properties Shares for every 10 'A' shares held in the Company and 7 Swire Properties Shares for every 50 'B' Shares held in the Company to shareholders on the register of members as at the close of business on 6th January 2012. Fractional entitlements were disregarded. The Conditional Dividend became unconditional upon the listing of the Swire Properties Shares under stock code 1972 on the Main Board of the Stock Exchange on 18th January 2012 and was satisfied wholly by way of a distribution in specie of an aggregate of 1,053,234,165 Swire Properties Shares, representing 18% of the total of 5,850,000,000 Swire Properties Shares in issue, on 18th January 2012.

The net assets attributable to the distribution in specie of an aggregate of 1,053,234,165 Swire Properties Shares were HK$31,589 million.

In the light of applicable laws and regulations of Australia, Canada, Malaysia and the United States (the "Excluded Territories"), shareholders whose addresses on one or both of the registers of members of the Company on 6th January 2012 were in the Excluded Territories were entitled to the Conditional Dividend but did not receive Swire Properties Shares. Instead, the 567,053 Swire Properties Shares which they would otherwise receive pursuant to the Conditional Dividend were sold on their behalf on the Stock Exchange on 18th January 2012 at an average price of HK$18.4486 per share for a gross amount of HK$10,461,333.98 and the net proceeds, after deducting stamp duty and expenses, totalling HK$10,423,876.69 (equivalent to approximately HK$18.38 per Swire Properties Share) were distributed to them on 1st February 2012.

With respect to the shares of the Company held under the Central Clearing and Settlement System ("CCASS") established and operated by Hong Kong Securities Clearing Company Limited, the Company sent a letter to CCASS Participants (other than CCASS Investor Participants) on 11th January 2012 notifying them that in the light of applicable laws and regulations of the Excluded Territories, to the extent they held any shares of the Company on behalf of any underlying shareholders with addresses in one of the Excluded Territories ("Underlying Overseas Shareholders") on 6th January 2012, they should sell the Swire Properties Shares pursuant to the Conditional Dividend which they received on behalf of the Underlying Overseas Shareholders and should pay the net proceeds of such sale to such Underlying Overseas Shareholders.

7. Earnings per share (basic and diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK$17,484 million (2011: HK$32,210 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2012 and 2011 in the proportion five to one.

8. Trade and other receivables

	2012	2011
	HK$M	HK$M
Trade debtors	**3,045**	2,610
Amounts due from fellow subsidiary companies	**-**	4
Amounts due from jointly controlled companies	**419**	330
Amounts due from associated companies	**439**	185
Prepayments and accrued income	**1,674**	1,309
Other receivables	**3,258**	1,837
	8,835	6,275

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

	2012	2011
	HK$M	HK$M
Under three months	**2,889**	2,488
Between three and six months	**110**	99
Over six months	**46**	23
	3,045	2,610

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

9. Trade and other payables

	2012 HK$M	2011 HK$M
Trade creditors	**2,754**	3,576
Amounts due to immediate holding company	**253**	149
Amounts due to jointly controlled companies	**134**	81
Amounts due to associated companies	**134**	19
Interest-bearing advances from jointly controlled companies at 1.58% (2011: 1.55%)	**377**	244
Interest-bearing advances from associated companies (2011: 1.83%)	**-**	24
Advances from non-controlling interests	**365**	383
Rental deposits from tenants	**1,953**	1,780
Put option over non-controlling interest in Sanlitun Village	**1,112**	937
Put option over non-controlling interests in subsidiary companies	**211**	-
Accrued capital expenditure	**1,235**	1,484
Other accruals	**3,833**	3,247
Other payables	**2,015**	2,255
	14,376	14,179

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

	2012 HK$M	2011 HK$M
Under three months	**2,518**	3,161
Between three and six months	**200**	403
Over six months	**36**	12
	2,754	3,576

10. Share capital

	Company				
	'A' shares of HK$0.60 each	'B' shares of HK$0.12 each	'A' shares HK$M	'B' shares HK$M	Total HK$M
Authorised:					
At 31st December 2012 and 2011	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 31st December 2012 and 2011	905,578,500	2,995,220,000	543	360	903

During the year, the Company did not purchase, sell or redeem any of its shares.

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

11. Reserves

	Revenue reserve	Share premium account	Capital redemption reserve	Properties revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Group								
At 1st January 2011	199,044	342	49	1,462	635	(455)	2,472	203,549
Profit for the year	32,210	-	-	-	-	-	-	32,210
Other comprehensive income								
Cash flow hedges								
- recognised during the year	-	-	-	-	-	88	-	88
- transferred to net finance charges	-	-	-	-	-	5	-	5
- transferred to operating profit - exchange differences	-	-	-	-	-	4	-	4
- transferred to initial cost of non-financial assets	-	-	-	-	-	1	-	1
- deferred tax	-	-	-	-	-	(46)	-	(46)
Net fair value changes on available-for-sale assets								
- net losses recognised during the year	-	-	-	-	(100)	-	-	(100)
- net gains transferred to operating profit	-	-	-	-	(3)	-	-	(3)
Revaluation of property previously occupied by the Group								
- gain recognised during the year	-	-	-	188	-	-	-	188
Share of other comprehensive income of jointly controlled and associated companies	(10)	-	-	-	(97)	(303)	614	204
Net translation differences on foreign operations	-	-	-	-	-	-	591	591
Total comprehensive income for the year	32,200	-	-	188	(200)	(251)	1,205	33,142
Changes in tax treatment for retirement benefits	(30)	-	-	-	-	-	-	(30)
2010 final dividend	(3,761)	-	-	-	-	-	-	(3,761)
2011 first interim dividend (note 6)	(1,730)	-	-	-	-	-	-	(1,730)
2011 special interim dividend (note 6)	(4,514)	-	-	-	-	-	-	(4,514)
At 31st December 2011	221,209	342	49	1,650	435	(706)	3,677	226,656
At 1st January 2012	**221,209**	**342**	**49**	**1,650**	**435**	**(706)**	**3,677**	**226,656**
Profit for the year	**17,484**	**-**	**-**	**-**	**-**	**-**	**-**	**17,484**
Other comprehensive income								
Cash flow hedges								
- recognised during the year	**-**	**-**	**-**	**-**	**-**	**101**	**-**	**101**
- transferred to net finance charges	**-**	**-**	**-**	**-**	**-**	**(19)**	**-**	**(19)**
- transferred to operating profit - exchange differences	**-**	**-**	**-**	**-**	**-**	**33**	**-**	**33**
- transferred to initial cost of non-financial assets	**-**	**-**	**-**	**-**	**-**	**(56)**	**-**	**(56)**
- deferred tax	**-**	**-**	**-**	**-**	**-**	**10**	**-**	**10**
Net fair value changes on available-for-sale assets								
- net gains recognised during the year	**-**	**-**	**-**	**-**	**153**	**-**	**-**	**153**
Revaluation of property previously occupied by the Group								
- gain recognised during the year	**-**	**-**	**-**	**44**	**-**	**-**	**-**	**44**
- deferred tax	**-**	**-**	**-**	**(8)**	**-**	**-**	**-**	**(8)**
Share of other comprehensive income of jointly controlled and associated companies	**(1)**	**-**	**-**	**-**	**17**	**742**	**93**	**851**
Net translation differences on foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**174**	**174**
Total comprehensive income for the year	**17,483**	**-**	**-**	**36**	**170**	**811**	**267**	**18,767**
Change in composition of the Group	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Recognition of put options in respect of non-controlling interests in subsidiary companies	**(58)**	**-**	**-**	**-**	**-**	**-**	**-**	**(58)**
2011 second interim dividend (note 6)	**(3,536)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,536)**
2012 first interim dividend (note 6)	**(1,505)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,505)**
Special interim dividend by way of a distribution in specie (note 6)	**(31,589)**	**-**	**-**	**-**	**-**	**-**	**-**	**(31,589)**
At 31st December 2012	**202,007**	**342**	**49**	**1,686**	**605**	**105**	**3,944**	**208,738**

12. Changes in accounting standards

(a) The following relevant amendments were required to be adopted by the Group effective from 1st January 2012:

HKAS 12 (Amendment)	Income taxes
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

The Group early adopted the amendment to HKAS 12 in 2010.

HKFRS 7 (Amendment) introduces new disclosure requirements on transfers of financial assets. Disclosure is required (by class of asset) of the nature and carrying amount of, and a description of the risks and rewards of, financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be disclosed. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). It also introduces new disclosures in respect of risk exposures arising from transferred financial assets that are either fully derecognised or derecognised but not in their entirety, yet the entity still has continuing involvement in them. The amendment has had no significant impact on the results and financial position of the Group.

(b) The following amended HKFRS is effective but not relevant to the Group's operations:

HKFRS 1 (Amendment), Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters, is effective but not relevant to the Group's operations because the Group is not a first-time adopter.

(c) The Group has not early adopted the following relevant new and revised standards and amendments that have been issued but are not yet effective:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
HKAS 1 (Amendment)	Presentation of Financial Statements[1]
HKAS 19 (revised 2011)	Employee Benefits[1]
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurements[1]
Amendments to HKFRS10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]

[1] To be applied by the Group from 1st January 2013.
[2] To be applied by the Group from 1st January 2014.
[3] To be applied by the Group from 1st January 2015.

12. Changes in accounting standards (continued)

The improvements to HKFRSs 2009 to 2011 cycles consist of six amendments to five existing standards. It is not expected that these amendments will have a significant impact on the results and financial position of the Group.

The amendment to HKAS 1 focuses on improving the presentation of components of other comprehensive income items. It requires items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to the profit or loss account subsequently or not. It is not expected that this amendment will have a significant impact on the results and financial position of the Group.

HKAS 19 was amended in 2011. The impact on the Group's defined benefit plans and post employment benefits will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. In addition, it will remove the accounting policy choice that currently permits only the recognition of actuarial gains and losses outside the 10% 'corridor' to be recognised in the Income Statement. Instead all such remeasurements will be required to be recognised in other comprehensive income, when they occur. The above change is required to be applied retrospectively. Had the standard been applied in 2012, profits for the year would have been lower by approximately HK$120 million, other comprehensive income would have been higher by approximately HK$111 million, and net retirement benefit assets and associated companies at 31 December 2012 would have been lower by approximately HK$939 million and HK$506 million respectively.

HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. It is not expected that this amendment will have a significant impact on the results and financial position of the Group.

The amendment to HKAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". It is not expected that this amendment will have a significant impact on the results and financial position of the Group.

The amendment to HKFRS 7 requires entities to disclose quantitative information about financial assets and financial liabilities that are offset in the statement of financial position or subject to enforceable master netting agreement or similar arrangement. It is not expected that this amendment will have a significant impact on the results and financial position of the Group.

12. Changes in accounting standards (continued)

HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess the full impact of the new standard.

HKFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has considered whether to consolidate Cathay Pacific Airways Limited ("Cathay Pacific") as a subsidiary in its accounts from 2013 in light of the provisions of HKFRS 10 and has concluded that because it does not have unilateral control of Cathay Pacific it should not consolidate it from 2013 but should continue to account for its interest in Cathay Pacific as an associate interest.

HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. It is not expected that this new standard will have a significant impact on the results and financial position of the Group.

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. It is not expected that this new standard will have a significant impact on the results and financial position of the Group.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use in all relevant HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how fair value should be measured where its use is already required or permitted by other standards in HKFRSs. It also provides new disclosure requirements. It is not expected that this new standard will have a significant impact on the results and financial position of the Group.

The amendments to HKFRSs 10, 11 and 12 provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. It is not expected that these amendments will have a significant impact on the results and financial position of the Group.

12. Changes in accounting standards (continued)

(d) The following revised standards and amendments have been issued which are not yet effective and are not relevant to the Group's operations:

HKAS 27 (revised)	Separate Financial Statements
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans
HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Investment Entities
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

13. Events after the reporting period

(a) In January 2012, Swire Properties entered into an agreement with Sino-Ocean Land Limited to fund the whole of the remaining land premium (and associated taxes) payable in respect of the Daci Temple project and certain working capital requirements in an aggregate amount of US$230 million. Following this transaction, the Swire Properties' interest in the project was increased to 81%, reflecting its contribution to the overall funding of the project. Sino-Ocean Land had a call option, exercisable for one year commencing from the date of the agreement, to purchase the Swire Properties' additional interest in the project for an amount equal to one half of the additional funding plus interest at the rate of 10% per year. Swire Properties had the right, exercisable for one year commencing one week before the end of the call option period, to require Sino-Ocean Land to purchase Swire Properties' additional interest in the project for an amount equal to one half of the above additional funding plus interest at the rate of 10% per year. In January 2013, the above arrangements were amended. Sino-Ocean Land purchased part of Swire Properties' additional interest in the project and the options in respect of the remaining part of the additional interest were extended for a further year. The effect of the amended arrangements was to reduce Swire Properties' interest in the project to 63% and to increase Sino-Ocean Land's interest in the project to 37%. Until the extended options described above are exercised or lapse, Swire Properties' remaining additional interest in the project will be accounted for as a secured loan and Swire Properties' existing interest will continue to be accounted for as a 50% interest in a jointly controlled entity.

(b) In January 2013, Swire Properties and Bal Harbour Shops entered into an agreement in respect of the joint venture which is to develop the retail component of Brickell CityCentre in Miami, Florida, USA. Swire Properties' holds an 87.5% interest in the joint venture and will remain the primary developer while Bal Harbour Shops will contribute equity and its retail expertise as co-developer.

(c) In March 2013, the company which owns the existing Citygate Outlets development at Tung Chung in Hong Kong (in which Swire Properties Limited has a 20% equity interest) won a tender to develop an adjacent commercial site.

(d) In March 2013, the Cathay Pacific group entered into agreements with The Boeing Company under which the Cathay Pacific group agreed to buy three Boeing 747-8F freighter aircraft and the agreement to purchase eight Boeing 777-200F freighters entered into in August 2011 was cancelled. Pre-delivery payments already made in respect of the eight Boeing 777-200F freighters (which were scheduled to be delivered from 2014 to 2016), will be credited to the consideration for the purchase of the three Boeing 747-8F freighters (which are scheduled to be delivered in 2013). Under the agreements, Cathay Pacific also acquired options to purchase five Boeing 777-200F freighters and The Boeing Company agreed to purchase four Boeing 747-400BCF converted freighters, which were taken out of service in 2012 and early 2013. The transaction is part of a package of transactions between The Boeing Company (on the one hand) and the Cathay Pacific group, Air China Cargo and Air China (on the other hand).

Sources of finance

At 31st December 2012, committed loan facilities and debt securities amounted to HK$64,591 million, of which HK$16,261 million (25%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$6,965 million. Sources of funds at 31st December 2012 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	26,629	26,629	-	-
Bank loans, overdrafts and other loans	35,637	19,376	2,093	14,168
Perpetual capital securities	2,325	2,325	-	-
Total committed facilities	64,591	48,330	2,093	14,168
Uncommitted facilities				
Bank loans, overdrafts and other loans	9,590	2,625	6,823	142
Total	74,181	50,955	8,916	14,310

At 31st December 2012, 57% of the Group's gross borrowings were on a fixed rate basis and 43% were on a floating rate basis (2011: 59% and 41% respectively).

Corporate Governance

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

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

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

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

Annual Report
The 2012 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Group website www.swirepacific.com. Printed copies will be available to shareholders on 9th April 2013.

List of Directors
As at the date of this announcement, the Directors of the Company are:
Executive Directors: C D Pratt (Chairman), M Cubbon, P A Kilgour, J B Rae-Smith, I S C Shiu, J R Slosar, A K W Tang
Non-Executive Directors: Baroness Dunn, J W J Hughes-Hallett, P A Johansen, M B Swire
Independent Non-Executive Directors: T G Freshwater, C K M Kwok, C Lee, R W M Lee, M C C Sze, M M T Yang,