Annual Report

2013

SWIRE PACIFIC

Stock Codes: 'A' Shares 00019 'B' Shares 00087

PROPERTY DIVISION

Swire Properties designs, develops and manages mixed-use developments that successfully transform urban areas.

AVIATION DIVISION

A major player in the global aviation industry, the Group's Aviation Division includes world-class airlines and a leading aircraft engineering and maintenance business.

BEVERAGES

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the western USA
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in the world.

DIVISION

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MARINE SERVICES DIVISION

The division is a leading provider of international offshore energy support and of dockyard and towage services in Hong Kong.

TRADING & INDUSTRIAL DIVISION

The division retails and distributes apparel and motor vehicles and has important sugar and paint businesses.

Contents

Note: Definitions of the terms and ratios used in this report can be found in the Glossary on pages 254 and 255.

Corporate Statement

STRENGTH IN DIVERSITY

Swire Pacific is one of the leading companies in Hong Kong, with five operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial. The Group's operations are predominantly in Greater China, where the name Swire or 太古 has been established for over 140 years.

The Group has a long history in the region. We take a long-term perspective in formulating strategy and this is reflected in the nature of our investments. We pride ourselves on being forward-looking and innovative. These qualities have helped us to grow and have enabled us to set benchmarks in the industries in which we operate.

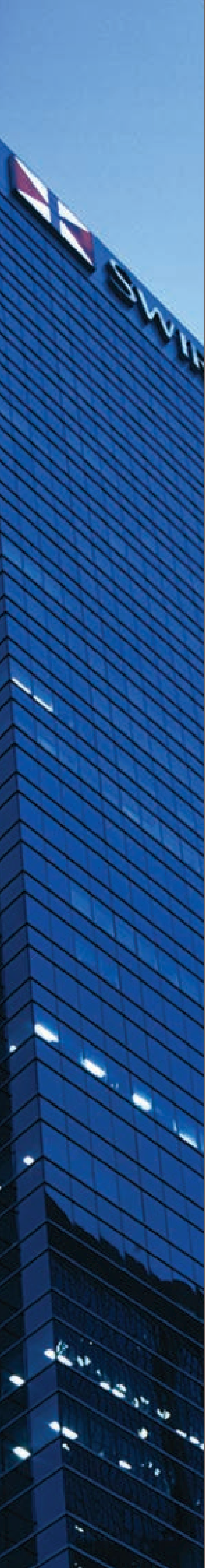
Sustainability is key to our long-term approach. We recognise that sustainable development does not mean less profit. Rather it is an opportunity for innovation, growth and improved efficiency. Our ultimate goal is for our operating companies to achieve zero net impact on the environment.

Swire Pacific is a highly diversified group. We have a wide range of commercial activities and conduct them internationally. We have interests in three other listed companies, Cathay Pacific Airways Limited ("Cathay Pacific"), Hong Kong Aircraft Engineering Company Limited ("HAECO") and Swire Properties Limited ("Swire Properties").

Swire Properties is one of Hong Kong's largest commercial landlords and operators of retail space. In 2013, our airlines (which are based in Hong Kong) carried 29.9 million passengers and flew to 190 destinations. We are leading suppliers of soft drinks and sugar in Hong Kong. We operate 171 retail outlets in Hong Kong. In Mainland China, Swire Properties' mixed-use property developments in Guangzhou, Shanghai, Beijing and Chengdu will, when they are all completed, have 8.8 million square feet of lettable and saleable space. Sales from our Mainland China Coca-Cola franchises represented 80% of the 1,013 million unit cases of Coca-Cola products that we sold in total in 2013 to a franchise population of over 440 million people. Through Cathay Pacific, we have an interest of more than 20% in Air China. Hong Kong Dragon Airlines Limited ("Dragonair") (a wholly-owned subsidiary of Cathay Pacific) flies to 47 destinations in Mainland China and elsewhere in Asia. We have joint ventures in Hong Kong and Mainland China with Akzo Nobel in paint manufacturing and in Mainland China with The Campbell Soup Company in soup distribution.

In the USA, Swire Properties' mixed-use development in Miami, Florida will total 4.0 million square feet of lettable and saleable space upon completion after two phases of development. The Swire Pacific Offshore group ("SPO") operates a fleet of 82 specialist vessels supporting the offshore energy industry in every major offshore production and exploration region outside the United States.

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 37,000 employees. In Mainland China, in ventures under our own management, we have approximately 25,000 employees. Globally, we employ over 75,000 staff.



SWIRE PACIFIC'S STRATEGY

The strategic objective of Swire Pacific is sustainable growth in shareholder value over the long-term. The strategies employed in order to achieve this objective are these:

- The long-term development of a diversified range of businesses in which shareholder value can be created by earning a return on capital appropriate to each business.
- Investment in businesses where Swire Pacific has management control or significant management influence, so that the businesses can benefit from active and prudent management by Swire Pacific.
- Employment of staff whom Swire Pacific believes will further its strategic objective and will be committed to Swire Pacific for the long-term, and the provision to them of a career path and training consistent with Swire Pacific's strategic objective.
- Operational excellence in the way Swire Pacific conducts its businesses.
- Doing business in a sustainable manner.
- Commitment to high standards of corporate governance, with a view to ensuring that Swire Pacific's businesses are conducted in accordance with proper ethical standards and appropriate transparency, that the business risks to which Swire Pacific is exposed are properly understood and managed and that the interests of all Swire Pacific's stakeholders are properly considered.
- Active stewardship of the Swire brand.

Swire Pacific's aim is to create long-term value for shareholders by making investments in a diverse range of businesses and to exceed target rates of return appropriate for those businesses. We aim to develop businesses where we can add value through our industry-specific expertise and our particular knowledge of the Greater China region. We have strict financial disciplines and adopt rigorous analysis and valuation, refusing to overpay for acquisitions and being willing to close or sell under-performing businesses.

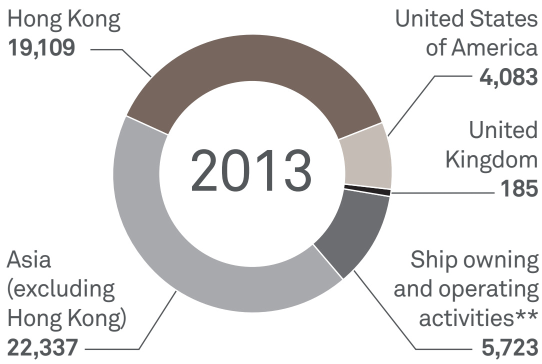
Refer to pages 116 to 117 for Swire Pacific's 2013 Investment Appraisal and Performance Review.

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects our belief that, in the achievement of our long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Swire Pacific believes that shareholder wealth will be maximised in the long-term and that employees, those with whom it does business and the communities in which it operates will all benefit.

Refer to pages 127 to 136 for Swire Pacific's 2013 Corporate Governance Report.

Turnover by Area

HK$M



About This Report

We support the efforts of the International Integrated Reporting Council ("IIRC") to bring about greater consistency of reporting by companies, to improve the transparency of financial reports and to help investors and users of accounts better understand how businesses operate and how shareholder value is created. We hope to have produced a report that gives investors and other users a clear and concise explanation of Swire Pacific's strategy, governance, performance and prospects. In so doing, we hope to be able to demonstrate effectively how we create and intend to create shareholder value.

- 2013 performance highlights and the Chairman's summary of the Group's 2013 performance and its prospects can be found on pages 4 to 15.
- A review of the Group's financial performance can be found on pages 110 to 117.
- The Management Discussion and Analysis section on pages 16 to 87 provides a review of all five of the Group's operating divisions. An overview of the business, the business model and the strategies of each division is provided. An explanation of the operating context and a summary of business performance and future prospects are also given.
- Swire Pacific's 2013 Corporate Governance Report can be found on pages 127 to 136.

Given our commitment to sustainability, the 2013 Swire Pacific Annual Report combines our financial and sustainability reporting.

- Sustainability data, which follows the Global Reporting Initiative's ("GRI") 'Sustainability Reporting Guidelines', can be found on pages 239 to 242.
- A review of the Group's five sustainable development pillars can be found on pages 88 to 109.
- Information about sustainable development can also be found in the reviews of the operating divisions, where appropriate.

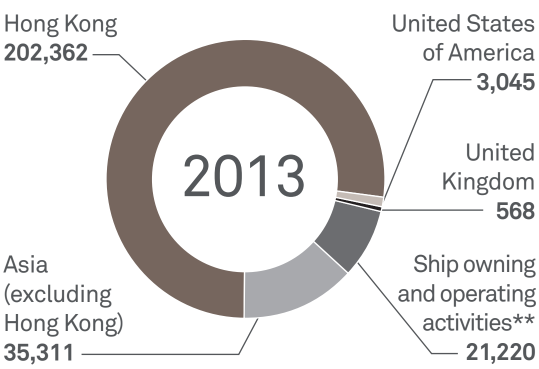
This report can be found online at www.swirepacific.com/en/ir/reports.php, where a condensed version of the report can also be found.

External audit of financial information has been provided by PricewaterhouseCoopers ("PwC"). PwC was also commissioned by the Group to report on certain sustainability information in the report and our compliance with the GRI framework. Our sustainability reporting has been based on the GRI framework since 2003.

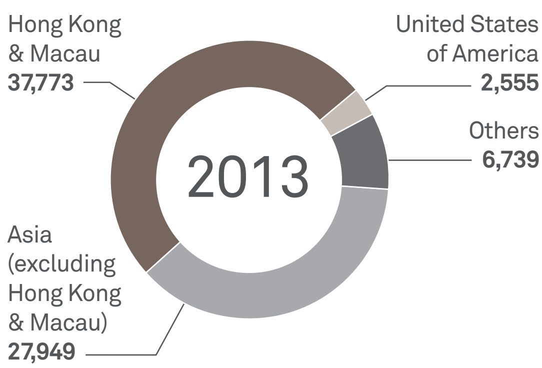
- The Auditor's Report can be found on page 150.
- The Sustainable Development Independent Assurance Report can be found on pages 237 to 238.

Non-current Assets by Area*

HK$M



Employee Numbers by Area



* In this analysis, the total of non-current assets excludes joint venture and associated companies, financial instruments, deferred tax assets and retirement benefit assets.

** Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

2013 Performance Highlights

Attributable Profit
24% decrease from 2012
HK$13.3 bn

Underlying Profit
2% increase from 2012
HK$8.5 bn

Net Assets Employed
7% increase from 2012
HK$313.0 bn

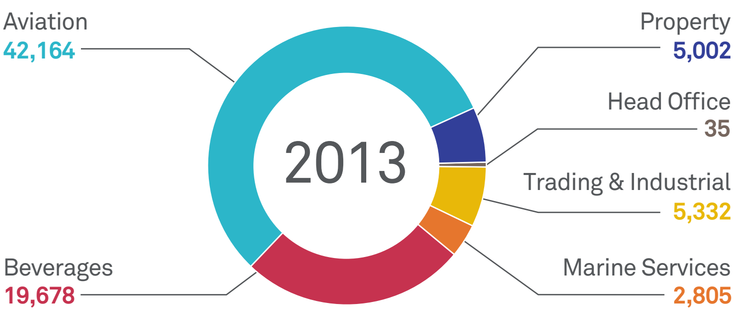
Return on Equity
1.8 percentage points decrease from 2012
6.2%

Dividend Per Share
Unchanged from 2012
HK$3.50 per 'A' share
HK$0.70 per 'B' share

Return on Equity
By Division

Property	6.3%
Aviation	4.3%
Beverages	16.1%
Marine Services	11.2%
Trading & Industrial	7.7%

Employee Numbers by Division



2013 2012

	2013	2012
GHG Emissions Tonnes of CO_2e (Millions)	16.6	16.7
Energy Consumed GJ (Millions)	226.4	228.7
Water Consumed cbm (Millions)	8.6	7.6
LTIR (No. of injuries per 100 full-time equivalent employees)	2.58	2.73
Expenditure on Community Programmes HK$ (Millions)	58	54
Employee Compensation* HK$ (Millions)	26,610	25,370

Total Employee Numbers
2013: **75,016**
2012: 74,192

* Employee compensation represents total employment cost, prepared on the same basis as total employee numbers shown on page 241.

2013 Financial Performance

	Note	2013 HK$M	2012 (Restated) HK$M	Change %
Turnover		**51,437**	49,040	+4.9%
Operating profit		**16,686**	23,487	-29.0%
Profit attributable to the Company's shareholders		**13,291**	17,410	-23.7%
Cash generated from operations		**14,301**	10,829	+32.1%
Net cash outflow before financing		**(211)**	(1,816)	-88.4%
Total equity (including non-controlling interests)		**262,508**	248,382	+5.7%
Net debt		**50,505**	44,254	+14.1%

	Note	HK$	HK$	
Earnings per share	(a)			
'A' share		**8.83**	11.57	-23.7%
'B' share		**1.77**	2.31	
Dividends per share				
'A' share		**3.50**	3.50	+0.0%
'B' share		**0.70**	0.70	
Equity attributable to the Company's shareholders per share	(a)			
'A' share		**146.41**	138.55	+5.7%
'B' share		**29.28**	27.71	

Underlying Profit and Equity

		HK$M	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(b)	**8,471**	8,270	+2.4%

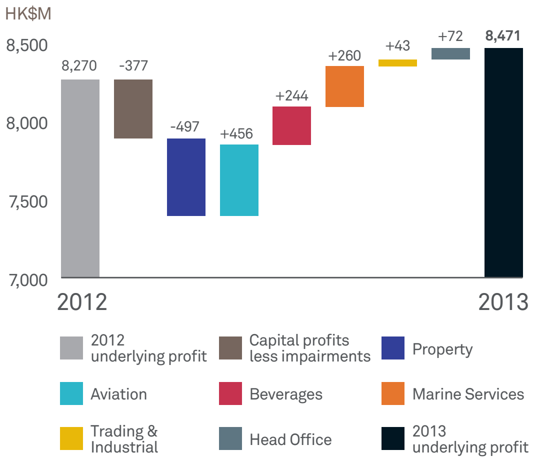
		HK$	HK$	
Underlying earnings per share	(a)			
'A' share		**5.63**	5.50	+2.4%
'B' share		**1.13**	1.10	
Underlying equity attributable to the Company's shareholders per share	(a),(b)			
'A' share		**150.74**	142.37	+5.9%
'B' share		**30.15**	28.47	

2013 Sustainable Development Performance [c]

	2013	2012	Change %
GHG emission (Million tonnes of CO_2e)	**16.6**	16.7	-1.0%
Energy consumed (GJ Millions)	**226.4**	228.7	-1.0%
Water consumed (cbm Millions)	**8.6**	7.6	+13.4%
LTIR (Number of injuries per 100 full-time equivalent employees)	**2.58**	2.73	-5.8%
Average hours of training per employee	**26**	32	-18.8%
Expenditure on community programmes (HK$ Millions)	**58**	54	+7.4%

Notes:
(a) Refer to note 13 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 110.
(c) Please refer to pages 239 to 242 for more sustainable development statistics.

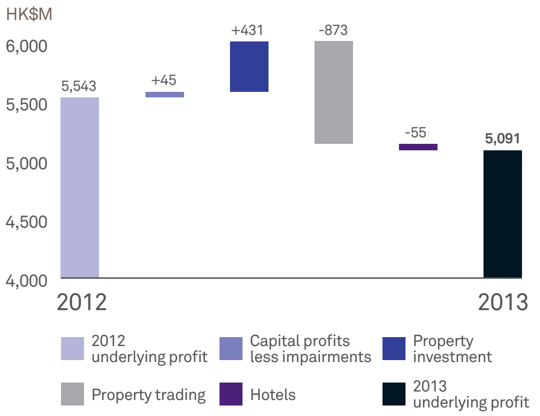
Group – Movement in Underlying Profit



- Higher profits from the Cathay Pacific group and from the Beverages and Marine Services Divisions.
- Lower profits from the Property Division and the HAECO group.

See page 110 for reference

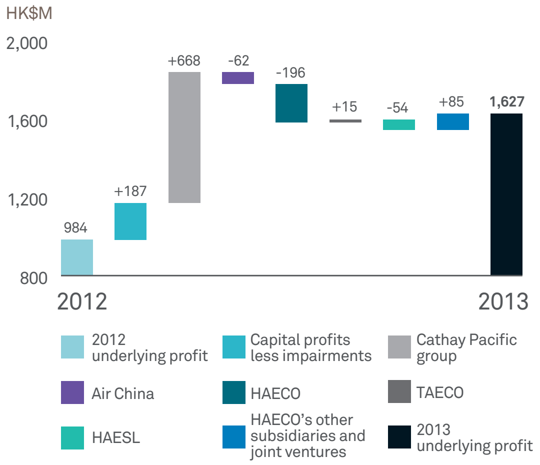
Property Division – Movement in Underlying Profit



- Lower trading profits in Hong Kong.
- Higher profits from property investment reflecting positive rental reversions in Hong Kong and higher overall rental income in Mainland China.
- Lower profits from hotels reflecting weaker results from Mainland China.

See page 16 for reference

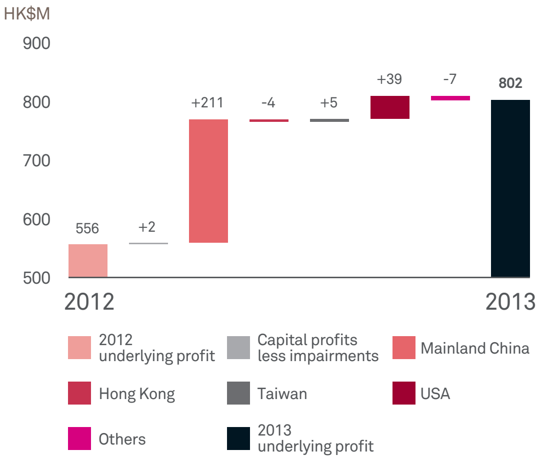
Aviation Division – Movement in Underlying Profit



- Cathay Pacific's results benefited from the strength of its passenger business and the positive impact of measures introduced in 2012 to protect the business from the high price of jet fuel.
- HAECO's airframe maintenance and component overhaul services in Hong Kong continued to be affected by a shortage of skilled and semi-skilled labour.
- TAECO's results improved, with higher demand for its airframe maintenance services.
- HAESL was affected by the early retirement of Boeing 747-400 aircraft owned by its customers.
- HAECO's other subsidiaries and joint ventures (with the exception of TALSCO) performed better.

See page 36 for reference

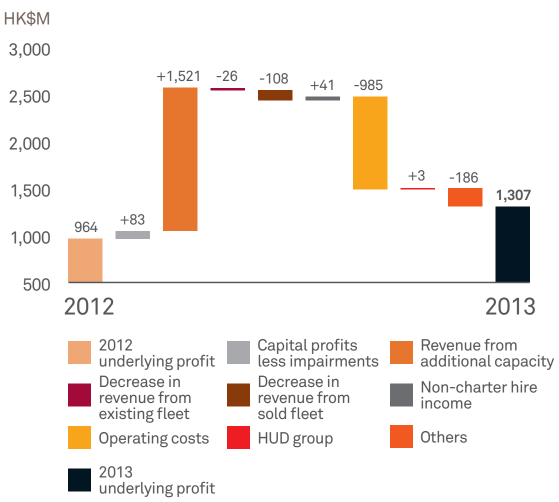
Beverages Division – Movement in Underlying Profit



- Results in Mainland China benefited from sales volume growth and substantially lower raw material costs.
- Results in Hong Kong benefited from an improved sales mix and lower material costs but were adversely affected by increases in other costs.
- Sales volume growth and lower raw material costs resulted in higher profits from the USA.
- Lower raw material costs in Taiwan more than offset the decline in sales volume.

See page 54 for reference

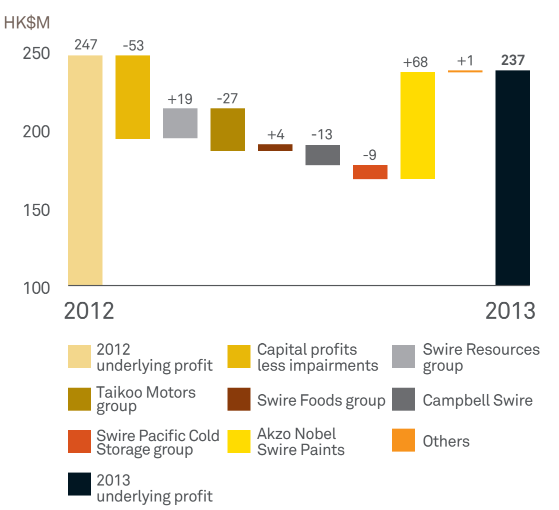
Marine Services Division – Movement in Underlying Profit



- Results benefited from the additional contribution from new vessels delivered in 2013 and a full year's contribution from vessels delivered in 2012.
- Average charter hire rates increased considerably due to the higher day rates achieved by the wind farm installation vessels.
- There were higher operating costs due to the inclusion of the costs of new vessels commencing operations.

See page 64 for reference

Trading & Industrial Division – Movement in Underlying Profit



- There were weaker results from Taikoo Motors and Campbell Swire. The results also reflected costs associated with developing the Swire Pacific Cold Storage business.
- Higher profits from Akzo Nobel Swire Paints reflected a favourable product mix and lower raw material costs.

See page 76 for reference

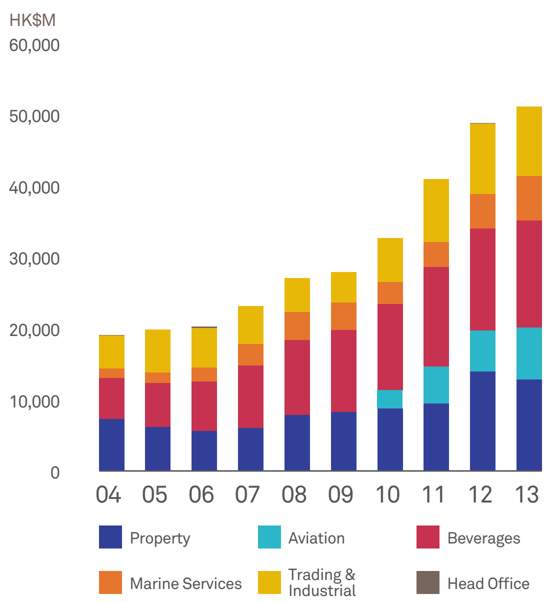
Summary of Past Performance – Financial

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Statement of Profit or Loss										
Turnover										
Property	7,306	6,197	5,595	6,060	7,903	8,288	8,809	9,518	13,988	**12,856**
Aviation	–	–	–	–	–	–	2,574	5,171	5,830	**7,387**
Beverages	5,797	6,198	6,987	8,771	10,534	11,560	12,189	14,105	14,396	**15,053**
Marine Services	1,297	1,492	1,997	3,104	4,007	3,892	3,046	3,505	4,864	**6,292**
Trading & Industrial	4,704	6,036	5,554	5,306	4,746	4,320	6,212	8,862	9,956	**9,836**
Head Office	39	25	215	17	13	10	7	8	6	**13**
	19,143	19,948	20,348	23,258	27,203	28,070	32,837	41,169	49,040	**51,437**
Profit attributable to the Company's shareholders										
Property	17,696	14,701	20,116	22,669	3,190	17,356	25,925	24,981	15,282	**10,207**
Aviation	2,352	1,844	3,546	3,220	(3,088)	1,772	8,767	2,869	984	**1,627**
Beverages	382	467	475	492	571	760	705	664	556	**802**
Marine Services	739	3,036	828	2,541	1,756	1,631	782	854	964	**1,307**
Trading & Industrial	390	520	449	401	2,088	350	1,197	416	247	**237**
Head Office	(170)	114	223	256	28	(29)	719	2,269	(623)	**(889)**
	21,389	20,682	25,637	29,579	4,545	21,840	38,095	32,053	17,410	**13,291**
Dividends for the year	3,062	3,154	4,321	4,898	3,591	4,213	5,266	9,780	5,266	**5,266**
Share repurchases	–	–	–	1,296	649	–	–	–	–	**–**
Retained profit less share repurchases	18,327	17,528	21,316	23,385	305	17,627	32,829	22,273	12,144	**8,025**
Statement of Financial Position										
Net assets employed										
Property – cost and working capital	37,162	38,792	45,376	57,333	66,229	68,444	75,491	71,868	76,907	**84,035**
– valuation surplus	36,004	48,483	62,864	82,343	82,712	96,807	119,072	131,609	144,176	**151,019**
Aviation	17,226	18,515	20,157	22,216	16,583	21,715	38,306	39,689	40,304	**43,801**
Beverages	2,960	2,881	3,340	3,555	4,039	4,605	5,205	5,662	6,200	**6,032**
Marine Services	4,773	5,087	6,025	6,487	7,416	7,862	8,872	11,233	17,631	**21,412**
Trading & Industrial	1,357	1,533	1,711	1,780	3,615	1,511	1,004	1,594	2,663	**2,286**
Head Office	457	217	(79)	1,181	(139)	363	2,657	5,631	4,755	**4,428**
	99,939	115,508	139,394	174,895	180,455	201,307	250,607	267,286	292,636	**313,013**
Financed by										
Equity attributable to the Company's shareholders	85,481	103,603	126,683	151,099	148,402	168,745	204,464	226,380	208,467	**220,297**
Non-controlling interests	6,258	6,576	772	1,328	1,649	1,098	4,922	5,138	39,915	**42,211**
Net debt	8,200	5,329	11,939	22,468	30,404	31,464	41,221	35,768	44,254	**50,505**
	99,939	115,508	139,394	174,895	180,455	201,307	250,607	267,286	292,636	**313,013**
	HK $	HK $	HK $	HK $	HK $	HK $	HK $	HK $	HK $	HK $
'A' Shares										
Earnings per share	13.97	13.51	16.75	19.45	3.00	14.52	25.32	21.30	11.57	**8.83**
Dividends per share	2.00	2.06	2.83	3.23	2.38	2.80	3.50	6.50	3.50	**3.50**
Equity attributable to shareholders per share	55.83	67.67	82.75	99.65	98.63	112.15	135.89	150.46	138.55	**146.41**
'B' Shares										
Earnings per share	2.79	2.70	3.35	3.89	0.60	2.90	5.06	4.26	2.31	**1.77**
Dividends per share	0.40	0.41	0.57	0.65	0.48	0.56	0.70	1.30	0.70	**0.70**
Equity attributable to shareholders per share	11.17	13.53	16.55	19.93	19.73	22.43	27.18	30.09	27.71	**29.28**
Ratios										
Return on average equity attributable to the Company's shareholders	28.11%	21.88%	22.27%	21.30%	3.04%	13.77%	20.41%	14.88%	8.01%	**6.20%**
Return on average equity attributable to the Company's shareholders (historic cost)	12.74%	15.37%	14.08%	15.16%	7.36%	11.96%	19.86%	18.87%	8.94%	**8.92%**
Gearing ratio	8.94%	4.84%	9.37%	14.74%	20.26%	18.53%	19.69%	15.45%	17.82%	**19.24%**
Interest cover – times	21.76	34.15	46.76	54.05	10.11	23.39	27.06	19.58	13.04	**8.35**
Dividend cover – times	6.99	6.56	5.93	6.04	1.27	5.18	7.23	3.28	3.31	**2.52**
Underlying										
Profit (HK$M)	6,491	8,643	8,638	10,131	5,019	8,422	15,986	17,135	8,270	**8,471**
Equity attributable to the Company's shareholders (HK$M)	86,863	105,347	128,750	153,437	150,921	172,689	208,661	231,636	214,220	**226,807**
Return on average equity attributable to the Company's shareholders	8.38%	8.99%	7.38%	7.18%	3.30%	5.21%	8.38%	7.78%	3.71%	**3.84%**
Earnings per 'A' share (HK$)	4.24	5.65	5.64	6.66	3.32	5.60	10.62	11.39	5.50	**5.63**
Earnings per 'B' share (HK$)	0.85	1.13	1.13	1.33	0.66	1.12	2.12	2.28	1.10	**1.13**
Equity attributable to 'A' shareholders per share (HK$)	56.73	68.81	84.10	101.19	100.30	114.77	138.68	153.95	142.37	**150.74**
Equity attributable to 'B' shareholders per share (HK$)	11.35	13.76	16.82	20.24	20.06	22.95	27.74	30.79	28.47	**30.15**
Gearing ratio	8.78%	4.76%	9.22%	14.52%	19.92%	18.10%	19.30%	15.10%	17.32%	**18.67%**
Interest cover – times	5.36	12.84	13.49	14.79	9.93	8.28	10.31	10.43	6.73	**5.48**
Dividend cover – times	2.12	2.74	2.00	2.07	1.40	2.00	3.04	1.75	1.57	**1.61**

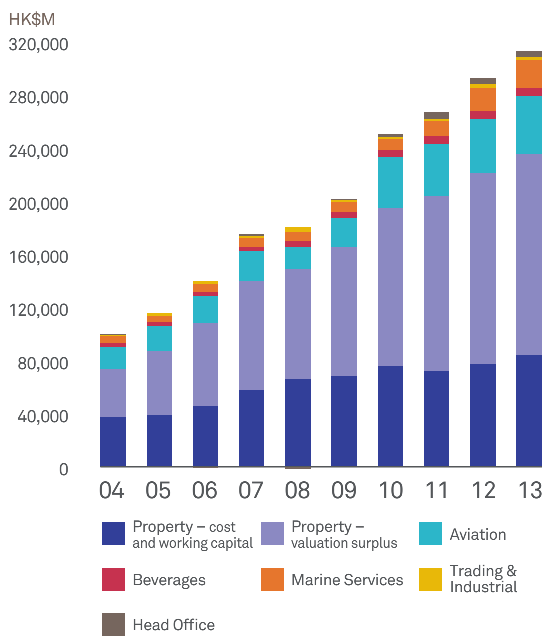
Notes:

1. The information for all years is shown in accordance with the Group's current accounting policies and disclosure practices. Consequently figures for years prior to 2013 may be different from those originally presented. The prior years' statement of profit or loss and statement of financial position have been restated following the adoption of HKFRS11 "Joint Arrangements" and HKAS19 "Employee Benefits".
2. The equity attributable to the Company's shareholders and the returns by division for 2013 and 2012 are shown in the Financial Review – Investment Appraisal and Performance Review on page 117.
3. Underlying profit and equity are discussed on page 110.

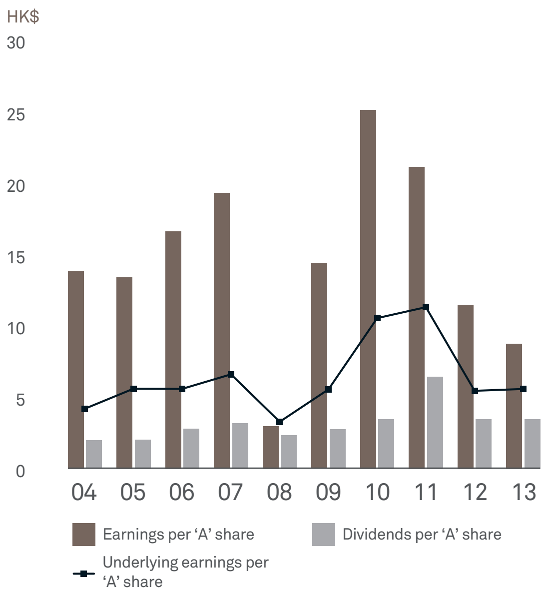
Turnover



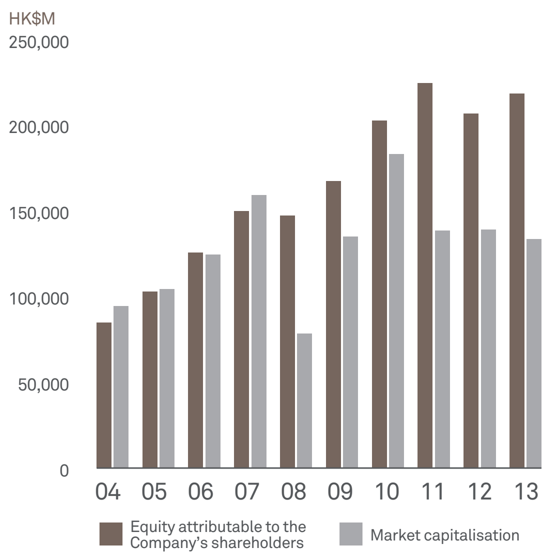
Net Assets Employed



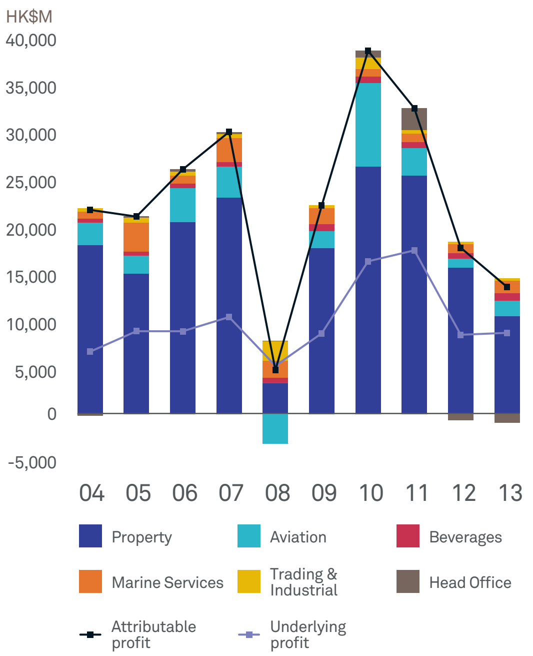
Earnings and Dividends per 'A' Share



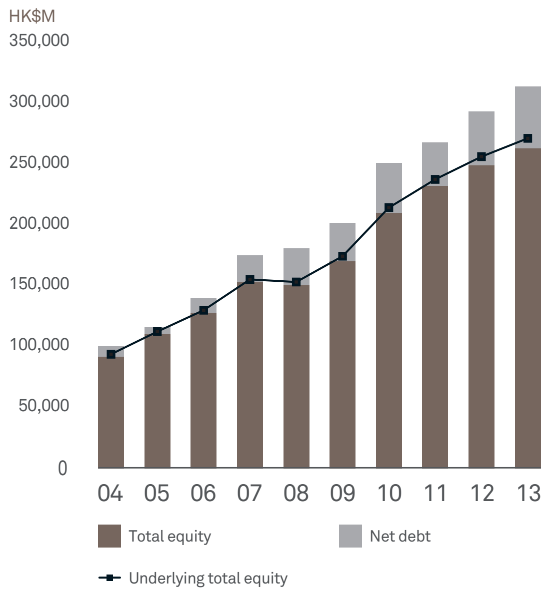
Equity Attributable to the Company's Shareholders and Market Capitalisation at Year-end



Profit Attributable to the Company's Shareholders

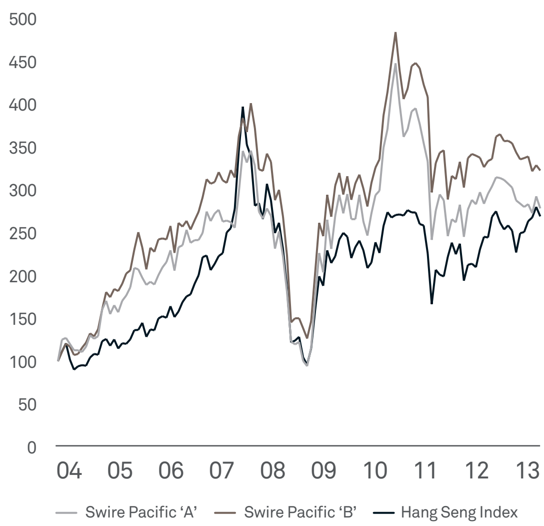


Total Equity and Net Debt



Returns on Average Equity*

Swire Pacific Share Price Relative to Hang Seng Index

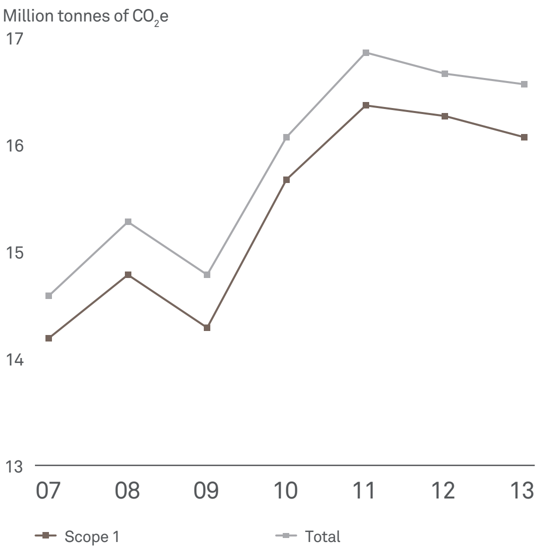


* Returns on average equity for the Trading & Industrial Division are not shown on the graph as restructuring within the division has rendered the comparison of returns between years unmeaningful.

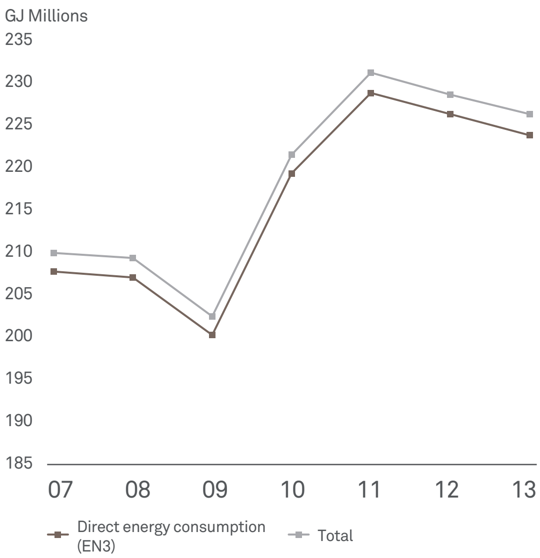
Summary of Past Performance – Sustainable Development

	2007	2008	2009	2010	2011	2012	2013
GHG emissions (Million tonnes of CO_2e)	14.6	15.3	14.8	16.1	16.9	16.7	**16.6**
Energy consumed (GJ Millions)	210.0	209.4	202.5	221.6	231.3	228.7	**226.4**
Water consumed (cbm Thousands)	8,236	8,026	8,053	7,555	7,991	7,603	**8,625**
LTIR (No. of injuries per 100 full-time equivalent employees)	4.12	3.74	2.93	3.39	2.87	2.73	**2.58**
Total employee numbers	63,764	68,450	66,628	70,265	73,867	74,192	**75,016**
Expenditure on community programmes (HK$ Millions)	N/A	67	45	41	64	54	**58**
Average hours of training per employee	N/A	N/A	N/A	34	37	32	**26**

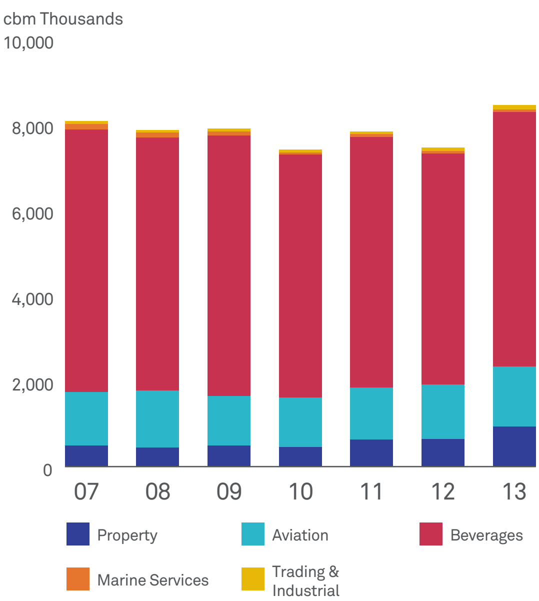
GHG Emissions



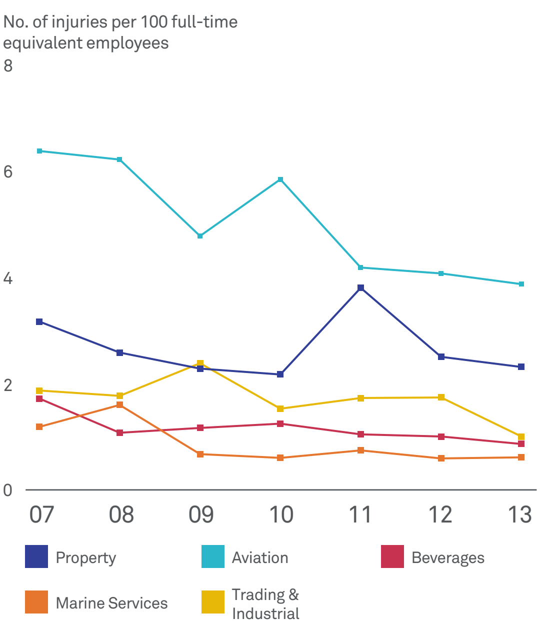
Energy Consumed



Water Consumed



LTIR



Chairman's Statement

Our consolidated profit attributable to shareholders for 2013 was HK$13,291 million, HK$4,119 million lower than in 2012. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$201 million or 2% to HK$8,471 million. Adjusted to exclude the effect of non-recurring items, underlying profit increased by HK$578 million or 7% to HK$8,414 million.

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

Dividends

The Directors have declared second interim dividends of HK$2.50 (2012: HK$2.50) per 'A' share and HK$0.50 (2012: 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 2013, 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 2012. The second interim dividends, which total HK$3,761 million (2012: HK$3,761 million), will be paid on 9th May 2014 to shareholders registered at the close of business on the record date, being Friday, 11th April 2014. Shares of the Company will be traded ex-dividend from Wednesday, 9th April 2014.

The register of members will be closed on Friday, 11th April 2014, 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, 10th April 2014.

The Economic Background in 2013

World economic conditions showed some improvement on those of 2012. In the USA, the recovery continued and the economy benefited from historically low interest rates. Economic conditions in Europe as a whole were weak, but started to recover towards the end of the year. The Asian region performed quite well. In Hong Kong, economic growth was relatively robust, but measures introduced by the government adversely affected demand for luxury residential properties. Economic growth in Mainland China remained steady, which benefited consumer confidence and expenditure. The price of oil remained high. This continued to affect our airlines but also resulted in continued exploration and production by oil companies, which benefited our Marine Services Division.

Operating Performance

The attributable underlying profit from the Property Division decreased by HK$452 million to HK$5,091 million. The decrease principally reflects lower trading profits from the sale of luxury residential properties in Hong Kong. Profit from property investment increased, reflecting positive rental reversions from the Hong Kong portfolio and higher overall rental income from the Mainland China portfolio.

The Property Division's net investment property valuation gain in 2013, before deferred tax in Mainland China, was HK$6,946 million, compared to a net gain in 2012 of HK$12,751 million.

The Aviation Division recorded an attributable profit of HK$1,627 million in 2013, compared to a profit of HK$984 million in 2012.

The Cathay Pacific group contributed a profit of HK$1,179 million, compared with a profit of HK$387 million in 2012. The improvement in the group's performance in 2013 was largely due to the strength of the passenger business and the positive impact of measures introduced in 2012 to protect the business from the high price of jet fuel. The cargo business continued to be affected by strong competition and weak demand, though there was some seasonal improvement in the last quarter of 2013. The business overall continued to be affected by the sustained high price of jet fuel.

The HAECO group's profit attributable to shareholders in 2013 was HK$469 million, a decrease of 24% compared to the corresponding figure in 2012 of HK$618 million. HAECO's airframe maintenance and component overhaul services in Hong Kong continued to be affected by 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 Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") improved, with higher demand for its airframe maintenance services. The performance of Hong Kong Aero Engine Services Limited ("HAESL") was affected by the early retirement of Boeing 747-400 aircraft owned by its customers. In general, the operating results of HAECO's other subsidiaries and joint ventures in Mainland China improved.

The Beverages Division recorded an attributable profit of HK$802 million in 2013, an increase of 44% compared to 2012. Excluding a non-recurring profit in 2013, attributable profit was HK$733 million, a 32% increase from 2012. This increase principally reflected a strong performance in Mainland China and lower raw material costs in all territories. Overall sales volume increased by 2% to 1,013 million unit cases, compared with a reduction of 0.5% in 2012. Volume grew in Mainland China and the USA, was unchanged in Hong Kong and declined in Taiwan.

The Marine Services Division reported an attributable profit of HK$1,307 million, an increase of 36% compared to 2012. At Swire Pacific Offshore ("SPO"), results benefited from the additional contribution from newer, more sophisticated vessels that commenced operations in 2013 and a full-year's contribution from the wind farm installation vessels delivered in 2012. Operating costs increased, principally reflecting the entry of new vessels into service.

Attributable profit from the Trading & Industrial Division in 2013 decreased by 4% to HK$237 million. The decrease principally reflected weaker results from Taikoo Motors and Campbell Swire and costs associated with developing the Swire Pacific Cold Storage business. This was partly offset by a much better result from Akzo Nobel Swire Paints. Swire Resources' results were similar to those of 2012.

Economic Outlook

We are cautiously optimistic about economic prospects in 2014. Growth in the USA is expected to be good but the effect of the reduction in the Federal Reserve's asset purchase programme is uncertain. Economic growth in Europe is expected to be better than in 2013. The outlook for the Asian region is good. It appears that the Mainland China economy is experiencing steady growth and will benefit from favourable economic policy-making. Hong Kong is likely to benefit from this.

Prospects

Demand for office space, particularly from the financial sector, is likely to remain weak and as a result rents will remain under pressure in the Central district of Hong Kong. Occupancy rates are expected to be lower. Pacific Place, however, has no major leases expiring in 2014. At Island East, rents are expected to remain resilient owing to high occupancy. In Guangzhou, rents are expected to be under pressure due to the large supply of existing and new office space. There is expected to be limited new supply of office space in Beijing. As a result, occupancy rates are expected to remain high in 2014.

Hong Kong retail sales are expected to grow, albeit more slowly than in 2013. Demand for retail space at prime locations and well-managed shopping malls is expected to continue to increase. In Guangzhou, demand for new space from luxury retailers has weakened. This reflects the effect of government measures on the consumption of luxury goods. In Beijing, retailers of international brands are continuing to look for space in prime locations and well-managed malls.

In Hong Kong, stamp duty increases have reduced the number of transactions in the luxury residential market. However, there continues to be demand for high quality properties albeit at more subdued levels. Profits from property trading are expected to be higher in 2014 than in 2013, with expected sales of completed units at the DUNBAR PLACE and MOUNT PARKER RESIDENCES developments and of remaining units at the AZURA and ARGENTA developments.

Results in 2014 from the hotel portfolio are expected to benefit from improved performances at the Mandarin Oriental in TaiKoo Hui, The Opposite House and EAST, Beijing.

The business outlook for the Cathay Pacific group in 2014 looks to be improved when compared with 2013. The passenger business continues to perform well and will benefit from further expansion of frequencies on long-haul routes. The cargo business continues to be problematic. Cathay Pacific, however, still has confidence in Hong Kong's future as an air cargo centre and believes that its reshaped freighter fleet and its new cargo terminal will allow it to compete successfully in the long term. Cathay Pacific will continue to invest to make its business stronger, while keeping its financial position strong, and remains committed to strengthening the world class aviation hub in its home, Hong Kong.

HAECO's operations in Hong Kong will continue to suffer from shortages of skilled and semi-skilled labour. Airframe maintenance capacity in 2014 is expected to remain low. The group continues to improve remuneration, career development opportunities and training. The acquisition of TIMCO Aviation Services, Inc. in February 2014 will improve the HAECO group's ability to offer aircraft maintenance and cabin modification services.

Swire Beverages' results in 2014 are likely to be similar to those in 2013. Sales volume growth is expected, but this is likely to be offset by rising staff costs in Mainland China. The retail environment in Taiwan is expected to remain very challenging. The outlook for the Hong Kong business is better due to its established market position. The USA is expected to benefit from a territory grant in Colorado.

The price of oil is expected to remain high in 2014, leading to a further increase in offshore exploration and production commitments by energy companies in deeper waters. In turn, demand for larger and more specialised offshore support vessels is expected to continue to improve, which should benefit SPO. However, the rising cost of production may affect demand for offshore services.

The performance of the Trading & Industrial Division is likely to be affected by the replacement of a major distributorship with a joint venture and to continue to be affected by the cost of new business development.

Finance

In 2013, we raised HK$23,703 million of new finance. This principally comprised issues of HK dollar, US dollar and Renminbi denominated medium-term notes under the Group's medium-term note programmes. The remaining finance raised mainly consists of HK dollar, US dollar and Renminbi bank loans.

Net debt at 31st December 2013 was HK$50,505 million, an increase of HK$6,251 million since 31st December 2012. The increase principally reflects investments in property projects in Hong Kong and the USA and in new vessels for SPO. Gearing increased by 1.4 percentage points to 19.2%. Cash and undrawn committed facilities totalled HK$30,806 million at 31st December 2013, compared with HK$22,452 million at 31st December 2012.

Sustainable Development

Swire Pacific does not view sustainability as a cost, but rather as an opportunity for innovation, growth and improved efficiency. Sustainable development is part of our long-term strategy.

Our ultimate goal is for our operating companies to achieve zero impact on the environment. We also aim to achieve zero harm to those involved in our operations. 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 the best people, to offer competitive remuneration and benefits and to provide training to enable staff to realise their potential. We support the communities in which we operate with charitable donations from the Swire Group Charitable Trust and by supporting our staff who volunteer their time and skills to help those communities. We share information and best practices with suppliers and encourage them to adopt appropriate sustainability and other standards.

In 2013, we began reporting sustainable development statistics on a quarterly basis in the Swire Pacific management accounts. A number of group companies announced revised and more ambitious carbon emission and energy reduction targets. We held our third sustainable development forum. We made our first investments in businesses devoted to sustainable development, taking two minority equity interests in businesses developing clean technologies. The Swire Group Charitable Trust's donations in 2013 included one to the Global Ocean Commission to assist it to examine the key threats facing the world's oceans. We developed a sustainable procurement policy.

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

Christopher Pratt
Chairman
Hong Kong, 13th March 2014

PROPERTY DIVISION

Transforming Urban Areas

Swire Properties' growing portfolio of offices, retail space and hotels is continuing to transform urban areas.

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 office and retail premises in prime locations, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 13.2 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 undertaking a mixed-use commercial development at Brickell City Centre in Miami, Florida. On completion after two phases of development, Brickell City Centre is expected to comprise approximately 4.0 million square feet (6.7 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, and 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 Taikoo Li Sanlitun (formerly known as Sanlitun Village) in Beijing, which is wholly-owned by Swire Properties, and EAST at INDIGO, Beijing, in which Swire Properties owns a 50% interest. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental, 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 in Miami.

Property Trading

Swire Properties' trading portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), a residential complex under development at Brickell City Centre in Miami, an office property under development as part of the Daci Temple project in Chengdu and unsold units in completed developments. These completed developments are the ARGENTA, AZURA and MOUNT PARKER RESIDENCES developments on Hong Kong Island, the DUNBAR PLACE development in Kowloon and the ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida in the United States.

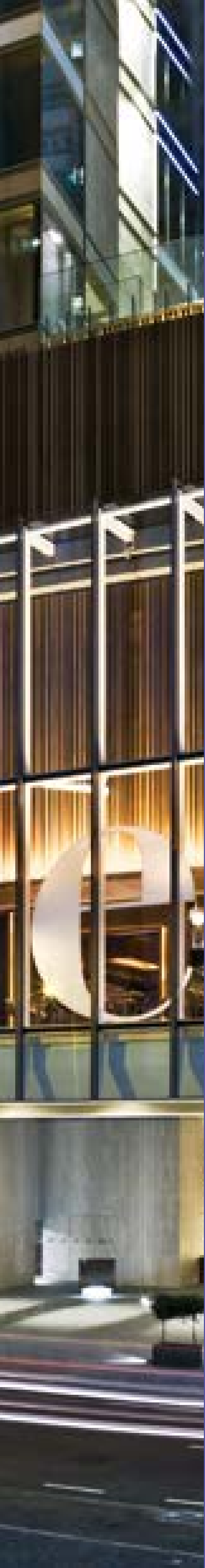
Particulars of the Group's key properties are set out on pages 243 to 251.

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

	At 31st December 2013						At 31st December 2012
Location	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
TaiKoo Place	5,257*	–	–	–	–	5,257	6,180
Cityplaza	1,633	1,105	200	–	–	2,938	2,938
Others	410	608	47	98	–	1,163	1,163
– Hong Kong	9,486	2,424	743	541	–	13,194	14,117
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	298	470	179	–	–	947	947
Others	–	91	–	–	–	91	91
– Mainland China	2,030	3,330	932	52	–	6,344	6,344
– United States	–	–	259	–	–	259	259
– United Kingdom	–	–	208	–	–	208	208
Total completed	11,516	5,754	2,142	593	–	20,005	20,928
Under and pending development							
– Hong Kong	1,555	12	–	63	92	1,722	47
– Mainland China	926	1,141	346	41	–	2,454	2,428
– United States	260	565	218	109	1,300	2,452	1,807
Total	14,257	7,472	2,706	806	1,392	26,633	25,210

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies. A schedule of the principal properties of the Group and its joint venture and associated companies is given on pages 243 to 251.

* Includes 894,000 square feet at two techno-centres (Warwick House and Cornwall House).



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

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 takes a measured approach to land purchases. It focuses on developments where it can secure sites through early engagement with local governments which recognise its strengths in developing large-scale mixed-use projects.

2013 Performance

Capital Expenditure

HK$7.1bn

Capital Commitments at Year-end

HK$29.5bn

Rental Income

Swire Properties actively manages its completed property developments, including by optimising the mix of retail tenants and negotiating 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.

2013 Performance

Gross Rental Income (Hong Kong)

+5%

Gross Rental Income (Mainland China)

+18%

Trading Profit

A key objective of Swire Properties is to expand its residential property activities through acquiring appropriate sites for the development of luxury residential projects.

2013 Performance

Property Trading – Operating Profit

–HK$1.4bn

Units Closed

47

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.

2013 Performance

Gearing

+0.8% pts

Return on Equity

6%

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.

2013 Performance

Energy Consumption

+8%

LTIR

–8%

2013 PERFORMANCE

Financial Highlights

	2013 HK$M	2012 HK$M
Turnover		
Gross rental income derived from		
Office	**5,386**	5,008
Retail	**3,961**	3,675
Residential	**329**	332
Other revenue *	**110**	108
Property investment	**9,786**	9,123
Property trading	**2,207**	4,147
Hotels	**942**	782
Total turnover	**12,935**	14,052
Operating profit/(loss) derived from		
Property investment	**7,309**	6,849
Valuation gains on investment properties	**6,141**	12,159
Sale of investment properties	**–**	12
Property trading	**1,035**	2,395
Hotels	**(65)**	(39)
Total operating profit	**14,420**	21,376
Share of post-tax profits from joint venture and associated companies	**948**	821
Attributable profit	**12,448**	18,637
Swire Pacific share of attributable profit	**10,207**	15,282

* Other revenue is mainly estate management fees.

Sustainable Development Highlights

	2013	2012
Energy consumption (Thousands of Gigajoules)	**894**	826
LTIR	**2.29**	2.48

Note:
1. Swire Pacific has implemented the revised HKAS19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.
2. Please refer to pages 239 to 242 for further sustainable development statistics.

Reconciliation of Attributable to Underlying Profit

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	2013 HK$M	2012 HK$M
Reported attributable profit		**12,448**	18,637
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(6,946)**	(12,751)
Deferred tax on investment properties	(b)	**573**	661
Realised profit on sale of investment properties	(c)	**94**	176
Depreciation of investment properties occupied by the Group	(d)	**20**	20
Non-controlling interests' share of revaluation movements less deferred tax		**19**	17
Underlying attributable profit		**6,208**	6,760
Swire Pacific share of underlying attributable profit		**5,091**	5,543

Notes:
(a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture 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 joint venture 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 statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.
(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

Demand for office space was generally weak in 2013, particularly from financial institutions. Despite limited new supply of office space in the central district of Hong Kong, lower occupancy rates put rents under pressure. Rents outside the central district of Hong Kong, in Island East, remained relatively robust.

RETAIL

The growth of retail sales, particularly of luxury goods, slowed in 2013. Despite this, demand for retail space in good locations and well-managed malls remained quite strong. Retailers were cautious about taking additional space.

Mainland China

OFFICE

The supply of office space in Guangzhou increased significantly following the completion of a number of new office towers in Zhujiang New Town. This added to the already large existing stock of office space. As the absorption of new office space was limited, rents remained under pressure during 2013. The demand for office space in Beijing weakened in 2013. Rents stayed the same or declined.

RETAIL

Retail sales in Guangzhou grew by 16% in 2013. Demand for retail space remained good as there was little supply of new prime retail space. Retail sales in Beijing grew by 9% in 2013. Retailers were cautious about opening new stores. Nevertheless, rents on new lettings and renewals continued to increase as there was not much new space available.

Hotel Industry

Hong Kong

Hotels in Hong Kong did well in 2013. There was strong demand from Mainland China visitors despite slower economic growth.

Mainland China

Trading conditions remained weak in Beijing during 2013 due to the opening of new hotels and a reduction in the number of international visitors.

UK

The trading environment was challenging.

Property Sales Markets

Hong Kong

Sales of luxury residential properties in Hong Kong were adversely affected by government measures designed to reduce speculation in the housing market.

USA

The residential property market in urban Miami improved.

2013 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$10,207 million compared to HK$15,282 million in 2012. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$6,946 million and HK$12,751 million in 2013 and 2012 respectively. Underlying profit, which principally adjusts for changes in the valuation of investment properties, decreased by HK$452 million to HK$5,091 million.

Taikoo Li Sanlitun has reshaped the Sanlitun area of Beijing by introducing a modern and cosmopolitan element to a popular area of the city.

The decrease in underlying profit principally reflects a lower contribution from property trading, partially offset by higher profits from property investment in Hong Kong and Mainland China.

Gross rental income was HK$9,676 million in 2013, compared with HK$9,015 million in 2012. The increase is largely due to positive rental reversions, in particular at the Island East offices, and a higher contribution from The Mall at Pacific Place. In Mainland China, rental income increased significantly, with improved performances at Taikoo Li Sanlitun in Beijing and at TaiKoo Hui in Guangzhou.

Operating profit from property trading decreased due to fewer completions of sales of units at the AZURA development, partially offset by completions of sales of units at the ARGENTA development.

There were better performances in 2013 from The Upper House and the UK hotels. However, this was offset by weaker results from the hotels in Mainland China.

Energy consumption increased by 8% in 2013. The lost time injury rate decreased by 8%.

ARGENTA offers 30 luxury residential apartments in the Western Mid Levels in Hong Kong.

KEY CHANGES TO THE PROPERTY PORTFOLIO

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

In July 2013, Swire Properties acquired a site adjacent to the Brickell City Centre development in Miami, Florida, USA.

In November 2013, Swire Properties acquired a site in Kowloon Bay, Hong Kong.

In December 2013, Swire Properties announced that it had agreed to acquire a 50% interest in the DCH Commercial Centre in Quarry Bay. The acquisition was completed in January 2014.

In January 2014, Swire Properties entered into a framework agreement with CITIC Real Estate Co., Ltd. and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian, Mainland China. Swire Properties is expected to hold a 50% interest in the joint venture. The proposed joint venture and development are subject to satisfaction of certain conditions precedent.

In February 2014, the company which owns an industrial site at 8-10 Wong Chuk Hang Road in Aberdeen, Hong Kong (in which Swire Properties has a 50% interest) agreed with the Government to proceed with a modification of the Government Leases to permit the site to be used for commercial purposes. The site is intended to be developed into an office building with an aggregate gross floor area of approximately 382,500 square feet.

INVESTMENT PROPERTIES

Hong Kong

OFFICE

Swire Properties' completed office portfolio comprises 9.5 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 5.3 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 18% of its office space in Hong Kong at 31st December 2013. Approximately 30% of its office space in Hong Kong is occupied by companies in the financial services sector.

The Hong Kong office portfolio did well in 2013. Gross rental income increased by 6% compared with 2012, to HK$5,098 million. This reflected positive rental reversions, in particular at Island East. Occupancy rates at Pacific Place and Island East remained high throughout the year.

The office building at 8 Queen's Road East was leased (after extensive refurbishment) to a single tenant for a ten-year term commencing in September 2013. It has been renamed Generali Tower. At the end of 2013, approximately 78% of the office building at 28 Hennessy Road (which was completed in 2012) had been leased.

At 31st December 2013, the office occupancy rate was 96%.

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.

Pacific Place is a major mixed-use development in Hong Kong comprising a newly redesigned shopping mall, three office towers, luxury serviced apartments and four hotels.

The Hong Kong retail portfolio's gross rental income for 2013 increased by 5% compared with 2012, to HK$2,614 million. This reflected positive rental reversions and the recognition of a full-year of rental income following a reconfiguration of retail space at Pacific Place.

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

Retail sales at The Mall at Pacific Place grew marginally in 2013. Retail sales at the Cityplaza and Citygate malls were 2% and 14% higher respectively in 2013 than in 2012.

RESIDENTIAL

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

Rental income from the residential portfolio declined in 2013 due to lower occupancy rates at Pacific Place Apartments.

Five units at OPUS HONG KONG had been leased at 31st December 2013.

Occupancy at the residential portfolio was approximately 82% at 31st December 2013 (excluding OPUS HONG KONG).

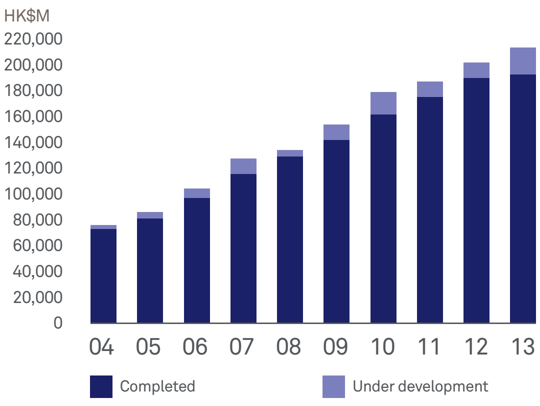
INVESTMENT PROPERTIES UNDER DEVELOPMENT

The property at 23 Tong Chong Street in Quarry Bay is being redeveloped into serviced apartments with a gross floor area of approximately 75,000 square feet. The redevelopment is expected to be completed at the end of 2014.

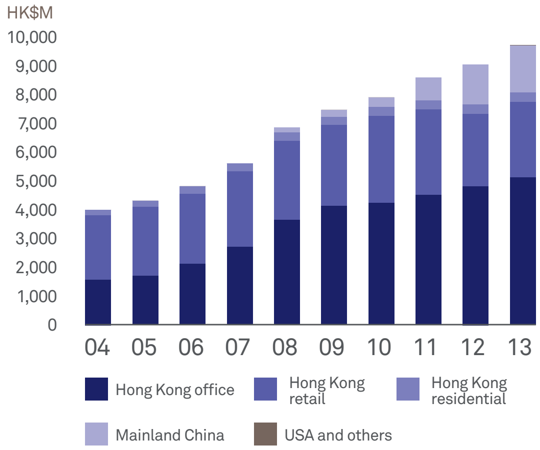
A commercial site (Tung Chung Town Lot No. 11) adjacent to Citygate Outlets was acquired by the same consortium which owns the existing Citygate Outlets development, in which Swire Properties has a 20% equity interest. The site will be developed into a multi-storey commercial building with a gross floor area of approximately 460,000 square feet. The development is expected to be completed in 2017.

A commercial site (New Kowloon Inland Lot No. 6312) at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay in Hong Kong was acquired by tender in December 2013. The site will be developed into an office building, with a gross floor area of approximately 555,000 square feet. The development is expected to be completed in 2017.

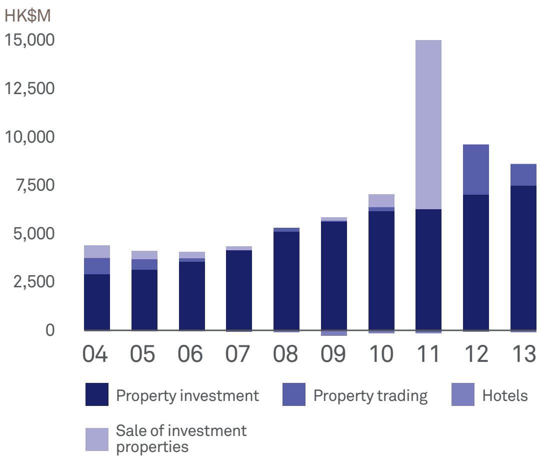
Valuation of Investment Properties



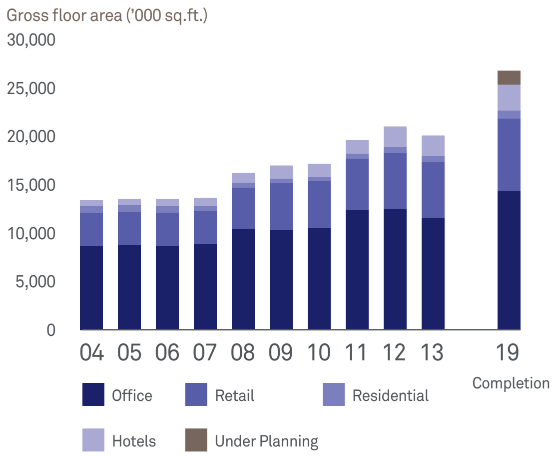
Gross Rental Income



Underlying Operating Profit



Completed Investment Property Portfolio



In February 2014, an agreement was entered into with the Government of the Hong Kong Special Administrative Region (represented by The Financial Secretary Incorporated) to acquire its interest in Cornwall House in TaiKoo Place. The transaction is expected to be completed on or before 30th December 2016 and will allow Swire Properties to proceed with the redevelopment of three existing techno-centres in TaiKoo Place into two Grade A office buildings. The first phase of the approved redevelopment plan, which will begin in 2014, involves demolishing Somerset House and redeveloping it into a 51 storey office building. The second phase involves redeveloping Cornwall House and Warwick House into a single 46 storey office tower. The first new office building is expected to be ready for handover by 2018.

Mainland China

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

Taikoo Li Sanlitun (formerly Sanlitun Village) comprises two neighbouring sites in the Chaoyang district of Beijing, Taikoo Li Sanlitun South (with 0.8 million square feet of retail space) and Taikoo Li Sanlitun North (with 0.5 million square feet of retail space). Taikoo Li Sanlitun South focuses on contemporary fashion and lifestyle brands, with tenants including the largest Adidas store in the world and the first Apple store in Mainland China. Tenants at Taikoo Li Sanlitun North are principally retailers of international and local designer fashion brands.

GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, owned 20% of Taikoo Li Sanlitun at 31st December 2013. GCA had an option to sell its 20% interest to Swire Properties before the end of 2013. It exercised that option in August 2013 and the sale was completed in February 2014. The movement in the fair value of the option during the year resulted in a finance charge of HK$144 million, compared to HK$175 million in 2012. The exercise price of the option was HK$1,256 million. Exercise of the option has no impact on Swire Properties' accounting for its interest in Taikoo Li Sanlitun, as it had previously assumed that the option would be exercised and therefore treated the company owning this development as a 100% subsidiary for accounting purposes.

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 shopping mall, two Grade A office towers, a cultural centre (owned by a third party) and a Mandarin Oriental hotel with serviced apartments, together with approximately 700 car parking spaces, all of which are interconnected.

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 EAST, Beijing, a 369-room hotel.

RETAIL

The Mainland China retail portfolio's gross rental income for 2013 increased by 14% compared with 2012, to HK$1,347 million.

The overall occupancy rate at Taikoo Li Sanlitun was 94% at 31st December 2013. Retail sales in 2013 increased by 17%, reflecting good sales at newly opened and re-opened stores in Taikoo Li Sanlitun South and strong sales growth at fashion stores and food and beverage outlets in Taikoo Li Sanlitun North.

The mall at INDIGO was 96% occupied at 31st December 2013. Retail sales grew steadily in 2013.

Retail sales at the TaiKoo Hui mall grew by 25% in 2013. The mall was 99% occupied at 31st December 2013.

OFFICE

The Mainland China office portfolio's gross rental income for 2013 increased by 39% compared with 2012, to HK$270 million.

The two office towers at TaiKoo Hui were 89% occupied at 31st December 2013.

ONE INDIGO was 97% occupied at 31st December 2013.

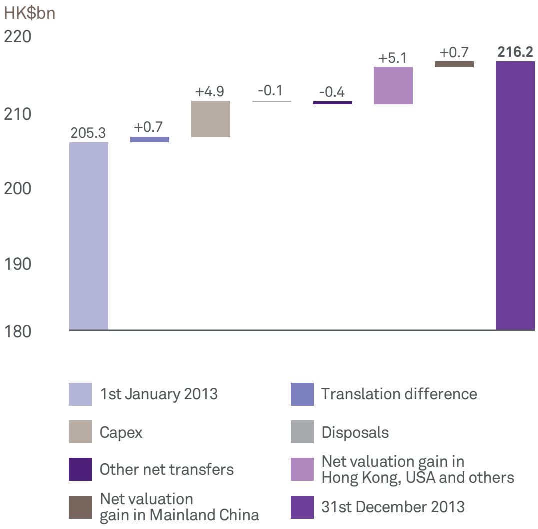
Located in the Jinjiang district of Chengdu, Sino-Ocean Taikoo Li Chengdu is the second joint venture between Sino-Ocean Land and Swire Properties. The retail development is scheduled to open in phases in 2014.

INVESTMENT PROPERTIES UNDER DEVELOPMENT

Site clearance has been completed at the Dazhongli site in Shanghai. Work on the foundations and basements is progressing. Above ground construction of the office towers has started. Upon completion in phases from 2016 onwards, the development will consist of a retail mall, two office towers and three hotels. The project will be linked to the West Nanjing Road Station on Metro Line 13, which is expected to open at the end of 2015.

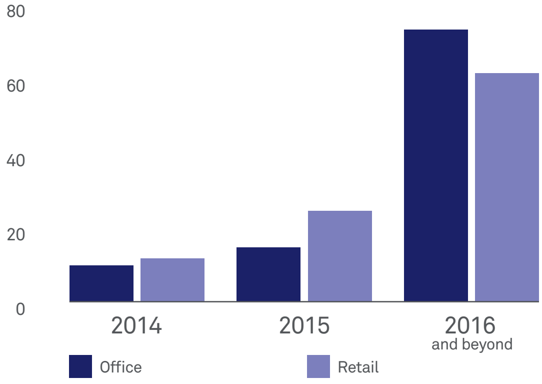
The retail portion of the Daci Temple project in Chengdu has been named Sino-Ocean Taikoo Li Chengdu. Superstructure and façade installation works are in progress. A phased handover of space to tenants will begin in 2014.

Movement in Investment Properties



Hong Kong Lease Expiry Profile – at 31st December 2013

% of the total rental income attributable to the Group for the month ended 31st December 2013



In July 2013, Sino-Ocean Land exercised its option to repurchase from Swire Properties a 13% interest in the Daci Temple project. Following exercise of this option, the interests of Swire Properties and Sino-Ocean Land in the project have each returned to 50%. This had no impact on Swire Properties' accounting for its interest in the project. Prior to the exercise of the option, the interest had been accounted for as a 50% interest in a joint venture. The exercise of the option was treated as a repayment of a secured loan.

Situated in the Brickell financial district of Miami, Florida, the Brickell City Centre development will be Swire Properties' first mixed-use development in Miami.

USA

Construction is underway at the mixed-use Brickell City Centre development in the financial district in Miami, Florida. The development has a combined phase I and phase II site area of 504,017 square feet.

Phase I of the development, comprising a shopping centre, a hotel, serviced apartments, two office buildings and two (or possibly three) residential towers, is scheduled to be completed in 2015. The residential towers are being developed for trading purposes. Swire Properties owns 100% of the office, hotel and residential portions and 87.5% of the retail portion of Phase I.

Phase II will be a mixed-use development comprising retail, office, hotel and condominium space, including an 80 storey tower called One Brickell City Centre. Phase II incorporates the site at 700 Brickell Avenue acquired by Swire Properties in July 2013 and will connect the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of Phase II.

Audited Financial Information

INVESTMENT PROPERTIES

	Group			Company
	Completed HK$M	Under Development HK$M	Total HK$M	Total HK$M
At 1st January 2013	**192,991**	**12,282**	**205,273**	**4,396**
Translation differences	**676**	**5**	**681**	**–**
Additions	**216**	**4,692**	**4,908**	**–**
Disposals	**–**	**(96)**	**(96)**	**–**
Transfer upon completion	**1,238**	**(1,238)**	**–**	**–**
Transfer to redevelopment	**(5,494)**	**5,494**	**–**	**–**
Other net transfers to property, plant and equipment	**(37)**	**(335)**	**(372)**	**–**
Fair value gains/(losses)	**5,943**	**(98)**	**5,845**	**(296)**
	195,533	**20,706**	**216,239**	**4,100**
Add: Initial leasing costs	**285**	**–**	**285**	**–**
At 31st December 2013	**195,818**	**20,706**	**216,524**	**4,100**
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/(losses)	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

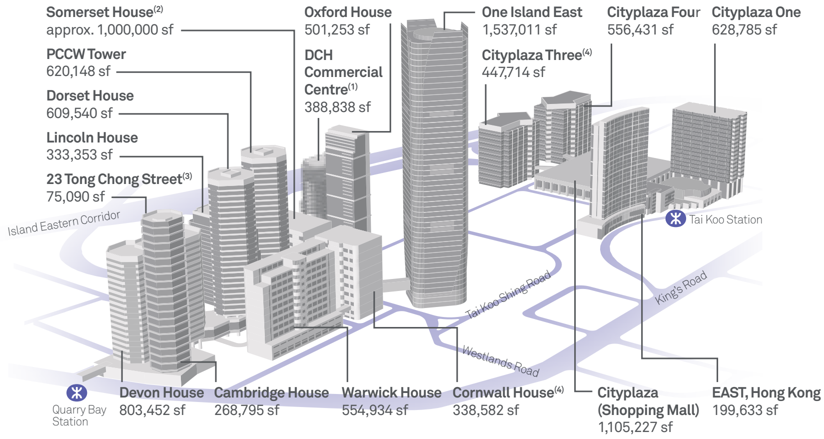
GEOGRAPHICAL ANALYSIS OF INVESTMENT PROPERTIES

	Group		Company	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Held in Hong Kong				
On medium-term leases (10 to 50 years)	**29,349**	25,342	**–**	–
On long-term leases (over 50 years)	**160,795**	156,272	**4,100**	4,396
	190,144	181,614	**4,100**	4,396
Held in Mainland China				
On medium-term leases (10 to 50 years)	**24,439**	23,105		
Held in USA				
Freehold	**1,656**	554		
	216,239	205,273		

Note:
1. The Group figures in the table above comprise investment properties owned by Swire Properties and a small number of properties owned by Swire Pacific which are managed by Swire Properties. The Company figures represent those investment properties owned directly by Swire Pacific.
2. Fair value gains on investment properties are recognised in the line item "Change in fair value of investment properties" on the face of the consolidated statement of profit or loss.

Hong Kong

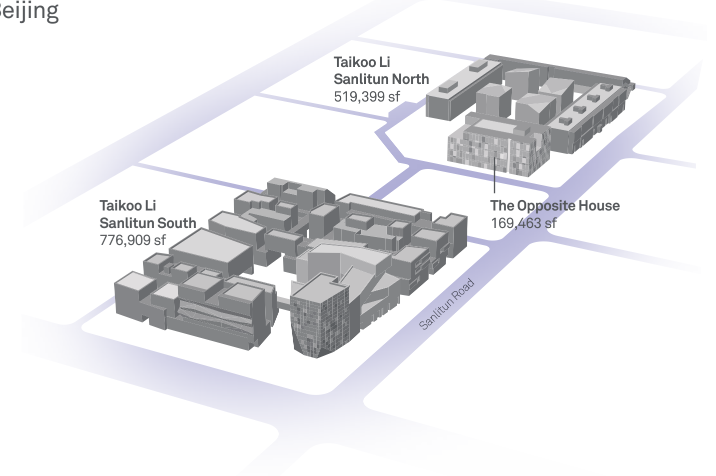
ISLAND EAST



Mainland China

TAIKOO LI SANLITUN

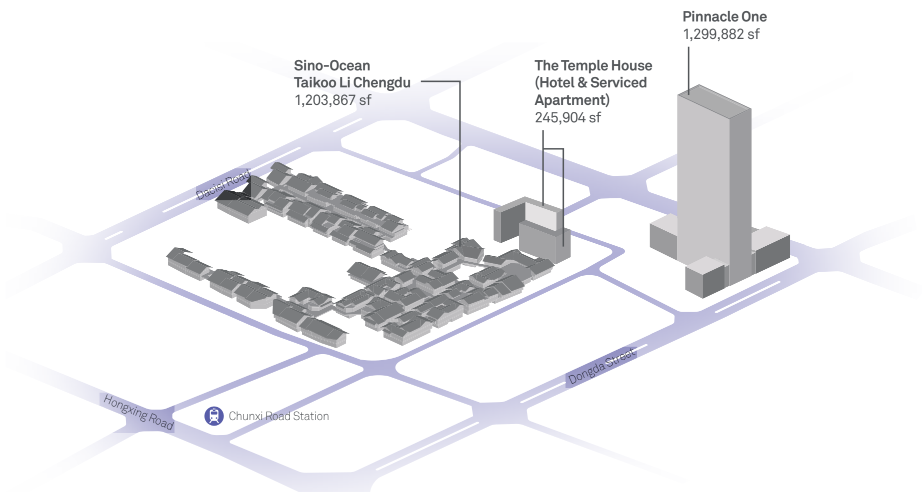
Beijing



Future Developments

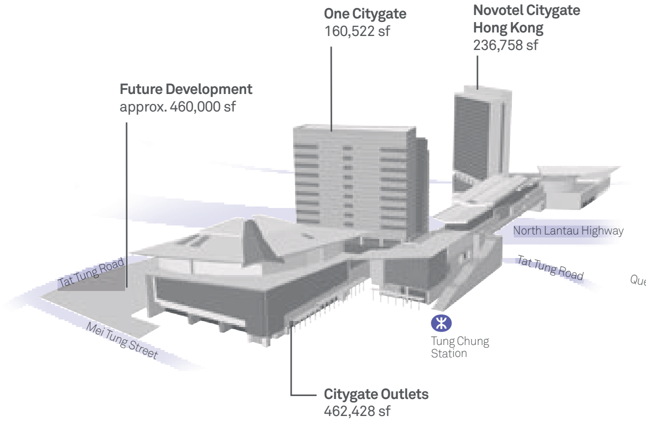
DACI TEMPLE PROJECT

Chengdu, Mainland China

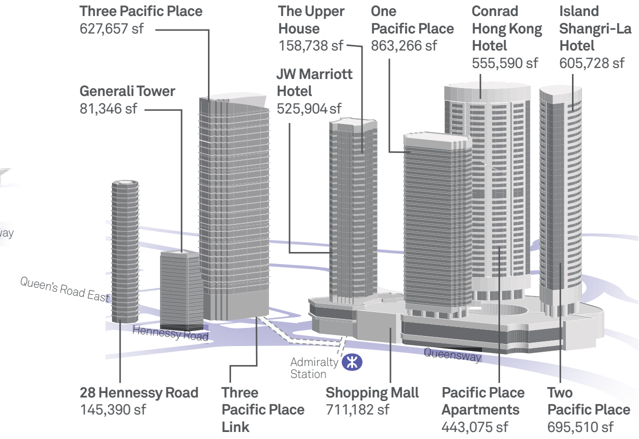


Note: These diagrams are not to scale and are for illustration purposes only
[1] Acquired and transaction completed in January 2014 [2] Under redevelopment [3] Under development [4] In February 2014, Swire Properties reached an agreement with the HKSAR Government to acquire its interest in Cornwall House. The agreement provides for the exchange of ten floors of Grade A office space in Cityplaza Three (approx. 205,000 sf) for all the areas in Cornwall House currently owned and occupied by the HKSAR Government, consisting principally of eight floors in the building (approx. 187,000 sf). The transaction is expected to be completed on or before 30th December 2016.

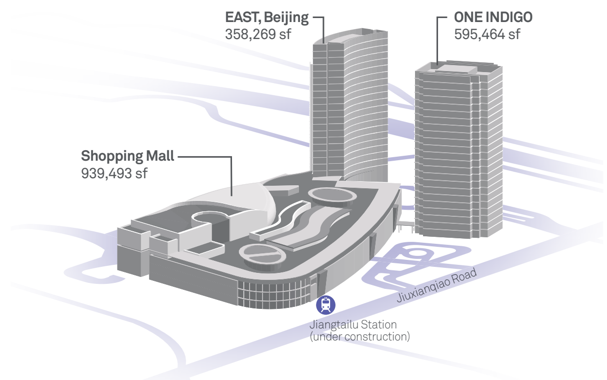
CITYGATE



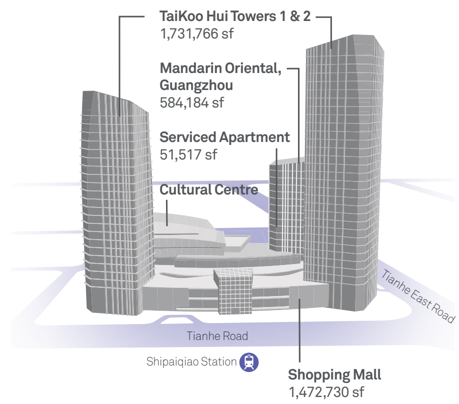
PACIFIC PLACE



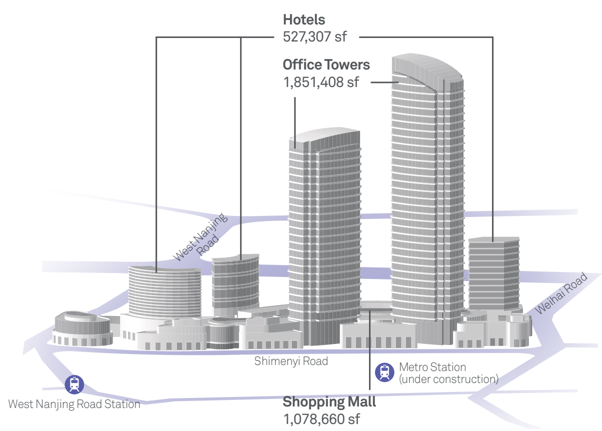
INDIGO
Beijing



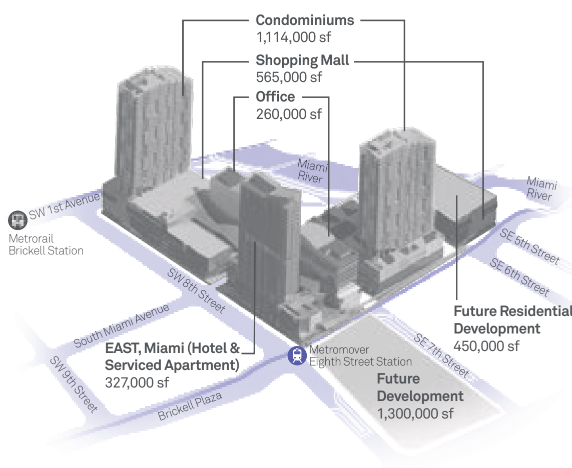
TAIKOO HUI
Guangzhou



DAZHONGLI PROJECT
Shanghai, Mainland China



BRICKELL CITY CENTRE
Miami, Florida, USA



VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2013 (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$216,239 million compared to HK$205,273 million at 31st December 2012 and HK$209,899 million at 30th June 2013.

The change in the valuation of the investment property portfolio since 31st December 2012 principally reflects increased rental income and the acquisition of property in Hong Kong.

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.

Swire Properties has increased its energy efficiency in Hong Kong by 25% since 2001 through building design optimisation and retrofitting buildings with more energy efficient technology. In 2013, it announced a new and more ambitious aim to reduce electricity consumption by 52 million kWh per year by 2020.

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 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.

There was a better performance in 2013 from The Upper House in Hong Kong, with improved occupancy and average room rates. The performance of the non-managed hotels was stable in 2013.

Mainland China

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

Business at The Opposite House was adversely affected by an increase in supply of new hotels and a reduction in the number of international visitors. The results of EAST, Beijing improved. The Mandarin Oriental at TaiKoo Hui opened in January 2013.

A third House hotel, The Temple House, is expected to open in late 2014 as part of the Daci Temple project in Chengdu. It will be managed by Swire Hotels.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental in Miami. Results in 2013 improved from 2012 levels due to higher average room rates.

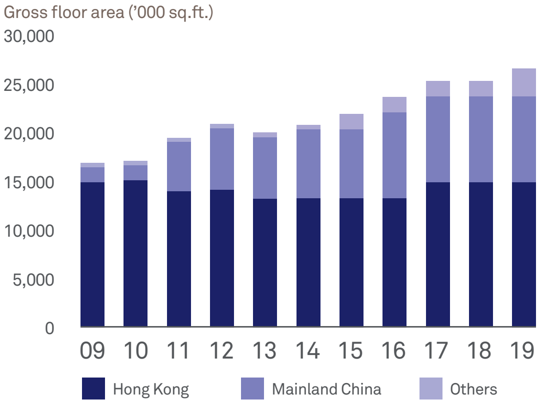
United Kingdom

Swire Properties wholly-owns four hotels in the United Kingdom, one each in Cheltenham, Bristol, Brighton and Exeter. Occupancy and room rates improved in 2013 despite weak trading conditions.

CAPITAL EXPENDITURE AND COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

Capital expenditure in 2013 on Hong Kong investment properties and hotels, including completed projects, was HK$4,359 million (2012: HK$1,828 million). Outstanding capital commitments at 31st December 2013 were HK$20,291 million (31st December 2012: HK$5,405 million), including the Group's share of capital commitments of joint venture companies of HK$3,536 million. The Group is committed to funding HK$3,129 million of the capital commitments of joint venture companies in Hong Kong.

Completed Property Investment Portfolio



Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast year of expenditure				Commitments *
	2013	2014	2015	2016	2017 & beyond	At 31st Dec 2013
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Hong Kong	**4,359**	3,852	2,520	2,721	11,198	**20,291**
Mainland China	**1,500**	3,080	1,664	999	570	**6,313**
USA and others	**1,237**	1,539	1,303	8	–	**2,850**
Total	**7,096**	8,471	5,487	3,728	11,768	**29,454**

* The capital commitments represent 100% of the Group's capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies. The Group is committed to funding HK$4,212 million of the capital commitments of joint venture companies.

Capital expenditure in 2013 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, was HK$1,500 million (2012: HK$1,776 million). Outstanding capital commitments at 31st December 2013 were HK$6,313 million (2012: HK$7,546 million), including the Group's share of the capital commitments of joint venture companies of HK$5,577 million (2012: HK$6,620 million). The Group is committed to funding HK$1,083 million (31st December 2012: HK$818 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2013 on USA and other investment properties and hotels was HK$1,237 million (2012: HK$239 million). Outstanding capital commitments at 31st December 2013 were HK$2,850 million (2012: HK$2,963 million).

SUSTAINABLE DEVELOPMENT

Electricity consumption increased by 8% in 2013. This compares favourably with the overall increase in occupied space in the investment property portfolio in Hong Kong and Mainland China. Old air conditioning and lighting systems were replaced with more energy efficient systems.

There was a decrease of 8% in the lost time injury rate. Safety risk assessments were carried out in Hong Kong and Mainland China. Systems used to manage safety were upgraded during the year.

PROPERTY TRADING

Audited Financial Information

PROPERTY TRADING PORTFOLIO AT COST

	Group	
	2013 HK$M	2012 HK$M
Properties held for development		
Freehold land	**706**	188
Properties for sale		
Completed properties – development costs	**1,441**	401
Completed properties – freehold land	**1**	4
Completed properties – leasehold land	**1,285**	145
Properties under development – development costs	**2,076**	1,762
Freehold land under development for sale	**175**	175
Leasehold land under development for sale	**3,004**	4,423
	7,982	6,910

Hong Kong

Sales of 21 units at the AZURA development on Seymour Road were completed in 2013. At 11th March 2014, 120 out of the total 126 units had been sold. The profit from the sales of 98 and 21 of these units was recognised in 2012 and 2013 respectively and the profit from the sale of the remaining one unit is expected to be recognised in 2014.

Units sold at the ARGENTA development, also on Seymour Road, were handed over to purchasers in September 2013. At 11th March 2014, 16 out of the total 30 units had been sold. The profit from the sales of 12 of these units was recognised in 2013 and the profit from the sales of the remaining four units is expected to be recognised in 2014.

Pre-sales of apartments at DUNBAR PLACE, a residential development in Ho Man Tin, Kowloon, started in April 2013. These were the first pre-sales of apartments in a new residential development in Hong Kong since the coming into force of the Residential Properties (First-hand Sales) Ordinance. 25 of the 53 units had been pre-sold at 31st December 2013 and a further 10 units have been sold since then. The development was completed in the last quarter of 2013. Handover of sold units to purchasers began in early 2014. Swire Properties has a 50% interest in this development.

The occupation permit for MOUNT PARKER RESIDENCES, a residential development in Quarry Bay, Hong Kong, was issued in December 2013. The units will be available for sale and handover to purchasers in 2014. Swire Properties has an 80% interest in this development.

Superstructure works at the AREZZO residential development on Seymour Road are progressing on schedule, with completion expected in the second half of 2014. AREZZO represents the first phase of a two phase development. Pile cap construction is in progress at the adjacent second phase of the development. The development is expected to be completed in 2016.

Two adjacent residential sites at Cheung Sha, Lantau Island are being developed into detached houses. The development is expected to be completed in 2015.

Mainland China

At 31st December 2013, superstructure works were largely complete at Pinnacle One, the office portion of the Daci Temple project in Chengdu.

In August, 89% of the gross floor area of Pinnacle One was pre-sold. The office tower is scheduled to be handed over to the purchaser in 2014.

USA

Sales of 13 units were completed at the ASIA residential development in Miami in 2013. Of the 123 units at ASIA, 122 units had been sold at 31st December 2013. The development is now effectively sold out as the final unit is being withheld for marketing purposes.

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

OUTLOOK

Office and Retail

Hong Kong

OFFICE

We remain cautious about the outlook for 2014. Demand for office space, particularly from the financial sector, is likely to remain weak and as a result rents will remain under pressure in the central district. Occupancy rates are expected to be lower. Pacific Place, however, has no major leases expiring in 2014.

At Island East, rents are expected to remain resilient owing to high occupancy.

Office tenancies accounting for approximately 11% of rental income in the month of December 2013 are due to expire in 2014 with no committed renewals or new lettings, with a further 15% due to expire in 2015.

RETAIL

Retailers are cautious about expanding. Despite this, Hong Kong retail sales are expected to grow, albeit more slowly than in 2013. Demand for retail space at prime locations and well-managed shopping malls is expected to continue to increase.

Retail tenancies accounting for approximately 12% of rental income in the month of December 2013 are due to expire in 2014 with no committed renewals or new lettings, with a further 25% due to expire in 2015.

Mainland China

RETAIL

In Guangzhou, demand for new space from luxury retailers has weakened. This reflects the effect of certain government measures on the consumption of luxury goods.

In Beijing, retailers of international brands are continuing to look for space in prime locations and well-managed malls.

OFFICE

In Guangzhou, rents are expected to be under pressure in 2014 due to the large supply of existing and new office space.

There is expected to be limited new supply of office space in Beijing. As a result, occupancy rates are expected to remain high in 2014.

Hotels

Results in 2014 from the hotel portfolio are expected to benefit from improved performances at the Mandarin Oriental in TaiKoo Hui, The Opposite House and EAST, Beijing.

Property Trading

Hong Kong

In Hong Kong, stamp duty increases have reduced the number of transactions in the luxury residential market. However there continues to be demand for high quality properties albeit at more subdued levels. Profits from property trading are expected to be higher in 2014 than in 2013, with expected sales of completed units at the DUNBAR PLACE and MOUNT PARKER RESIDENCES developments and of remaining units at the AZURA and ARGENTA developments.

Mainland China

Profits are expected to be recorded on the handover to the purchaser of the space pre-sold at the Pinnacle One office tower at the Daci Temple project in Chengdu.

USA

The market for new residential condominiums in urban Miami performed well in 2013 and is expected to continue to improve in 2014. However, because of the timing of completion of the Brickell City Centre development, significant profits from property sales in the USA are not expected in 2014.

Martin Cubbon

AVIATION DIVISION

Advancing World-Class Service

We aim to continue to improve our products and services on the ground and in the air, to strengthen our aircraft engineering business and to expand our fleet by acquiring fuel efficient aircraft.


CATHAY PACIFIC

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 ("Air Hong Kong"), an associate interest in Air China and an interest in the Air China Cargo joint venture entity. In addition, Cathay Pacific has interests in companies providing flight catering and ramp and cargo handling services. Cathay Pacific also owns and operates its own cargo terminal at Hong Kong International Airport. Cathay Pacific is listed on the Hong Kong Stock Exchange.

Cathay Pacific offers scheduled passenger and cargo services to 182 destinations in 41 countries and territories. At 31st December 2013, it operated 140 aircraft and had 93 new aircraft due for delivery up to 2024.

Dragonair is a regional airline based in Hong Kong. It operates 41 aircraft on scheduled services to 47 destinations in Mainland China and elsewhere in Asia.

Cathay Pacific owns 20.13% 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 212 domestic and 86 international, including regional, destinations. Cathay Pacific also has a cargo joint venture with Air China, which operates eight freighters and carries cargo in the bellies of the Air China passenger fleet.

Air Hong Kong, 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 owned Airbus A300-600F freighters, three Boeing 747-400BCF freighters dry-leased from Cathay Pacific and two wet-leased Airbus A300-600F freighters.

Cathay Pacific and its subsidiaries employ more than 31,600 people worldwide (around 24,200 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 joint venture company Hong Kong Aero Engine Services Limited ("HAESL"), by HAESL's joint venture company Singapore Aero Engine Services Pte. Limited ("SAESL") and by HAECO's subsidiary Taikoo Engine Services (Xiamen) Company Limited ("TEXL"). The HAECO group has other subsidiaries and joint venture companies in Mainland China, which offer a range of aircraft engineering services and has a 70% interest in an inventory technical management joint venture with Cathay Pacific in Hong Kong.

In February 2014, a wholly owned subsidiary of HAECO acquired a 100% equity interest in TIMCO Aviation Services, Inc. ("TIMCO"). TIMCO is a USA based provider of aircraft technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing (including seats).

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 two 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 and of HAECO on the environment.

IMPLEMENTING STRATEGIES

Turnover

Changes in turnover of the airlines 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 40% of HAECO's operating expenses. Managing these costs while 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.

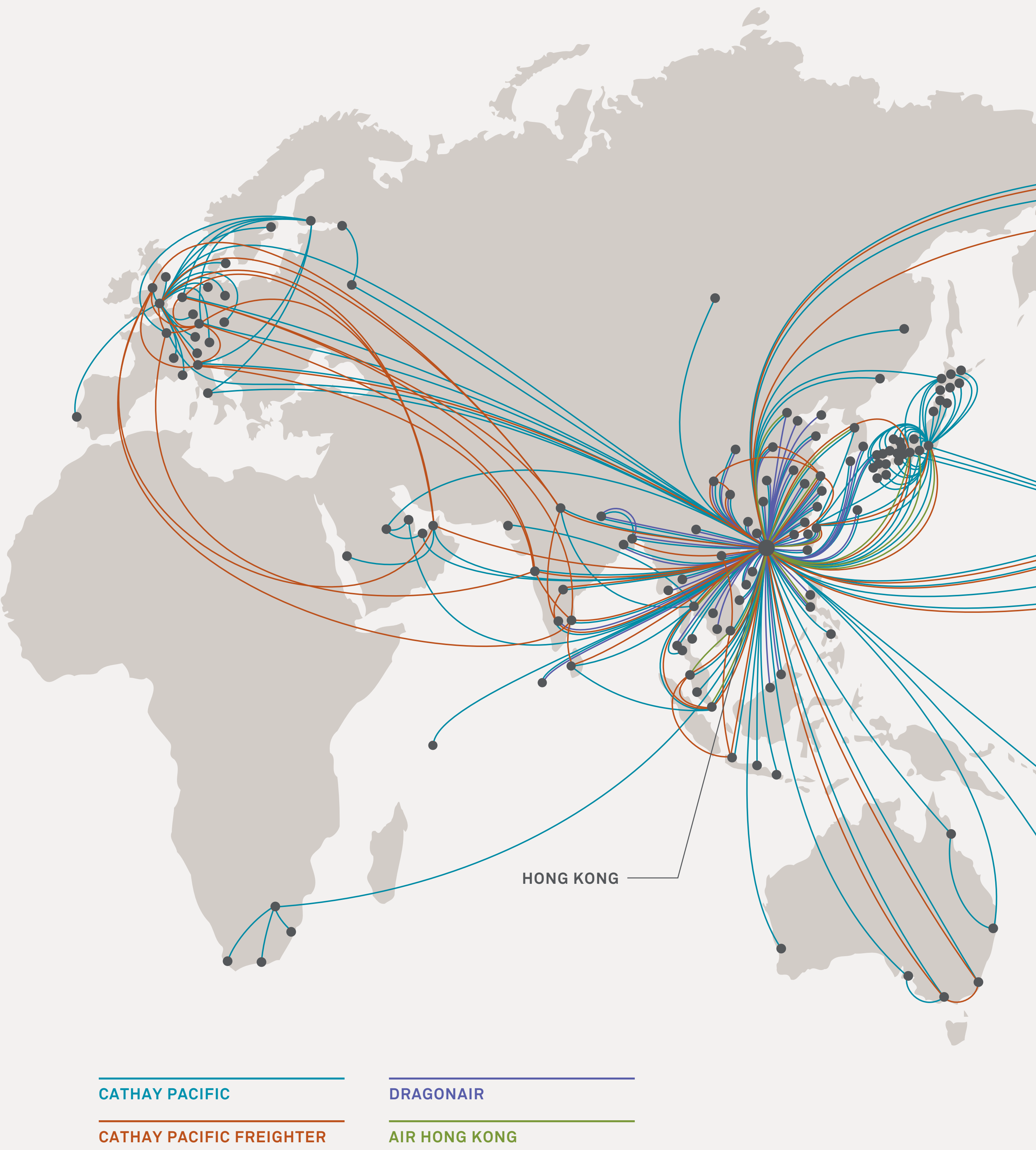
Sustainability

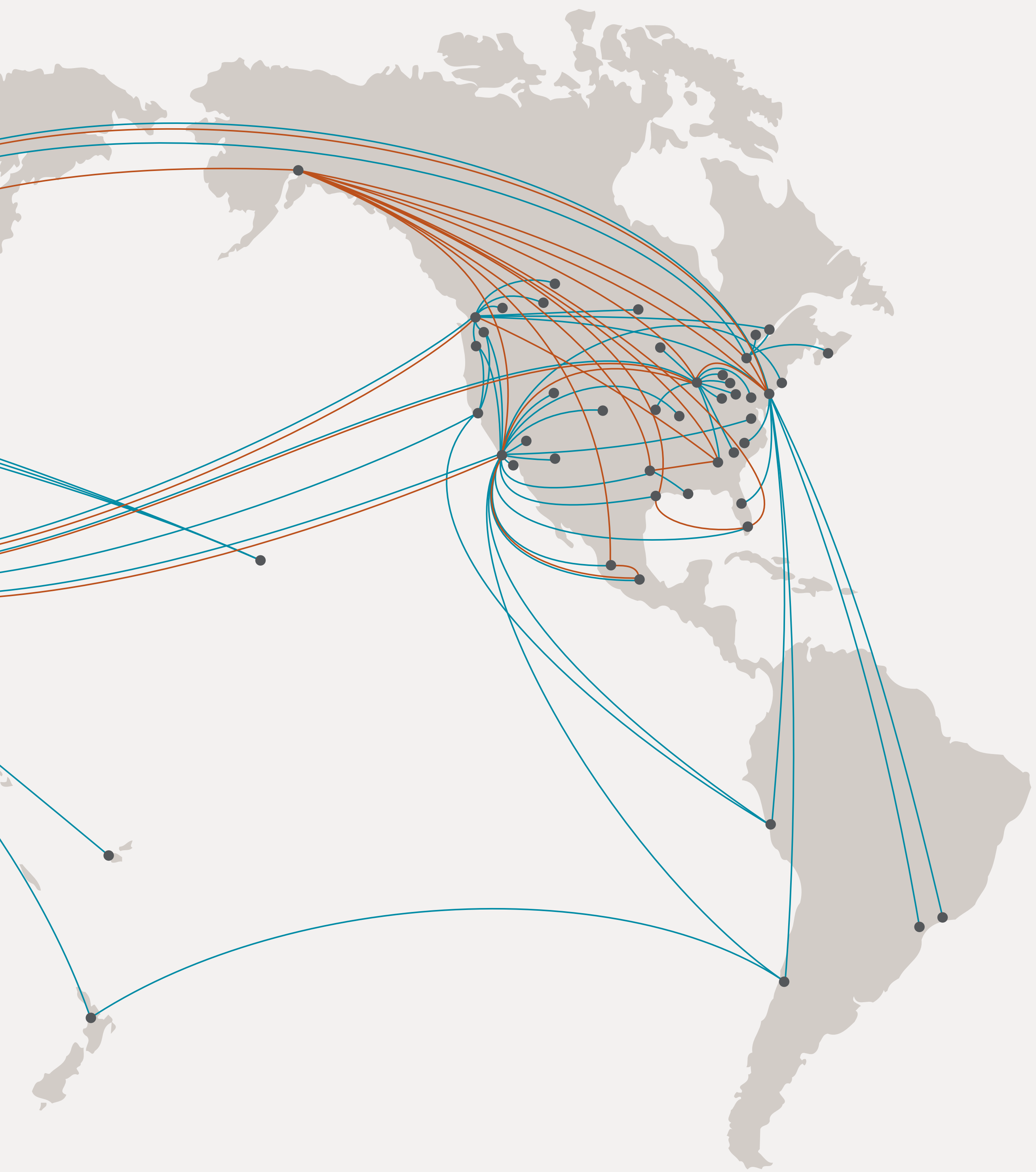
The Cathay Pacific group and the HAECO group endeavour to minimise their impact on the environment. The Cathay Pacific group invests in fuel efficient aircraft and tries to fly the shortest practicable distances between airports and to reduce the weight of its aircraft. The HAECO group tries to minimise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

Network Coverage





2013 PERFORMANCE

Cathay Pacific and Dragonair

		2013	2012	Change
Available tonne kilometres (“ATK”)	Million	**26,259**	26,250	–
Available seat kilometres (“ASK”)	Million	**127,215**	129,595	-1.8%
Passenger revenue	HK$M	**71,826**	70,133	+2.4%
Revenue passenger kilometres (“RPK”)	Million	**104,571**	103,837	+0.7%
Revenue passengers carried	’000	**29,920**	28,961	+3.3%
Passenger load factor	%	**82.2**	80.1	+2.1%pt
Passenger yield	HK¢	**68.5**	67.3	+1.8%
Cargo revenue – group	HK$M	**23,663**	24,555	-3.6%
Cargo revenue – Cathay Pacific and Dragonair	HK$M	**20,293**	21,601	-6.1%
Cargo and mail carried	Tonnes ’000	**1,539**	1,563	-1.5%
Cargo and mail load factor	%	**61.8**	64.2	-2.4%pt
Cargo and mail yield	HK$	**2.32**	2.42	-4.1%
Cost per ATK (with fuel)	HK$	**3.58**	3.65	-1.9%
Cost per ATK (without fuel)	HK$	**2.16**	2.14	+0.9%
Fuel consumption – group	Barrels (million)	**39.5**	40.1	-1.5%
Aircraft utilisation	Hours per day	**11.8**	12.0	-1.7%
On-time performance	%	**75.5**	77.4	-1.9%pt
Average age of fleet	Years	**9.3**	10.1	-7.9%
Number of destinations at year end	Destinations	**190**	179	+6.1%

HAECO Group

		2013	2012	Change
Revenue	HK$M	**7,387**	5,830	+27%
Operating costs	HK$M	**7,208**	5,388	+34%
Airframe maintenance manhours sold – HAECO	Million	**2.56**	2.96	-14%
Airframe maintenance manhours sold – TAECO	Million	**3.68**	3.42	+8%
Line maintenance movements handled – HAECO	Average per day	**329**	320	+3%

Fleet Profile

At 31st December 2013, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 181, an increase of five since 31st December 2012.

In March 2013, the Cathay Pacific group entered into agreements in relation to the fleet as part of a package of transactions among The Boeing Company, Cathay Pacific, Air China Cargo and Air China. Under these transactions, the Cathay Pacific group agreed to purchase three Boeing 747-8F freighters, which were delivered in December 2013, cancelled orders for eight Boeing 777-200F freighters, acquired options to purchase five Boeing 777-200F freighters and agreed to sell four Boeing 747-400BCF converted freighters. All of these converted freighters have already left the fleet. As part of the same package of transactions, Air China Cargo agreed to purchase eight Boeing 777-200F freighters and to sell seven Boeing 747-400BCF converted freighters.

In December 2013, Cathay Pacific agreed with The Boeing Company to purchase 21 new Boeing 777-9X aircraft (for delivery after 2020), three new Boeing 777-300ER aircraft and one new Boeing 747-8F aircraft and to sell six existing Boeing 747-400F aircraft.

In 2013, Cathay Pacific took delivery of 19 new aircraft: five Airbus A330-300s (including one for Dragonair), nine Boeing 777-300ER aircraft and five Boeing 747-8F freighters.

In response to the high cost of jet fuel, Cathay Pacific has accelerated the retirement of older, less fuel efficient Boeing 747-400 passenger aircraft. Five of these aircraft were retired and deregistered in 2013 in addition to the three retired in 2012. In 2014, a total of six aircraft are to be retired, of which one was retired in January 2014. There will be seven of this aircraft type in the fleet by the end of 2014. Cathay Pacific is gradually retiring its Boeing 747-400 aircraft from long-haul service. By September 2014 they will only be operating on regional routes.

Six Airbus A330-300 aircraft were transferred from Cathay Pacific to Dragonair in 2013. Four of Dragonair's own Airbus A330-300 aircraft were returned to their lessors.

In addition to the four Boeing 747-400BCF converted freighters that were returned to Boeing in the abovementioned package of transactions, Cathay Pacific also parked two other freighters in 2013 – the last remaining converted freighter and one of the Boeing 747-400 production freighters. Three Boeing 747-400F freighters have been parked in 2014, two in January, one in February. One of them will be brought back into service in the second half of 2014.

At 31st December 2013, the Cathay Pacific group had a total of 95 aircraft on firm order, of which 16 will arrive in 2014.

Cathay Pacific has placed an order for 21 Boeing 777-9X aircraft from The Boeing Company as part of the airline's fleet modernisation programme.

Fleet Profile*

	Number as at 31st December 2013				Firm orders				Expiry of operating leases						
		Leased													
Aircraft type	Owned	Finance	Operating	Total	'14	'15	'16 and beyond	Total	'14	'15	'16	'17	'18	'19 and beyond	Options
Aircraft operated by Cathay Pacific															
A330-300	14	15	6	35	5	3		8		2	1	1		2	
A340-300	6	5		11											
A350-900							22[a]	22							
A350-1000							26	26							
747-400	12[b]		1	13						1					
747-400F	3[c]	3[d]		6[e]											
747-400BCF			1[f]	1									1		
747-400ERF		6		6											
747-8F	2	11		13			1[e]	1							
777-200	5			5											
777-200F															5[g]
777-300	7	5		12											
777-300ER	8	11	19	38	9	6[e]		15				2	2	15	
777-9X							21[e]	21							
Total	57	56	27	140	14	9	70	93		3	1	3	3	17	5
Aircraft operated by Dragonair															
A320-200	5		10	15									2	8	
A321-200	2		4	6	2[h]			2						4	
A330-300	5	1	14[i]	20					7	1	2	4			
Total	12	1	28	41	2			2	7	1	2	4	2	12	
Aircraft operated by Air Hong Kong															
A300-600F	2	6		8											
747-400BCF			3	3							1	2			
Total	2	6	3	11[j]							1	2			
Grand total	**71**	**63**	**58**	**192**	**16**	**9**	**70**	**95**	**7**	**4**	**4**	**9**	**5**	**29**	**5**

* Includes parked aircraft. The table does not reflect aircraft movements after 31st December 2013.

(a) Including two aircraft on 12-year operating leases.
(b) One aircraft was retired in January 2014.
(c) One aircraft was parked in May 2013.
(d) The finance leases of these three aircraft were terminated early, in January 2014.
(e) In December 2013, Cathay Pacific agreed with The Boeing Company to purchase 21 new Boeing 777-9X aircraft (for delivery after 2020), three new Boeing 777-300ER aircraft and one new Boeing 747-8F freighter and to sell six existing Boeing 747-400F freighters.
(f) Aircraft was parked in August 2013.
(g) Purchase options to purchase five Boeing 777-200F freighters.
(h) Aircraft on eight-year operating leases, one of which was delivered in January 2014.
(i) Six aircraft (four owned by Cathay Pacific and two leased by Cathay Pacific) were leased to Dragonair during 2013. Dragonair purchased one of them from Cathay Pacific upon the expiry of its lease in February 2014.
(j) Air Hong Kong also has two Airbus A300-600F freighters on wet leases, with lease terms ending in 2015. Accordingly, it operates a total of 13 aircraft.

Financial Highlights

	2013 HK$M	2012 HK$M
HAECO group		
Turnover	**7,387**	5,830
Operating profit	**266**	434
Attributable profit	**469**	618
Share of post-tax profits from associated companies		
Cathay Pacific group	**1,179**	387
Attributable profit	**1,627**	984

Cathay Pacific group – Sustainable Development Highlights

	2013	2012
GHG emissions (Million tonnes of CO_2e)	**15.5**	15.7
GHG emissions per ATK (Grammes of CO_2e)	**589**	600
LTIR	**4.84**	5.07

Notes:
1. Swire Pacific has implemented the revised HKAS19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.
2. Please refer to pages 239 to 242 for further sustainable development statistics. Greenhouse gas emissions disclosed above are from jet fuel combustion only.

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 statement of profit or loss. For more information on the results and financial position of the Cathay Pacific group, please refer to the abridged financial statements on pages 220 to 223.

CATHAY PACIFIC GROUP

AIRLINE INDUSTRY BACKGROUND

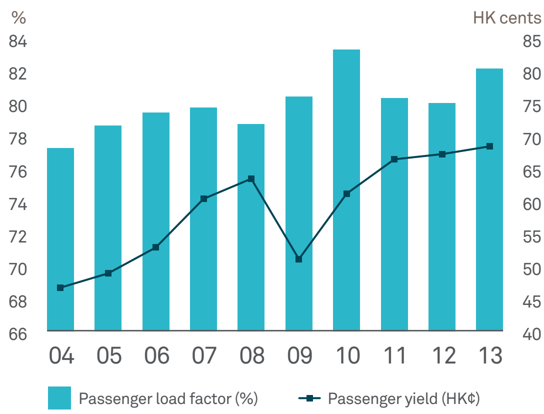
The operating environment remained challenging throughout the year. The airline industry continued to be affected by the high price of jet fuel, pressure on passenger yields and weak air cargo demand. Competition intensified during the year for both passenger and cargo services.

2013 RESULTS SUMMARY

The Cathay Pacific group's attributable profit on a 100% basis was HK$2,620 million in 2013, compared to a profit of HK$862 million in 2012. The improvement in the group's performance in 2013 was largely due to the strength of the passenger business and the positive impact of measures introduced in 2012 to protect the business from the high price of jet fuel.

Passenger revenue in 2013 was HK$71,826 million, an increase of 2.4% compared with 2012. Capacity decreased by 1.8%. 29.9 million passengers were carried, a rise of 3.3% compared to the previous year. The passenger load factor increased by 2.1

Passenger Services Load Factor and Yield



percentage points. Yield improved by 1.8% to HK68.5 cents, largely due to strong passenger demand on long-haul routes in all classes of travel.

The Cathay Pacific group's cargo revenue in 2013 was HK$23,663 million, a decrease of 3.6% compared to 2012. Cargo capacity for Cathay Pacific and Dragonair increased by 1.7%. The cargo load factor was down by 2.4 percentage points to 61.8%. Yield fell to HK$2.32 from HK$2.42 in 2012. The tonnage carried in 2013 fell by 1.5% to 1.5 million tonnes in comparison with 2012.

Fuel is the airline's most significant cost, accounting for 39.0% of operating costs. The persistently high jet fuel price continued to have a major impact on operating results in 2013. Disregarding the effect of fuel hedging, the group's fuel costs decreased by HK$1,897 million or 4.6% in 2013. The decrease reflected a 3.0% decrease in average into-plane fuel prices and a 1.5% 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 2013, a profit of HK$985 million was recognised from fuel hedging activities.

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. 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

Passenger demand was strong on long-haul routes in all classes of travel. However, demand on regional routes did not match the increase in capacity on these routes, which put yield under pressure. The introduction of premium economy class has been well received and has improved economy class yield.

Cathay Pacific continued to develop its route network in 2013. Some of the long-haul passenger frequencies cancelled as part of 2012's cost-reduction measures were restored and a number of new destinations were introduced. Cathay Pacific reinstated frequencies to Los Angeles, Toronto and New York during the year. A fifth daily frequency was added to London in June and Cathay Pacific added a new four-times-weekly service to Male in the Maldives in October. Cathay Pacific began flying to Newark in the United States in March 2014, will begin flying to Doha in late March 2014 and will add more flights to Los Angeles and Chicago in the second half of 2014.

Dragonair introduced services to Da Nang, Siem Reap, Wenzhou, Yangon and Zhengzhou. It also introduced a 10-times-weekly service to Penang in March 2014, at the same time as Cathay Pacific stopped flying on that route. It will also begin a two-times-weekly service to Bali in Indonesia in April 2014.

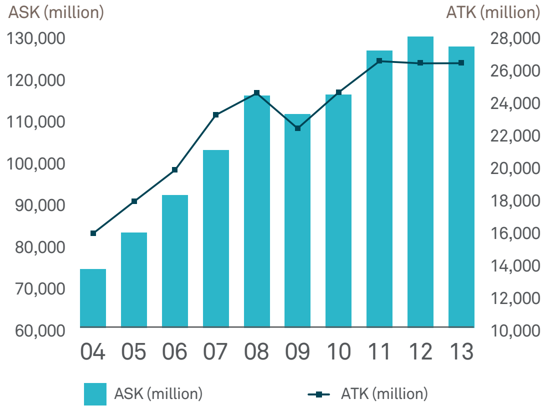
Dragonair was voted the "World's Best Regional Airline" in the 2013 Skytrax awards, and was named the "Best Regional Airline" for the fourth year running at the 24th Annual TTG Travel Awards.

Cathay Pacific's HK$5.9 billion cargo terminal became fully operational in October 2013.

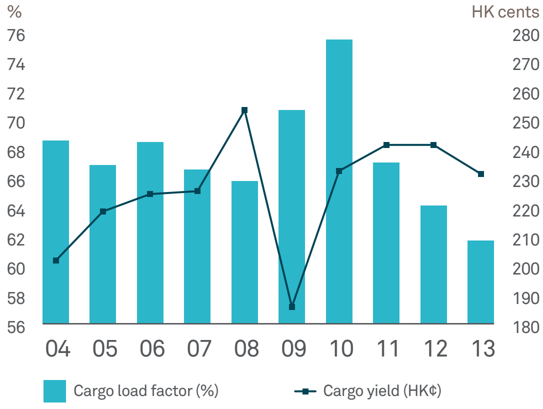
Cargo Services

The Cathay Pacific group's cargo business has been adversely affected by weak demand since April 2011. There was some recovery in business during the last three months of 2013, which is normally the peak period of the year for cargo shipments. Cathay Pacific adjusted capacity in-line with demand in 2013, reducing freighter schedules and making ad hoc flight cancellations. Cathay Pacific carried more cargo in the bellies of passenger aircraft in order to reduce costs. The new cargo terminal at Hong Kong International Airport became fully operational in October 2013. The terminal will reduce costs and improve efficiency in the long term.

Capacity – Available Seat Kilometres and Available Tonne Kilometres



Cargo Services Load Factor and Yield



Cathay Pacific suspended freighter flights to Brussels and Stockholm in February 2013. It introduced new freighter services to Guadalajara in October 2013 and extended this service to Mexico City in March 2014. It will add a two-times-weekly freighter service to Columbus in the United States in late March 2014.

Sustainable Development

Greenhouse gas emissions decreased by 1% or 0.2 million tonnes of CO_2e to 15.5 million tonnes of CO_2e in 2013. There was also a reduction in emissions per unit of capacity (measured in available tonne kilometres). This improvement is a result of the retirement of older and less fuel-efficient aircraft and their replacement by newer and more fuel-efficient aircraft.

The reduction in the lost time injury rate of 4% principally reflected a reduction in the number of injuries to cabin crew.

Other Operations

AIR HONG KONG

Air Hong Kong recorded a higher profit compared with 2012. Capacity increased by 3% in 2013. The load factor decreased by 1 percentage point.

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 2013 results include Air China's results for the twelve months ended 30th September 2013, with account being taken of any significant events or transactions for the period from 1st October 2013 to 31st December 2013.

The Cathay Pacific group recorded a decrease in profit from Air China in 2013. This primarily reflected increased fuel costs.

AIR CHINA CARGO CO., LTD. ("AIR CHINA CARGO")

The Cathay Pacific group recorded a decreased loss from Air China Cargo in 2013, mainly due to the retirement of older aircraft, which resulted in a decrease in maintenance costs.

SHANGHAI INTERNATIONAL AIRPORT SERVICES CO., LIMITED ("SIAS")

SIAS is a joint venture between Cathay Pacific, Air China, Shanghai Airport Authority and Shanghai International Airport Co., Ltd. It provides airport ground handling services at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport. SIAS made a loss in 2013, but it was less than expected due to cost savings.

CATHAY PACIFIC SERVICES LIMITED ("CPSL")

Cathay Pacific Services Limited, a wholly-owned subsidiary of Cathay Pacific, was established to design, build and operate the new Cathay Pacific cargo terminal at Hong Kong International Airport.

Following a phased start to operations, the terminal became fully operational in October. CPSL reported a loss in 2013. This reflected the fact that it was not fully operational until October 2013.

CATHAY PACIFIC CATERING SERVICES GROUP ("CPCS")

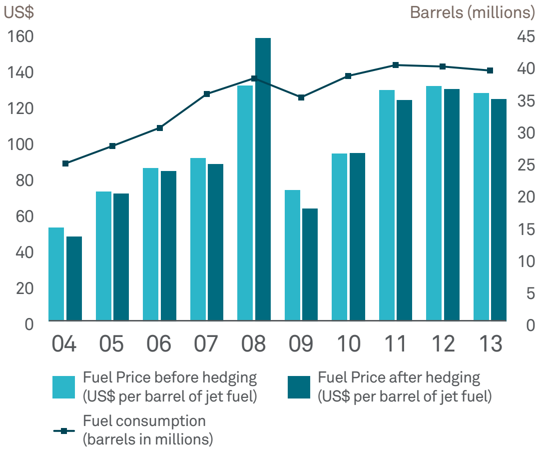
CPCS, a wholly-owned subsidiary of Cathay Pacific, is the principal flight kitchen in Hong Kong. CPCS reported an increase in profit in 2013 compared to 2012, mainly due to an increase in business volume and effective management of costs.

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 2013 results deteriorated as a result of higher staff costs due to manpower shortages at Hong Kong International Airport.

Fuel Price and Consumption



OUTLOOK

The operating environment remained challenging throughout 2013 for the Cathay Pacific group and the aviation industry as a whole. It was therefore encouraging to see an improvement in the Cathay Pacific group's overall performance, and the strength of the passenger business reflects continuing investment in network development and providing superior service and world-beating products. The cargo business continues to be problematic. There is still no sign of any sustained improvement in the market. Some changes in the business appear now to be structural rather than cyclical. Cathay Pacific remains confident in Hong Kong's future as an air cargo centre and believes that its reshaped freighter fleet and new cargo terminal will allow it to compete successfully in the long term.

Cathay Pacific's carbon efficiency relative to its overall capacity (measured in available tonne kilometres) has improved by 13% since 1998. Cathay Pacific aims to achieve a 2% per annum improvement in fuel efficiency up to 2020.

The business outlook for 2014 looks to be improved when compared to 2013. The passenger business continues to perform well and will benefit from further expansion of frequencies on long-haul routes. Fuel prices remain high but Cathay Pacific will benefit from its hedging positions should they remain so. Cathay Pacific also expects an improvement in the performance of its non-airline subsidiaries and its associates, with the new cargo terminal being fully operational and Air China Cargo benefiting from its upgraded freighter fleet.

Cathay Pacific will continue to invest to make its business stronger while keeping its financial position strong. Cathay Pacific remains committed to strengthening the world class aviation hub in its home, Hong Kong.

John R Slosar

HONG KONG AIRCRAFT ENGINEERING ("HAECO") GROUP

HAECO provides world-class maintenance service for a wide range of aircraft types, and is recognised for its technical expertise and operational excellence.

AVIATION MAINTENANCE AND REPAIR INDUSTRY BACKGROUND

The global aviation maintenance market remained very competitive. New aircraft types require less maintenance than the models they are replacing. Original equipment manufacturers are increasingly entering the aftersales market.

2013 RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in 2013 on a 100% basis was HK$625 million, a decrease of 24% compared to the corresponding figure in 2012 of HK$822 million. Demand for line maintenance services in Hong Kong remained stable. Airframe maintenance and component overhaul services in Hong Kong were adversely affected by shortages of skilled and semi-skilled labour, which resulted in a significant reduction in capacity.

The results of TAECO improved in 2013, with higher demand for its airframe maintenance services.

The performance of HAESL was affected by the early retirement of Boeing 747-400 aircraft. Engine output and the profit contribution from HAESL fell in 2013.

TEXL recorded its first full-year profit in 2013, as a result of higher engine output. The overall results of the group's other subsidiaries and joint ventures in Mainland China (except TALSCO) improved compared with 2012.

The group continued to invest in facility expansion and technical capabilities in order to improve and widen the range of aircraft engineering services provided to customers. Total capital expenditure for 2013 was HK$560 million, with a further HK$4,276 million (including expenditure on the acquisition of TIMCO) committed at the end of the year.

Financial Highlights

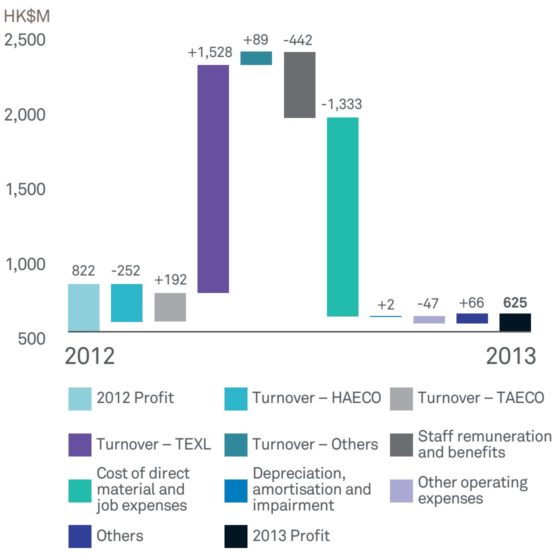
	2013 HK$M	2012 HK$M	Change %
Turnover			
HAECO	**3,169**	3,421	-7%
TAECO	**1,860**	1,668	+12%
TEXL	**2,095**	567	+269%
Others	**263**	174	+51%
Net operating profit	**228**	417	-45%
Profit attributable to the Company's shareholders			
HAECO	**60**	279	-78%
TAECO	**90**	70	+29%
Share of profit/(loss) of:			
HAESL and SAESL	**465**	527	-12%
Other subsidiary and joint venture companies	**10**	(54)	+119%
Total	**625**	822	-24%
Swire Pacific share	**469**	618	-24%

Sustainable Development Highlights

	2013	2012	Change %
Average training hours (Per employee per year)	**65**	61	+7%
LTIR	**1.68**	1.76	-5%
Energy consumption (Thousands of Gigajoules)	**660**	575	+15%

Notes
1. Swire Pacific has implemented the revised HKAS19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.
2. Please refer to pages 239 to 242 for further sustainable development statistics.

HAECO Group – Movement in Attributable Profit



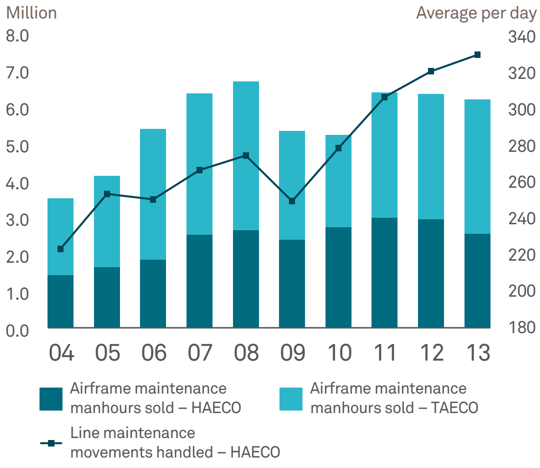
HAECO

HAECO recorded a 78% decrease in attributable profit in 2013 to HK$60 million.

Manhours sold by HAECO for airframe maintenance decreased from 2.96 million in 2012 to 2.56 million in 2013. Airframe maintenance services were materially affected by shortages of skilled and semi-skilled labour, which restricted available capacity. Approximately 77% of the work was for airlines based outside Hong Kong.

Line maintenance aircraft movements increased by 3% compared with 2012, with an average of 329 aircraft handled per day. Demand increased in line with aircraft movements at Hong Kong International Airport.

HAECO Group – Key Operating Highlights



HAECO's operating expenses decreased by 1% to HK$3,115 million reflecting lower direct material costs partly offset by higher staff costs.

TAECO

TAECO recorded a 29% increase in attributable profit in 2013 to HK$90 million.

Manhours sold by TAECO for airframe maintenance were 3.68 million in 2013, an increase of 8% from 2012. Two passenger to freighter conversions were completed in 2013.

TAECO's operating expenses increased by 15% to HK$1,775 million, mainly due to increased staff and direct material costs.

TAECO developed its capacity for cabin modification and cabin completion services.

HAESL and SAESL

HAESL recorded a 16% decrease in profit to HK$812 million in 2013, reflecting a reduction in the number of engines overhauled. Engine output was 193, compared with 220 in 2012. SAESL recorded a 6% increase in profit in 2013 to HK$1,108 million, as a result of more overhaul work being done per engine.

HXITM

HXITM provides inventory technical management services for a total of 231 aircraft. A profit was recorded in 2013.

TEXL

TEXL completed 40 quick turn repairs and 19 performance restorations for General Electric engines. The increase in engine output resulted in TEXL recording a profit in 2013.

Taikoo (Xiamen) Landing Gear Services Company Limited ("TALSCO")

TALSCO's operations continued to be affected by the fire which occurred in November 2012. TALSCO resumed work in December 2013 on its own landing gear. No landing gear overhaul work was done for customers in 2013.

Sustainable Development

The group's average training hours per employee rose by 7% to 65 hours. The group continued to provide extensive training to its staff at the training centres in Hong Kong and Xiamen.

The group's lost time injury rate decreased by 5% from 2012 to 2013. This reflects a reduction in injury numbers following the implementation of initiatives to promote health and safety.

The group's energy consumption increased by 15% to 660,000 gigajoules. The increase is mainly a result of more engine repair work at TEXL.

ACQUISITION OF TIMCO

In October 2013, HAECO conditionally agreed to acquire a 100% equity interest in TIMCO (a company based in the United States). In February 2014, the acquisition was completed for a total consideration of US$371.8 million (HK$2,887 million). The principal activity of TIMCO is the provision of a broad spectrum of aircraft technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing (including seats). The business and operations of TIMCO fit well strategically with the HAECO group's existing business. There is limited overlap between the businesses of the HAECO group and TIMCO. Together, they will be able to offer enhanced and expanded aircraft maintenance and cabin modification services to a wider range of customers based in Asia and North America.

For accounting purposes, HAECO obtained control of TIMCO on the completion date of the acquisition and will consolidate TIMCO's results from that date. There is no impact on Swire Pacific's or HAECO's results for the year ended 31st December 2013, except that certain acquisition costs were charged to the statements of profit or loss of Swire Pacific and HAECO in 2013.

OUTLOOK

HAECO's operations in Hong Kong continue to suffer from shortages of skilled and semi-skilled labour and, as a result, airframe maintenance capacity in 2014 is expected to remain low. HAECO continues to improve remuneration, career development opportunities and training. The rate of attrition of staff has slowed, but it takes a long time to train new staff to reach required standards. Demand for line maintenance services in Hong Kong is expected to remain stable.

TAECO's business will be adversely affected by increasing staff costs, although demand for its airframe maintenance services is expected to remain stable.

HAESL's 2014 performance will continue to be adversely affected by early retirement of Boeing 747-400 aircraft. It will also be adversely affected by a reduction in the required frequency of scheduled maintenance on Trent 700 engines, which power Airbus A330 aircraft.

TEXL is expected to perform well in 2014.

HAECO staff are trained to provide a wide range of aircraft maintenance services.

A new component overhaul workshop has started to operate in Xiamen. This should be able to perform some of the component and avionics overhaul work which cannot be done in Hong Kong because of labour shortages.

Considerable management efforts are being devoted to the integration of TIMCO with the HAECO group.

The municipal government in Xiamen has announced its intention to develop a new airport at Xiang'an. The timing of the development of the new airport and its implications for TAECO's, and other HAECO group, operations at the existing airport are not yet clear. Management intends to maintain regular communication with the local authority and to develop plans for continued operations in Xiamen.

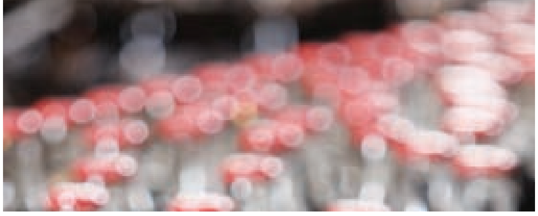
Augustus Tang

BEVERAGES DIVISION

Delivering Refreshing Soft Drinks

Swire Beverages manufactures, markets and distributes refreshing soft drinks to consumers in Hong Kong, Taiwan, Mainland China, and the USA.


可口可乐



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 five majority-owned franchise businesses, in Hong Kong and Fujian, Henan, Anhui and Shaanxi provinces in Mainland China. It has joint venture interests in three 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 56 beverage brands and distributes them to a franchise population of over 440 million people.

The Beverages Supply Chain

CONCENTRATE PLANTS

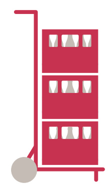
TCCC manufactures concentrated beverage base which it distributes to its bottlers, including Swire Beverages.

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

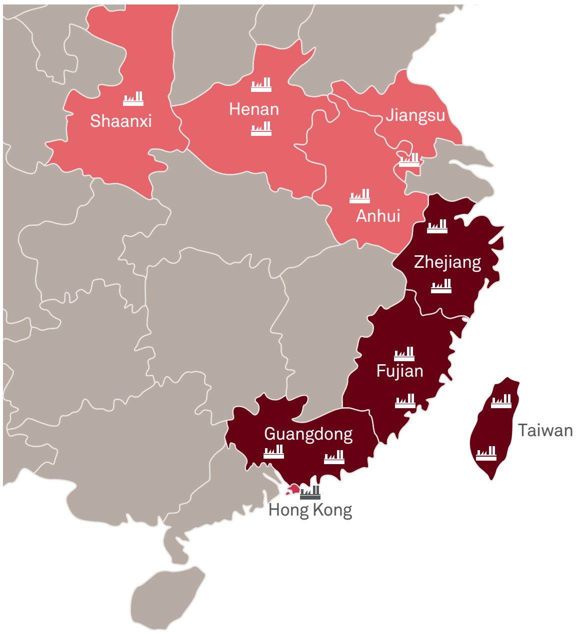
Swire Beverages markets the brands it distributes in accordance with plans developed in conjunction with TCCC.

POTENTIAL ENVIRONMENTAL IMPACTS

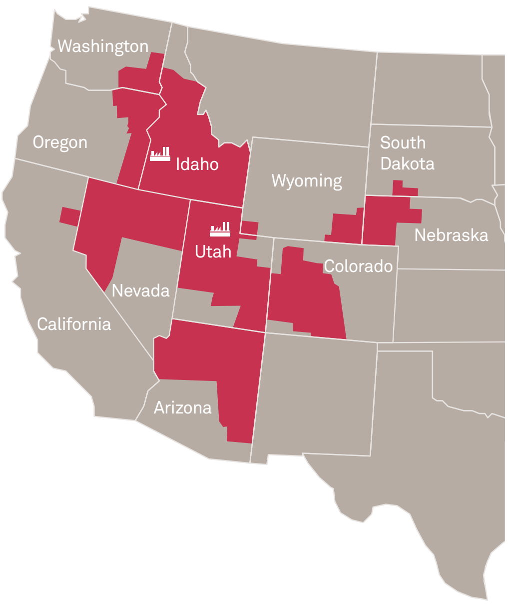
Swire Beverages consumes water, energy and packaging materials. It affects the atmosphere and produces waste.

Franchise Territories

GREATER CHINA



USA



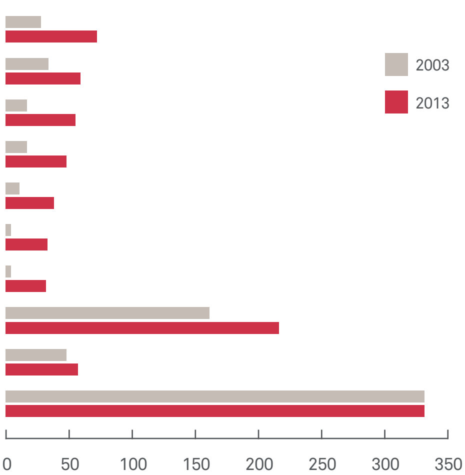
2013 per capita consumption of Coca-Cola beverages (8oz servings)

> 100 | 51 to 100 | 25 to 50 | Bottling plant

Per Capita Consumption in Franchise Territories

	Population (millions)	GDP per capita (US$)	Sales volume (million unit cases)* 2013	2003
Mainland China				
Zhejiang	50.4	11,234	**151**	54
Guangdong	77.6	11,622	**192**	75
Fujian	37.8	9,674	**86**	25
Jiangsu	55.0	10,819	**110**	38
Shaanxi	37.6	7,340	**60**	17
Anhui	60.1	5,336	**82**	11
Henan	94.1	5,645	**126**	17
Hong Kong	7.2	37,912	**65**	46
Taiwan	23.4	20,815	**56**	45
USA	6.2	43,597	**85**	79

Per capita consumption of Coca-Cola Beverages (8oz servings)



* A unit case comprises 24 8oz servings.

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.
- 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 in existing territories by marketing our existing brand and package portfolio more effectively, by improving market execution and by expanding our portfolio of beverage categories, brands and packages to satisfy more consumer needs on more occasions. This can also be achieved by obtaining additional territory grants from TCCC, as this increases the number of people Swire Beverages can sell to.

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.

2013 Performance

Revenue Management

Sales Volume

Percentage Change

+3.0%	−0.2%
−3.8%	+2.0%

Revenue*

Percentage Change

−1.6%	+2.7%
−0.3%	−0.5%

Cost Management

Gross Margin*

Percentage Change

+4.7%	+8.0%
+5.8%	−0.2%

Operating Profit

Percentage Change

+22.5%	−0.9%
+67.1%	+0.6%

Quality

Production Quality Index

Percentage Change

−0.8%	−7.2%
+0.4%	+0.7%

Customers

Active Outlets

Percentage Change

+7.2%	−1.3%
−10.7%	+4.3%

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.

2013 Performance

Sustainability

Water Use Ratio

Percentage Change

+1.1%	+0.8%
+0.9%	+6.5%

Energy Use Ratio

Percentage Change

0.0%	−8.9%
−2.5%	0.0%

Safety

LTIR

Percentage Change

−18.0%	−7.5%
+361.0%	−30.0%

Mainland China
Hong Kong
Taiwan
USA

** per unit case*

2013 PERFORMANCE

Financial Highlights

	2013 HK$M	2012 HK$M
Turnover	**15,054**	14,397
Operating profit	**864**	765
Share of post-tax profits from joint venture and associated companies	**397**	204
Attributable profit	**802**	556

Sustainable Development Highlights

	2013	2012
Water consumption (Millions of cubic metres)	**6,077**	5,497
Energy consumption (Thousands of Gigajoules)	**1,458**	1,381
LTIR	**0.85**	0.99

Segment Information

	Turnover		Attributable Profit/(Loss)	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Mainland China	**7,614**	6,950	**415**	207
Hong Kong	**2,145**	2,123	**177**	175
Taiwan	**1,418**	1,500	**22**	18
USA	**3,877**	3,824	**217**	178
Central costs	**–**	–	**(29)**	(22)
Swire Beverages	**15,054**	14,397	**802**	556

Notes:

1. Swire Pacific has implemented the revised HKAS19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.
2. Swire Pacific has considered the impact of revised accounting standard HKFRS 11: Joint Arrangements (effective from 1st January 2013) on its Mainland China franchise businesses and has concluded that three of these franchise businesses, which were previously accounted for as jointly controlled interests, should now be accounted for as subsidiaries and fully consolidated into its financial statements. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.
3. Please refer to pages 239 to 242 for further sustainable development statistics.

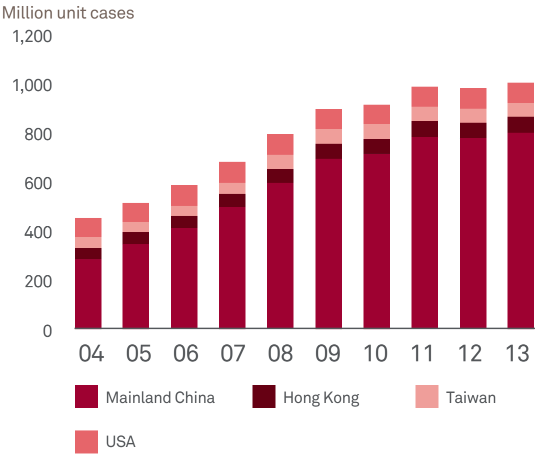
Accounting for the Beverages Division

The seven wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan and the USA and in Fujian, Henan, Anhui and Shaanxi provinces 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 joint venture interests in three 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 statement of profit or loss.

For reference, the total turnover from the joint venture interests in three franchises in Mainland China was HK$9,325 million (2012: HK$9,292 million). The turnover of Coca-Cola Bottlers Manufacturing Holdings Limited, excluding sales to the seven Mainland China franchises, was HK$5,488 million (2012: HK$4,763 million).

The sales volume for Mainland China shown in the chart on page 61 only represents sales in the seven franchises, including products supplied by Coca-Cola Bottlers Manufacturing Holdings Limited.

Sales Volume



BEVERAGE INDUSTRY BACKGROUND

In Mainland China, the volume of non-alcoholic ready-to-drink beverages grew by 13% in 2013. The volume of sparkling beverages grew by 8%; juice grew by 10%; tea grew by 14%; packaged water grew by 16%; and bulk water grew by 14%.

The Hong Kong beverage market grew by 2%. Sparkling soft drinks volume was unchanged. Still drinks volume grew by 2%.

The Taiwanese beverage market declined by 1% in 2013.

The USA beverage market was stable. A decrease in sparkling beverage volumes was offset by growth in still beverage volumes.

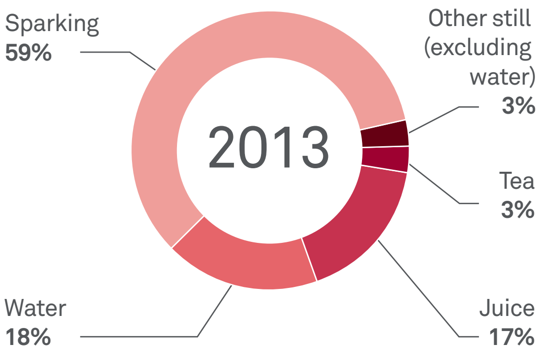
2013 RESULTS SUMMARY

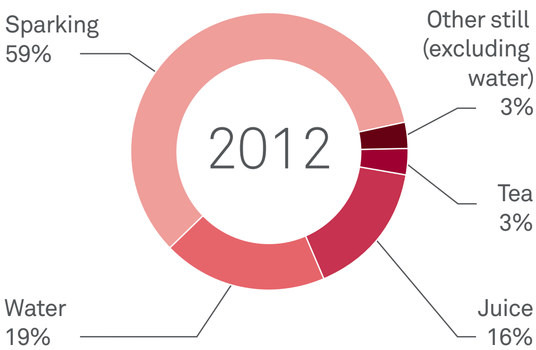
Swire Beverages made an attributable profit of HK$802 million in 2013, a 44% increase from 2012. Excluding a non-recurring profit on remeasurement of an associate in the first half of 2013, attributable profit was HK$733 million, a 32% increase from 2012.

This increase principally reflected a strong performance in Mainland China and lower raw material costs in all territories.

Overall sales volume increased by 2% to 1,013 million unit cases, compared with a reduction of 0.5% in 2012. Volume grew in Mainland China and the USA, was unchanged in Hong Kong and declined in Taiwan.

Breakdown of Total Volume by Category





Mainland China

Attributable profit from Mainland China was HK$415 million, a 101% increase from 2012. Excluding a non-recurring profit on remeasurement of an associate, attributable profit from Mainland China was HK$346 million, a 67% increase from 2012.

Swire Coca-Cola in Hong Kong launched the first PlantBottle under the Bonaqua brand in 2013. Unlike regular PET bottles, which are made from materials derived from fossil fuels, the PlantBottle is made from up to 30% plant-based materials and is 100% recyclable, giving it a much lighter carbon footprint.

Having been weak in 2012, demand recovered in Mainland China in 2013. This was reflected in stronger sales of sparkling and juice beverages. Total sales volume increased by 3% compared with 2012. Sparkling sales volume grew by 4% and juice sales volume grew by 7%. The volume of water sales fell by 2%.

Margins improved by 5% per unit case. Raw material costs (mainly sweetener and resin) were substantially lower than in 2012, which resulted in a significant increase in gross margin. Careful cost control also contributed to the better attributable profit.

Two new production lines were installed in Mainland China by our associated company responsible for manufacturing still beverages.

Hong Kong

Attributable profit from the Hong Kong operation was HK$177 million, a 1% increase from 2012.

Schweppes +C was introduced into Mainland China in 2013 following its successful launch in Hong Kong.

Real Leaf was launched into the bottled green tea market, one of the most popular beverage segments in Taiwan.

Swire Beverages works closely with The Coca-Cola Company on brand development and marketing.

Overall sales volume was unchanged compared with 2012. Revenue per unit case increased by 3% as prices benefited from the full-year effect of a price increase in November 2012. An improvement in sales mix and a 2% decrease in raw material costs contributed to a significant increase in gross contribution. Raw material cost savings were partially offset by increases in production, delivery and other operating costs due to general inflation and by higher staff costs.

Taiwan

Attributable profit from Taiwan was HK$22 million, a 22% increase from 2012.

Continued economic weakness affected ready-to-drink beverage demand. Sales volume declined by 4%. The decline in sales volume was more than offset by savings in raw material and operating costs.

USA

Attributable profit from the USA was HK$217 million, a 22% increase from 2012.

Sales volume in the USA increased by 2% in 2013. Sparkling sales volume decreased by 6%. Still sales volume increased by 29%. Sales of energy drinks and water grew significantly.

Prices were weak during the year due to lower pricing for national accounts.

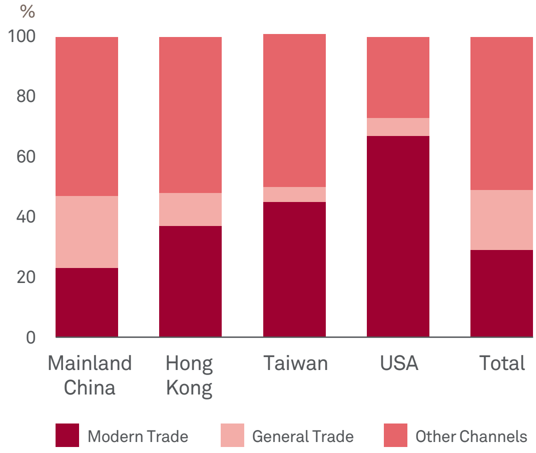
Raw material and marketing expenses were lower. These were offset by higher selling and transportation expenses and depreciation on the expanded warehouse in Salt Lake City.

Sustainable Development

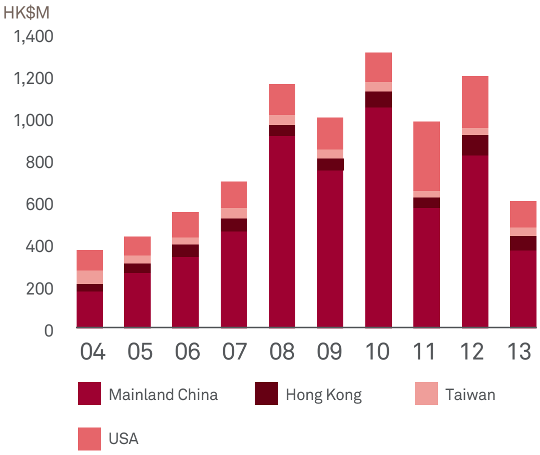
Water consumption increased by 11% in 2013 due to increased production volume. The water use ratio, which measures the amount of water used to produce each unit of production, increased by 1%.

Lost time injury rates improved by 14% due to efforts made to raise awareness of safety issues and careful analysis of the causes of injuries.

Breakdown of Total Volume by Channel



Capital Expenditure by Operation



Dasani Drops, a zero-calorie beverage enhancer with fruit flavouring, has been well-received by US consumers.

USA TERRITORY GRANT

TCCC announced in April 2013 its intention to grant distribution rights to Swire Coca-Cola USA for a territory in Colorado encompassing the cities of Denver and Colorado Springs. It is expected that Swire Coca-Cola USA will take control of this new territory in 2014. This will increase our USA franchise population by 3.2 million people.

OUTLOOK

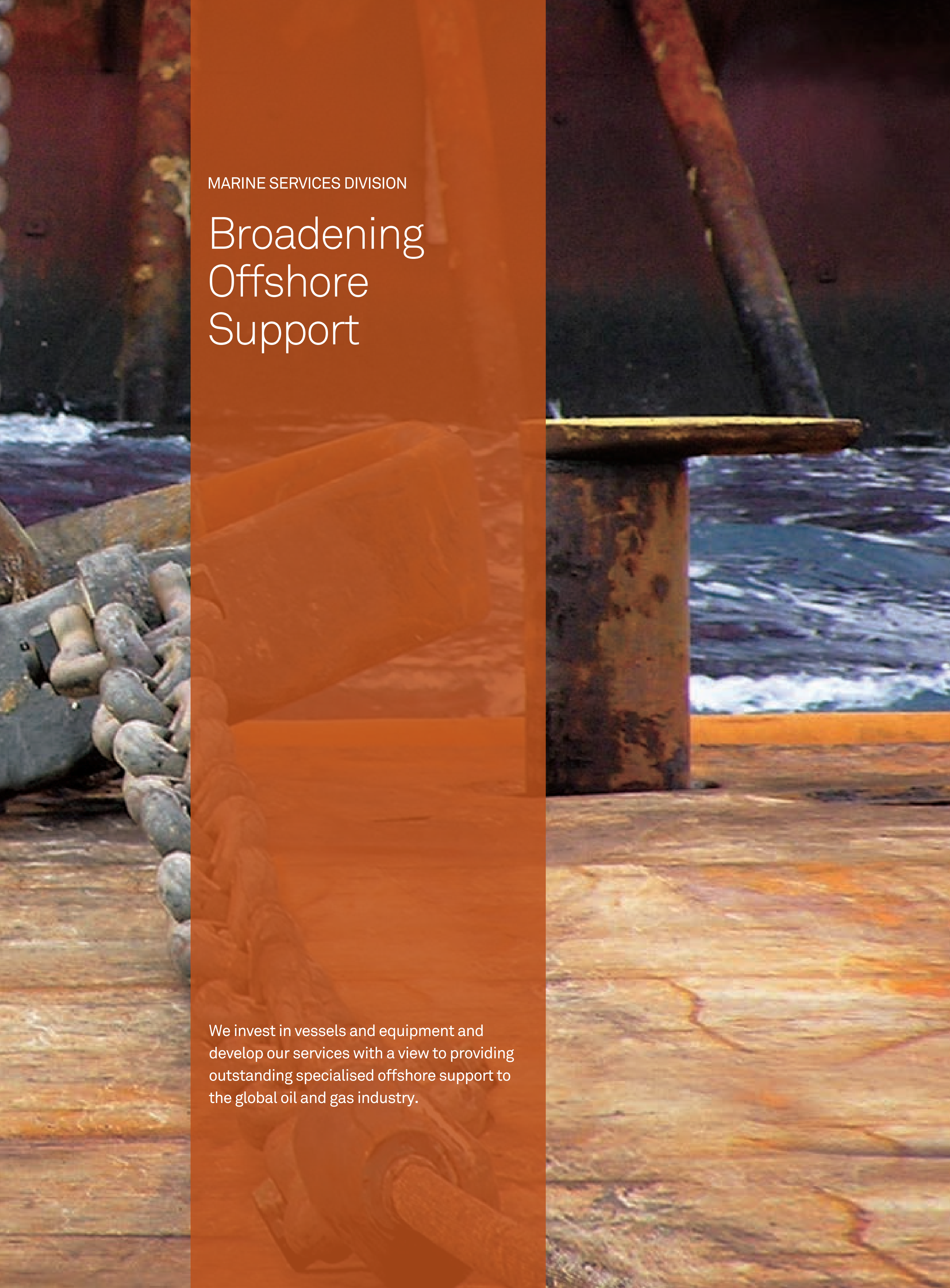
The outlook for Mainland China in 2014 is positive, with growth in consumer spending expected to exceed economic growth. The business will continue to expand its brand and package portfolio, to invest in cold drink equipment and to improve its systems. Rising costs, in particular staff costs, will continue to put pressure on margins.

The outlook for Hong Kong is fair. Swire Beverages will continue to use its strong market position to grow its business. Capacity constraints at the Shatin facility and labour shortages are challenges.

The retail environment in Taiwan is expected to remain very challenging. There are plans to strengthen the product portfolio in 2014.

In the USA, the beverage market is expected to expand moderately in 2014. Price rises will continue to be difficult to implement. The business is expected to benefit from the territory grant in Colorado from TCCC.

Patrick Healy



MARINE SERVICES DIVISION

Broadening Offshore Support

We invest in vessels and equipment and develop our services with a view to providing outstanding specialised offshore support to the global oil and gas industry.

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 USA. SPO also has a logistics business working in the oil and gas industry and a subsea inspection, maintenance and repair ("IMR") business.

SPO can support drilling, production, exploration, pipe-laying, subsea construction and floating production storage and offloading operations. SPO and its subsidiaries can 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.

The division has joint venture interests in engineering and harbour towage services in Hong Kong through the Hongkong United Dockyards ("HUD") group.

SPO

SPO's Fleet

At 31st December 2013, SPO was operating a fleet of 82 offshore support vessels. SPO's expansion plan, which is currently underway, involves building larger, 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 ("AHTSs"), 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 ("WIVs") and accommodation barges.

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 attractive employment opportunities.

Four older vessels were sold in 2013 and SPO took delivery of six new vessels during the year. There were 82 vessels in the fleet at 31st December 2013 and there are another 20 new vessels on order or under construction.

SPO – Fleet Size Growth

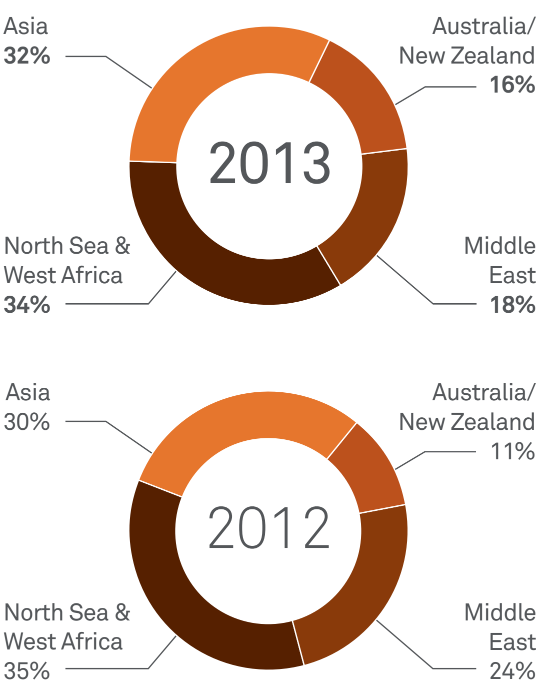
Vessel class	2012	Additions 2013	Disposals 2013	Year-end 2013	Vessels expected to be received in: 2014	2015	2016
Anchor Handling Tug Supply Vessels	47	–	4	43	–	–	–
Large Anchor Handling Tug Supply Vessels	15	3	–	18	6	–	–
Platform Supply Vessels	8	–	–	8	2	4	–
Large Platform Supply Vessels	3	1	–	4	3	3	2
Construction and Specialist Vessels	7	2	–	9	–	–	–
	80	6	4	82	11	7	2

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

Three large anchor handling tug supply vessels were delivered in 2013 and have been deployed on charters in South East Asian waters. A large platform supply vessel was also delivered during the year and commenced operations in the first quarter of 2013 in West Africa, before being deployed to China.

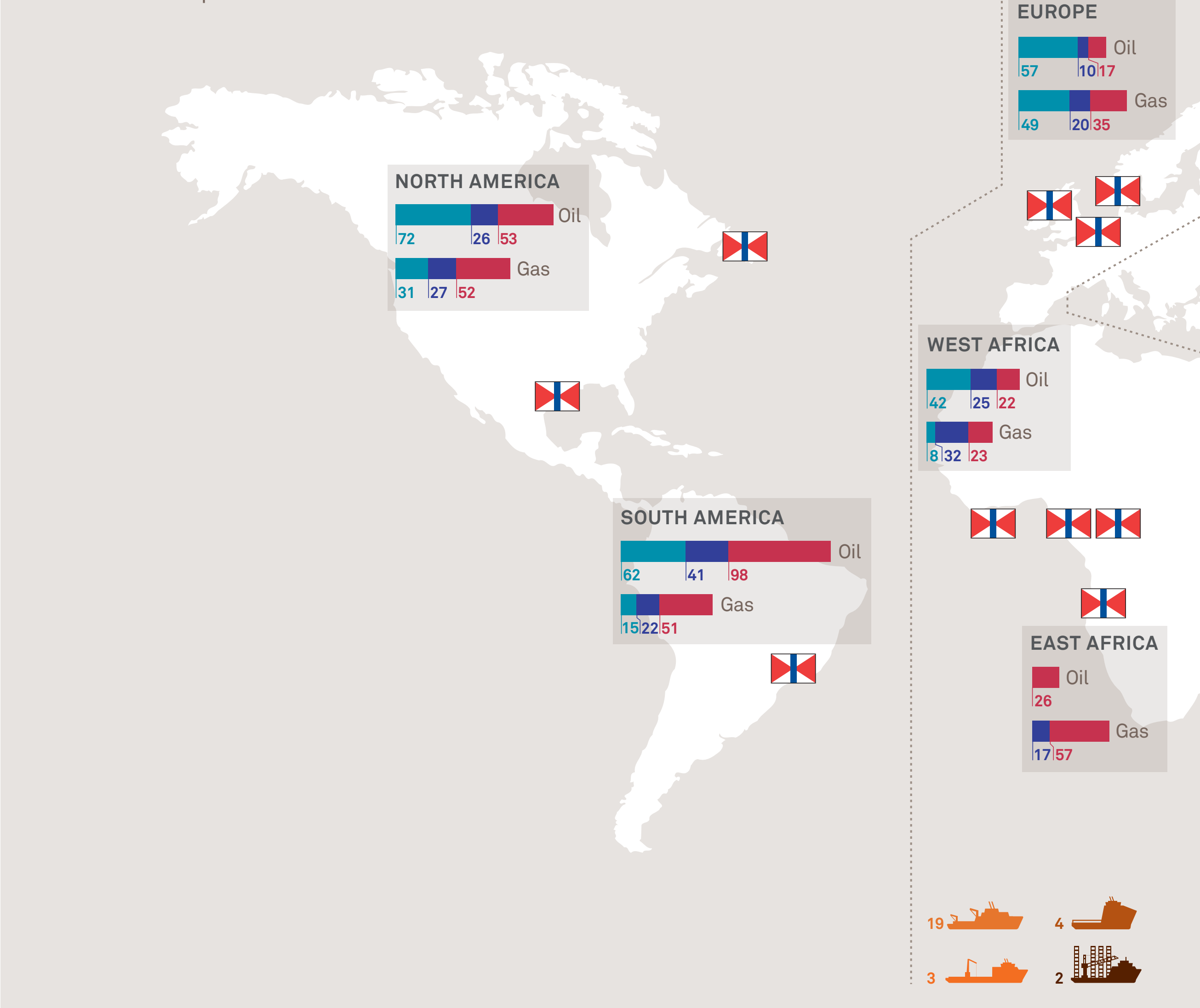
The two CSVs delivered during the year were an accommodation barge and an IMR vessel. The accommodation barge was delivered at the beginning of the year and, after a crane installation, commenced work in South East Asia. The IMR vessel was delivered in the third quarter of 2013, and mobilised to the Caspian Sea. At 31st December 2013, equipment was being installed on the vessel before commencement of its charter.

Fleet Distribution by Region



Swire Blue Ocean's two windfarm installation vessels, *Pacific Osprey* and *Pacific Orca*, are designed to undertake the toughest of offshore construction operations.

SPO – Global Footprint



SPO's Geographical Distribution

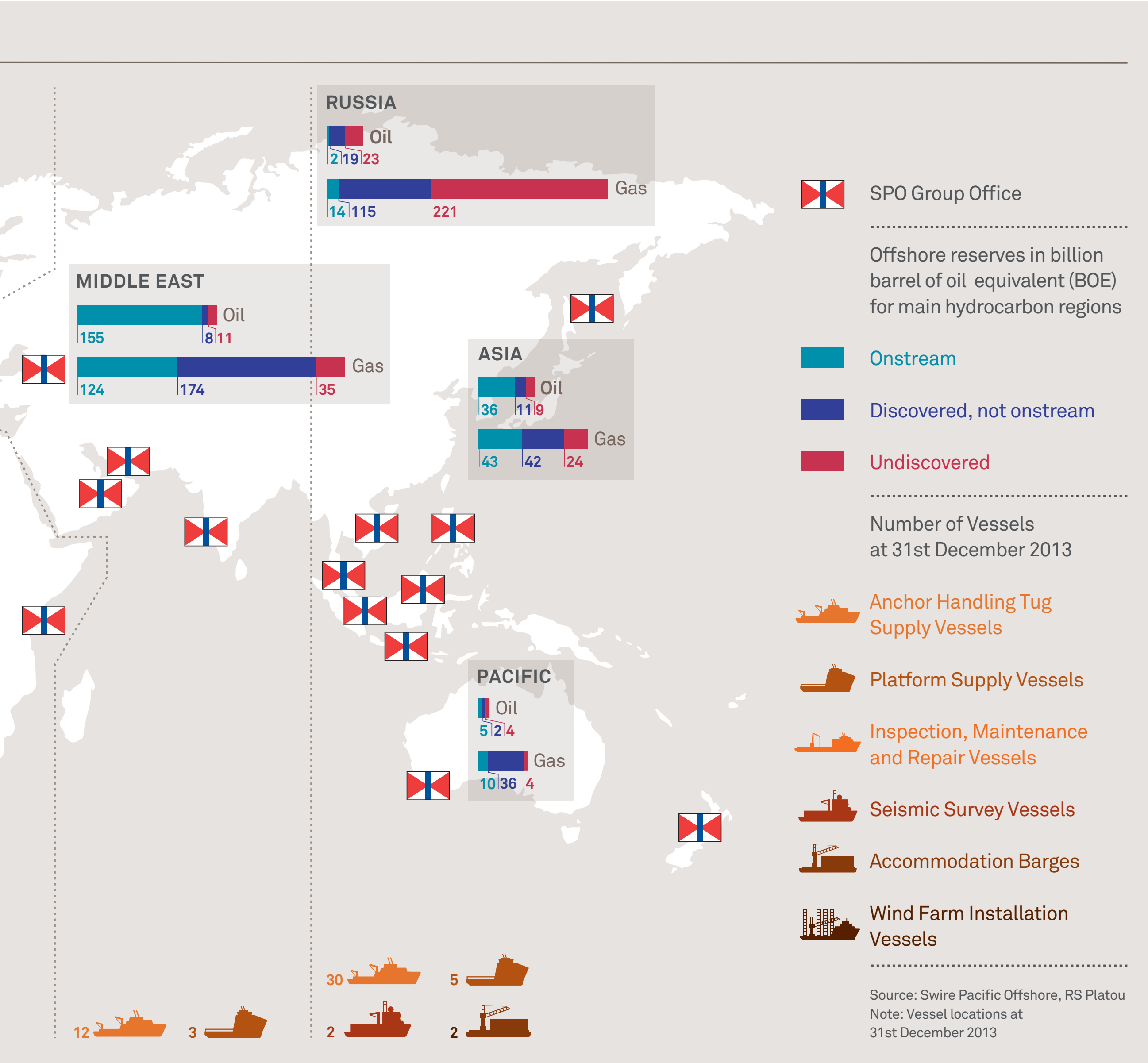
SPO is headquartered in Singapore, with shore support for its vessels provided by outport offices in Angola, Australia, Brazil, Brunei, Cameroon, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Malaysia, New Zealand, Norway, Qatar, Philippines, Russia, Scotland and the United Arab Emirates. Altus Logistics provides logistics services to customers from offices in Australia, Indonesia, Malaysia, Norway, Singapore, the USA and Vietnam. SPO continues to expand geographically, with new offices in Kenya, Canada and Azerbaijan having been opened in 2013.

SPO's Competitors and Customers

COMPETITORS

The industry has approximately 1,300 offshore support vessel owners. The largest operators are:

- Tidewater Marine
- Bourbon
- Edison Chouest
- Seacor Holdings
- GulfMark Offshore
- CNOOC
- Maersk Supply Service
- Farstad Shipping
- Hornbeck Offshore
- Topaz Marine



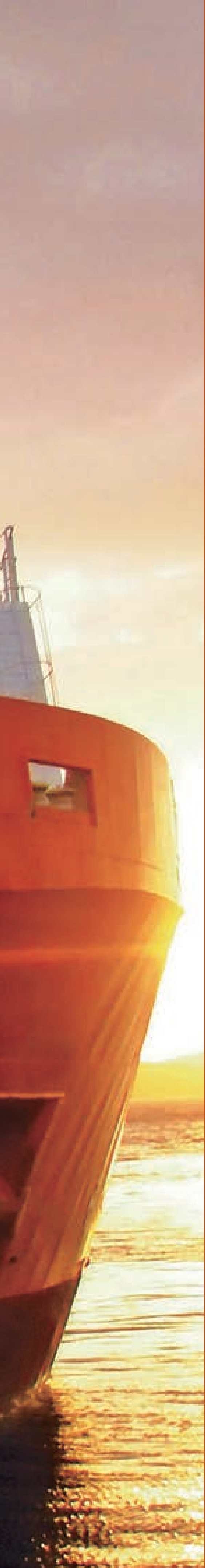
PRINCIPAL CUSTOMERS

- Oil Majors (ENI, ExxonMobil, Shell, Total, BP, Chevron)
- National oil companies (PTSC, Petronas, Petrobras, PTTEP)
- Independent exploration companies (Noble, Marathon, Apache, Cairn Energy, HESS)
- Construction and subsea companies (Leighton Contractors, McDermott, Schlumberger, Seabed GeoSolutions, Subsea 7)
- Offshore wind power provider (DONG Energy)
- Seismic and survey companies (WesternGeco, CGG)

HUD

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

- Engineering – HUD provides 24-hour ship repair from a floating dock and engineering services for infrastructure and onshore projects.
- Salvage and Towage – Hongkong Salvage & Towage ("HKST") is the largest towage operator in Hong Kong, operating 14 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

Fleet

The key objective is to strengthen SPO's fleet by making it more diverse and reducing the average age of its 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 have reduced the average age of its fleet by over a third in the past ten years.

2013 Performance

Capital Expenditure

HK$4.4bn

Fleet Size

+2.5%

Average Age of Vessels at Year-end

8.0 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.

2013 Performance

Charter Hire Revenue

+35.8%

Average Charter Hire Rates

+USD6,275 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).

2013 Performance

Average Utilisation Rate

88.9%

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.

2013 Performance

Operating Costs

+25.4%

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.

2013 Performance

LTIR

+12%

2013 PERFORMANCE

Financial Highlights

	2013 HK$M	2012 HK$M
Swire Pacific Offshore group		
Charter hire revenue	**5,257**	3,870
Non-charter hire revenue	**1,035**	994
Turnover	**6,292**	4,864
Charter hire related operating profit	**1,121**	665
Non-charter hire related operating profit	**383**	319
Operating profit	**1,504**	984
Attributable profit	**1,243**	911
Share of post-tax profits from joint venture companies		
HUD group	**64**	53
Attributable profit	**1,307**	964

Sustainable Development Highlights

	2013	2012
Swire Pacific Offshore group		
LTIR	**0.18**	0.16
HUD group		
LTIR	**2.94**	2.16

Fleet Size

	2013	2012
Fleet size (number of vessels)		
Swire Pacific Offshore group	**82**	80
HUD group – Hongkong Salvage & Towage	**20**	21
Total	**102**	101

Notes:
1. Swire Pacific has implemented the revised HKAS19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.
2. Please refer to pages 239 to 242 for further sustainable development statistics.

SWIRE PACIFIC OFFSHORE GROUP

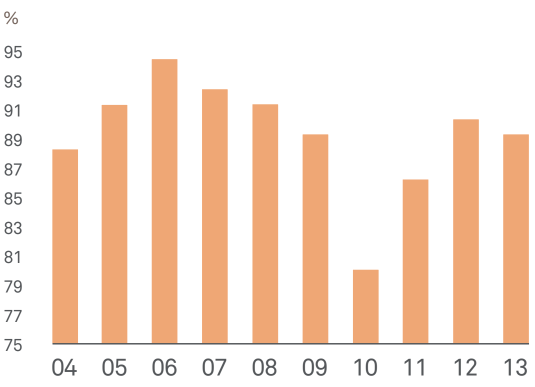
OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Exploration and production spending increased by an average of 10% per annum in 2012 and 2013 as oil companies, against a background of high oil prices, increased exploration and production activity. There is a clear trend towards demand for more sophisticated offshore supply vessels to support operations in harsher environments. This, coupled with clients' risk averse approach to safety, favours modern and reliable tonnage. In parallel, local cabotage rules increasingly prevail as a way to promote locally flagged and owned tonnage.

2013 RESULTS SUMMARY

SPO reported an attributable profit of HK$1,243 million in 2013, an increase of 36% compared to 2012. Excluding non-recurring profits of HK$23 million in 2012 and HK$88 million in 2013, which include profits on disposal of four vessels in 2012 and four vessels in 2013, attributable profit increased by 30%. This reflects the contribution from new vessels delivered during the year and a full year's contribution from vessels delivered in 2012.

SPO – Average Utilisation Rates



Pacific Installer, the second of two accommodation barges ordered by SPO was delivered in January 2013.

Charter Hire

Charter hire revenue increased by 36% to HK$5,257 million in 2013. Of the increase, HK$1,521 million was contributed by new vessels delivered in 2012 and 2013.

Fleet utilisation reduced by 0.7 percentage points to 88.9%. Average charter hire rates rose by 32% to USD26,100 per day.

Utilisation rates of SPO's core fleet of AHTSs and PSVs decreased by 0.9 percentage points to 89.3%. The utilisation of SPO's fleet of CSVs increased by 9.0 percentage points to 85.1%, reflecting high utilisation of WIVs and seismic survey vessels.

Charter hire rates for SPO's core fleet increased by 7% to USD19,800 per day, due to new vessel deliveries and better demand for offshore services.

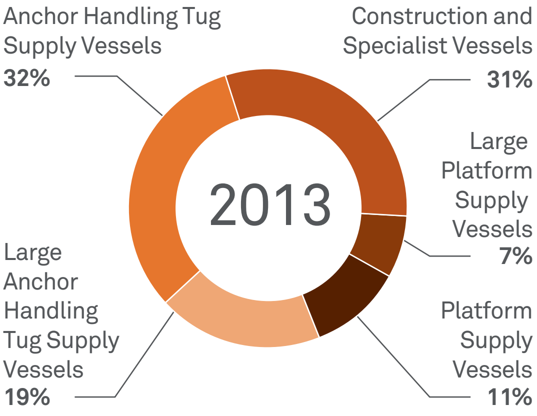
Charter hire rates for SPO's fleet of CSVs increased by 80% to USD92,000 per day. The significant improvement in day rates was mainly due to the higher rates achieved by the WIVs, which commenced operations in 2013.

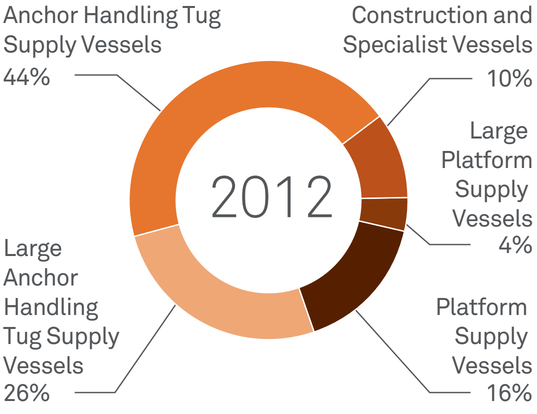
Operating costs increased by HK$985 million or 25% to HK$4,861 million.

Non-charter Hire

Non-charter hire income increased by HK$41 million to HK$1,035 million. This includes liquidated damages received in respect of vessel delivery delays, project revenue recognised by Altus Logistics and revenue earned by SPO's salvage business.

SPO – Charter Hire Revenue by Vessel Class





Swire Pacific Offshore supports the Propeller Club in Manila's scholarship programme. The scholarships help disadvantaged young men and women from the Philippines to train as seafarers. The programme provides language classes, technical training and on the job experience to equip participants with the necessary skills for a career at sea.

Sustainable Development

Lost time injury rates increased by 12% to 0.18 in 2013. SPO places great importance on creating a safer working environment for all employees, working on vessel or on shore.

FLEET EXPANSION

Total capital expenditure on new vessels and other fixed assets in 2013 was HK$4,359 million, compared to HK$5,583 million in 2012. During 2013, SPO did not make any further commitments to purchase new vessels.

Three large PSVs are expected to be delivered in each of 2014 and 2015, with a further two expected to be delivered in 2016. The delivery dates of three of these vessels have been delayed. Two large AHTS vessels ordered by SPO, which were due to be delivered in 2013, are now expected to be delivered in 2014. In total, six large AHTS vessels will be delivered in 2014. Six smaller PSVs will be delivered during 2014 and 2015. The change in delivery dates of SPO's vessels under construction is largely due to delays experienced at contracted shipyards.

At 31st December 2013, SPO had total capital expenditure commitments of HK$7,198 million (31st December 2012: HK$10,301 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 of improving the balance between PSV and AHTS vessels in its fleet.

OUTLOOK

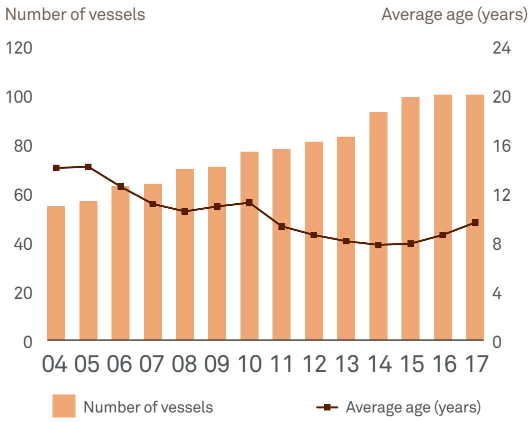
Prospects for the offshore exploration and production industry are positive. Exploration activity is expected to increase as a result of the high price of crude oil. However, the rising cost of production may affect demand for offshore services, and a shortage of qualified seafarers is a problem for the industry.

SPO has established presences in Latin America, Canada and East Africa in order to explore opportunities in these regions. In an effort to address the shortage of qualified seafarers, SPO operates a marine training centre and a dedicated crew training department.

SPO – Profile of Capital Commitments

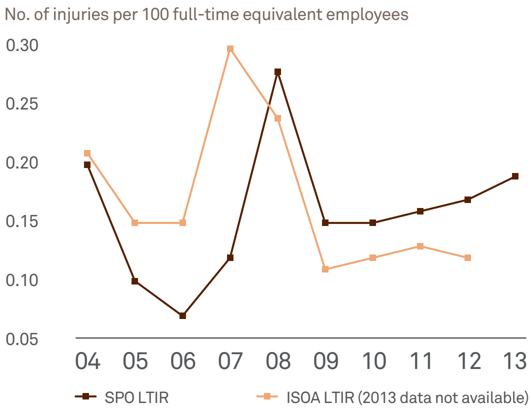
	Expenditure	Forecast year of expenditure			Commitments
	2013	2014	2015	2016	at 31st Dec 2013
	HK$M	HK$M	HK$M	HK$M	HK$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**3,496**	4,458	2,303	211	**6,972**
Construction and Specialist Vessels	**699**	129	–	–	**129**
Other fixed assets	**164**	64	21	12	**97**
Total	**4,359**	4,651	2,324	223	**7,198**

SPO – Fleet Size and Average Age of Vessels*



* Includes two vessels chartered from external parties.

SPO – LTIR



HONGKONG UNITED DOCKYARDS GROUP

INDUSTRY BACKGROUND

The shipping industry continues to struggle due to over capacity, which has resulted in low freight and charter rates. This adversely affects ancillary businesses such as towage and marine engineering, as vessel owners and operators seek to reduce costs wherever possible.

There are a number of major infrastructure projects underway in Hong Kong. This, along with maintenance of existing infrastructure, presents growth opportunities for engineering businesses.

2013 RESULTS SUMMARY

The attributable profit of the HUD group for 2013 was HK$64 million compared to HK$53 million in 2012.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2013 of HK$39 million, compared with a loss of HK$59 million in 2012. Major maintenance on HUD's floating dock has reduced revenues from marine engineering, but it has facilitated restructuring.

In 2013, HKST's profit (before tax and interest and on a 100% basis) was HK$192 million, compared with the corresponding 2012 figure of HK$205 million. Major container liner operators continue to introduce larger vessels in order to improve operating costs. This results in reduced harbour tug moves. Additional project work has supported revenues.

The disposal of one 4,000 BHP tug in January 2013 contributed a profit of HK$16 million.

The lost time injury rate in 2013 was 36% higher than last year. The increase is due to more injuries at HKST. Improved risk management procedures will be introduced in 2014.

Headquartered at Tsing Yi Island, HUD operates Hong Kong's largest and most modern tug fleet.

OUTLOOK

Prospects for the Hong Kong harbour towage market are challenging as vessel calls are expected to continue to decline.

Prospects for the engineering division's non-marine projects are promising. The division has identified a number of key areas for development of revenues related to maintenance of infrastructure in Hong Kong.

J B Rae-Smith


Columbia
Sportswear Company

TRADING & INDUSTRIAL DIVISION

Maximising Brand Potential

We market and sell internationally branded goods to today's discerning consumers.

OVERVIEW OF THE BUSINESS

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

- Swire Resources group
- Taikoo Motors group
- Swire Foods group
- Swire Pacific Cold Storage group
- Akzo Nobel Swire Paints
- Swire Sustainable Business group

- Swire Resources group – distribution and retailing of sports and casual footwear and apparel in Hong Kong, Macau and Mainland China
- Taikoo Motors group – distribution and retailing of motor vehicles in Taiwan, Hong Kong, Mainland China and Malaysia
- Swire Foods group:
  - (i) Taikoo Sugar – packaging and selling sugar in Hong Kong and Mainland China
  - (ii) Campbell Swire – distribution of soup and broth products in Mainland China
  - (iii) Swire Foods – sale of hot cereal products and distribution of sugar in Mainland China
- Swire Pacific Cold Storage group – provision of cold storage, warehousing and logistics services in Mainland China
- Akzo Nobel Swire Paints – manufacture and distribution of paint in Mainland China and Hong Kong
- Swire Sustainable Business group:
  - (i) Swire Waste Management – provision of waste management services in Hong Kong
  - (ii) Swire Sustainability Fund – investment in clean and early-stage sustainable technology companies

SWIRE RESOURCES GROUP

Swire Resources retails and distributes sports and casual footwear, apparel and related accessories. It operates 180 retail outlets in Hong Kong and Macau and 146 retail outlets in Mainland China. There are 232 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, 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, Alfa Romeo and Jeep passenger cars, and Volvo, UD and Renault trucks. It commenced the distributorship of Volkswagen cars in Shanghai and Fuzhou in Mainland China and in Puchong in Malaysia in late 2013.

SWIRE FOODS GROUP

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 three 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.

Campbell Swire

Campbell Swire is a joint venture with The Campbell Soup Company which distributes soup and broth products in Mainland China under the Campbell's and Swanson brands. Swire Foods has a 40% interest in the venture.

Swire Foods

Swire Foods began selling hot cereal products in Mainland China in May 2013. These are distributed to supermarkets in Guangzhou and Shanghai under the Taikoo brand. Swire Foods also began distributing sugar and soup and broth products on behalf of Taikoo Sugar and Campbell Swire respectively in Mainland China from the second half of 2013.

SWIRE PACIFIC COLD STORAGE GROUP

Swire Pacific Cold Storage owns a 60% equity interest in a company which operates cold storage facilities in Guangzhou. It also owns land in Shanghai, Hebei, Nanjing and Ningbo on which cold storage facilities are under construction. Two cold storage facilities are expected to be completed in 2014, with a further two to be completed in 2015.

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.

SWIRE SUSTAINABLE BUSINESS GROUP

Swire Waste Management

Swire Waste Management is a 50:50 joint venture with a subsidiary of Waste Management Inc. The joint venture seeks waste management contracts in Hong Kong. It has a contract to provide waste management services to seven outlying islands.

Swire Sustainability Fund

The Swire Sustainability Fund owns minority equity interests in two sustainable technology companies. Green Biologics is a biotechnology company which is developing renewable chemical and biofuel technology. NanoSpun Technologies is a company which is developing a water treatment process using nanotechnology.

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, 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 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 and strengthening the distribution network and sales channels of Akzo Nobel Swire Paints in Mainland China.
- Increasing the number of waste management contracts awarded to Swire Waste Management.
- Making more investments in early stage sustainable technology companies.

IMPLEMENTING STRATEGIES

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.

2013 Performance

Number of Retail Outlets

+17

Number of Brands Sold

unchanged

Expansion into New Cities

+2

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 maintain or 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.

2013 Performance

Vehicles Sold
−4%

Sugar Sold
unchanged

Revenue
−1%

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.

2013 Performance

Gross Margin
+2% pts

Operating Costs
+9%

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.

2013 Performance

Average Training Hours*
+26%

Staff Turnover
+9% pts

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

2013 PERFORMANCE

Financial Highlights

	2013 HK$M	2012 HK$M
Turnover		
Swire Resources group	**3,896**	3,584
Taikoo Motors group	**5,322**	5,763
Swire Foods group	**726**	738
Other subsidiary companies	**–**	3
	9,944	10,088
Operating profits/(losses)		
Swire Resources group	**214**	180
Taikoo Motors group	**90**	122
Swire Foods group	**13**	7
Swire Pacific Cold Storage group	**(39)**	(24)
Other subsidiary companies and central costs	**(18)**	(14)
	260	271
Attributable profits/(losses)		
Swire Resources group	**142**	141
Taikoo Motors group	**57**	89
Swire Foods group	**7**	3
Campbell Swire	**(125)**	(82)
Swire Pacific Cold Storage group	**(31)**	(22)
Akzo Nobel Swire Paints	**206**	138
Swire Waste Management	**(1)**	(6)
Other subsidiary companies and central costs	**(18)**	(14)
Attributable profit	**237**	247

Sustainable Development Highlights

	2013	2012
Average training hours (Per employee per year)	**15.6**	12.4
Staff turnover	**74%**	65%
LTIR	**0.99**	1.72

Notes:
1. Swire Pacific has implemented the revised HKAS19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.
2. Please refer to pages 239 to 242 for further sustainable development statistics.

INDUSTRY BACKGROUND

Retailing in Mainland China and Hong Kong

Hong Kong retail sales grew moderately in 2013. More visitors came to Hong Kong from Mainland China. The growth of retail sales slowed in Mainland China in 2013. More international brands have entered both markets. This has resulted in greater competition.

Car Sales in Taiwan, Hong Kong, Mainland China and Malaysia

Car registrations in Taiwan increased by 4% to 375,237 units in 2013. Car registrations in Hong Kong increased by 9% to 40,261 units in 2013. Car registrations in Mainland China increased by 16% to 17,928,900 units in 2013. Car registrations in Malaysia increased by 4% to 573,984 units in 2013.

Sugar Sales in Mainland China and Hong Kong

The total amount of sugar sold in Mainland China remained broadly the same as in 2012 at 30,864 million pounds in 2013. Sugar sales in Hong Kong in 2013 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.

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. Accordingly the Trading & Industrial Division is investing in this industry.

To manage Swire Resources' diverse portfolio of brands, tailor-made training programmes have been developed to cater to the needs of newer brands such as Cath Kidston, Repetto and Chevignon. Customer service and product training were modified to suit different brand characteristics. Staff working with overseas brands were given classes in English and Mandarin.

Paint Market in Mainland China and Hong Kong

Total sales of decorative paints in Mainland China increased by 3% to 2,715 million litres in 2013, reflecting a small increase in residential property construction and in demand for decorative paints. In Hong Kong, decorative paint sales fell 13% to 10 million litres in 2013, reflecting a reduction in residential property construction.

Waste Management Market in Hong Kong

The municipal solid waste generated per capita in Hong Kong has increased by 88% in the past decade. The Hong Kong Government aims to reduce Hong Kong's per capita municipal solid waste disposal by 20% by 2017.

Swire Resources has extensive retail and wholesale interests in sports and lifestyle footwear and apparel.

2013 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2013 decreased by 4% to HK$237 million. The decrease principally reflected weaker results from Taikoo Motors and Campbell Swire and costs associated with developing the Swire Pacific Cold Storage business. This was partly offset by a much better result from Akzo Nobel Swire Paints. Swire Resources' results were similar to those of 2012.

Swire Resources Group

Attributable profit increased by 1% in 2013 to HK$142 million. Results from the operations of the multibrand business in Hong Kong were good. However, the effect of this was partly offset by higher occupancy and staff costs in Hong Kong and Mainland China.

Turnover in Hong Kong and Macau was 12% higher than in 2012. Retail sales benefited from demand from visitors from Mainland China. Gross margins improved due to less discounting, but operating costs, in particular occupancy and staff costs, continued to increase. The group managed 180 retail outlets in Hong Kong and Macau at the end of 2013, five more than at the end of 2012.

Turnover increased by 4% in Mainland China. This principally reflected more sales of Columbia products. Gross margins improved due to less discounting of those products. Higher occupancy and staff costs reduced net margins. The number of retail outlets operated in Mainland China increased by 12 to 146 at the end of 2013.

With effect from 1st January 2014, Swire Resources' Columbia distributorship in Mainland China was replaced by a joint venture with Columbia, in which Swire Resources holds a 40% interest.

Cath Kidston has become a popular brand in Hong Kong, offering accessories, homeware and womenswear in its trademark colourful prints.

Taikoo Motors opened new Volkswagen dealerships in Mainland China and Malaysia in 2013.

Taikoo Motors Group

Attributable profit in 2013 was HK$57 million, compared to HK$89 million in 2012. This decrease in attributable profit reflected a decrease in the number of vehicles sold and the costs of developing new dealership businesses in Mainland China and Malaysia.

Turnover decreased by 8% in 2013. This principally reflected a reduction in the number of passenger cars sold in Taiwan following a product recall. Gross margins improved, mainly due to a better sales mix, reflecting more sales of light commercial vehicles.

Taikoo Motors sold 14,522 cars and commercial vehicles in 2013, 17% less than in 2012.

At the end of 2013, Taikoo Motors operated 21 showrooms and 15 service centres in Taiwan, two showrooms and two service centres in Hong Kong, two showrooms in Mainland China and one showroom in Malaysia.

TAIWAN

Volkswagen passenger car sales fell by 29% in 2013 to 7,503 units. 1,818 Škoda cars were sold in 2013, 6% less than in 2012.

2,638 Volkswagen light commercial vehicles were sold in 2013, 10% more than in 2012. In February 2013, Taikoo Motors began assembling Volkswagen light commercial vehicles. 213 Volkswagen light commercial vehicles were assembled in the year.

447 Volvo trucks and buses were sold in 2013, 23% more than in 2012. 422 Volvo and UD trucks were assembled in 2013, compared with 220 in 2012.

Sales of Harley-Davidson motorcycles and Vespa scooters continued to grow. 573 motorcycles and 3,898 scooters were sold in 2013, increases of 14% and 107% respectively from 2012.

HONG KONG

330 Fiat and Alfa Romeo cars were sold in 2013, a decrease of 52% compared with 2012. 317 Volvo and UD trucks were sold in the year, compared with 132 in 2012.

MAINLAND CHINA

Sales of Volkswagen passenger cars in Shanghai started in September 2013. 37 cars were sold.

MALAYSIA

Taikoo Motors began selling Volkswagen passenger cars in Malaysia in November 2013. 43 cars were sold.

Swire Foods Group

SWIRE FOODS (INCLUDING TAIKOO SUGAR)

Swire Foods (including Taikoo Sugar) reported an attributable profit of HK$7 million in 2013, compared with a profit of HK$3 million in 2012.

Taikoo Sugar sold 183 million pounds of sugar to retail, catering and bulk users in Hong Kong, a decrease of 2% from 2012. In Mainland China, Swire Foods and Taikoo Sugar sold 32 million pounds of sugar in 2013, an increase of 14% compared with 2012. Swire Foods and Taikoo Sugar sold sugar in 107 cities in Mainland China at the end of 2013. Swire Foods began distributing sugar on behalf of Taikoo Sugar and soup and broth products on behalf of Campbell Swire during the year.

A third sugar packaging plant in Chengdu started operations in September 2013. Taikoo Sugar has a 34% interest in a joint venture to build and operate a sugar refinery in Guangdong. Construction of the refinery will commence later in the first half of 2014, with operations expected to commence in mid-2015.

CAMPBELL SWIRE

An attributable loss of HK$125 million was recorded in 2013, compared with a loss of HK$82 million in 2012.

Campbell Swire sold 204,000 cases of soup and broth products in 2013, a decrease of 13% from 2012. The increased loss was mainly due to an impairment provision on the joint venture's production facilities.

Swire Pacific Cold Storage Group

Swire Pacific Cold Storage recorded an attributable loss of HK$31 million in 2013 compared to a loss of HK$22 million in 2012. The loss principally reflects the costs of developing new cold stores in Shanghai, Hebei, Nanjing and Ningbo. These costs were partly offset by an attributable profit of HK$8 million from the 60% interest in Guangdong Swire Cold Chain Logistics Co. Ltd., where performance was in line with expectations.

Construction of the new cold storage facilities is in progress. The Shanghai and Hebei facilities are expected to be completed in the second half of 2014. The Nanjing and Ningbo facilities are expected to be completed in 2015. The capital commitments of the Swire Pacific Cold Storage group at 31st December 2013 were HK$2,015 million.

Akzo Nobel Swire Paints

The attributable profit for 2013 was HK$206 million, compared to HK$138 million in 2012.

Sales volume in Mainland China grew by 3% from 2012. A favourable product mix and lower raw material costs resulted in higher gross margins. The beneficial effect of this was partially offset by higher operating costs, in particular staff and advertising costs. Akzo Nobel Swire Paints distributed paint in approximately 600 cities in Mainland China at the end of 2013.

Akzo Nobel Swire Paints manufactures and distributes decorative paints in Hong Kong and Mainland China.

Swire Waste Management

The attributable loss for 2013 was HK$1 million, compared to a loss of HK$6 million in 2012. The operating profit from the company's waste management contract (which commenced in March 2013) was more than offset by administrative costs and tender costs for new projects.

Sustainable Development

Training hours per employee in 2013 increased by 26% to 15.6 compared with 2012. A number of training courses were offered with a view to improving the knowledge and performance of staff and increasing retention rates.

Staff turnover rates in 2013 increased by 9% points to 74% compared with 2012.

Lost time injury rates decreased by 42% to 0.99 in 2013. This reflected fewer injuries, in particular at Swire Resources. Swire Resources organised a safety competition for its retail, warehouse and transport staff in order to raise awareness of and improve safety standards.

OUTLOOK

The 2014 profits of Swire Resources will be adversely affected by the replacement of the Columbia Mainland China distributorship by a joint venture and by the increased costs of developing the Chevignon brand and multibrand stores in Mainland China. The retail market in Hong Kong will continue to be highly competitive. Increased staff and occupancy 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 and Škoda groups plan to set up a national sales company in Taiwan. There will be a transitional period up to the end of 2014 at the end of which Taikoo Motors will cease to be the Volkswagen and Škoda importer in Taiwan. Taikoo Motors will focus on developing its Volkswagen and Škoda dealer network and its other motor-related businesses. The costs of developing and expanding showrooms are expected to increase.

Swire Foods intends to start selling dried fruits and rice-based dairy dessert products. Swire Foods has formed a joint venture with Mövenpick to distribute premium coffee products in Hong Kong and Mainland China.

Taikoo Sugar expects moderate growth in sales volume in 2014.

Campbell Swire continues to explore ways to contain costs. The joint venture will close its production facilities in the first half of 2014 and outsource production to Swire Beverages and third parties. The business remains challenging.

Swire Pacific Cold Storage's Shanghai and Hebei cold storage facilities will commence operations in the second half of 2014. The other two new cold stores in Nanjing and Ningbo will remain under construction during 2014. It is intended to acquire suitable sites for more cold stores in Mainland China.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network and sales channels in Mainland China in 2014. It is intended to acquire a site in Chengdu in 2014 to build a fourth plant in Mainland China.

Swire Waste Management intends to submit bids for more government contracts in Hong Kong.

The Swire Sustainability Fund will continue to seek attractive investment opportunities.

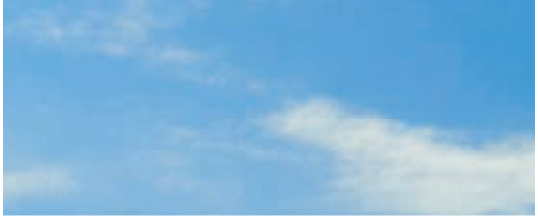
The results of the division as a whole are likely to continue to be affected by the cost of new business development.

J B Rae-Smith

2013 SUSTAINABLE
DEVELOPMENT REVIEW
AND 2014 AIMS

Managing for the Long Term

We develop our businesses along sustainable lines with a view to maximising long-term shareholder value.



OVERVIEW

At Swire Pacific, sustainability is not just a set of good intentions. Sustainable development is one of our key strategic objectives. It helps to fulfil our aim to create long-term value for our shareholders by safeguarding our natural resources, creating a positive impact in the communities in which we operate, concentrating on the wellbeing of our staff and encouraging our suppliers to maintain ethical and environmental standards similar to our own.

Strategy

Swire does not view sustainability as a cost, but as an opportunity for innovation, growth and improved efficiency. Sustainable development is part of our long term strategy. Our ultimate goal is for our operating companies to achieve zero impact on the environment. We call this goal net zero. We also aim to achieve zero harm to those involved in our operations. In the short term, we are concentrating on achieving operational excellence, increasing efficiency and reducing our environmental impact. In the medium to long term, we plan to achieve our goal through innovation and investment. A strong governance framework underpins our strategy and we engage with others to make sure we are effectively communicating our efforts. We believe that by measuring the sustainability impact of our businesses, we can manage them better, so we report regularly and transparently on key sustainability performance indicators.

Governance

Operating companies take due account of sustainability matters in the same way that they take account of other relevant matters. Business units have their own sustainability targets. In 2013, we reported against these targets in the Swire Pacific management accounts on a quarterly basis.

Each operating company is in charge of its own sustainability matters, but the principles governing the way that this is done are the same throughout the group. Through its sustainable development office, Swire Pacific sets policy and monitors its implementation by business units. Policies are set to reflect key sustainability trends, the risks to which the group is subject and opportunities in sustainability available to the group.

Sustainability matters are overseen at a group level by a sustainability committee, which reports to the group risk management committee, which in turn reports to the board of Swire Pacific. The sustainability committee consists of representatives from each operating division and is chaired by a Swire Pacific executive director. Working groups and committees dealing with energy, environmental best practice and the supply chain report to the sustainability committee. Through our enterprise risk management system, we identify risks to be managed in order to facilitate the sustainable development of our businesses.

Engagement with Others

We communicate with others in order to seek their opinions about what we do in relation to sustainability. Their views are used to guide our strategy, identify areas of concern and provide feedback on specific initiatives. Relevant matters are often outside our control and require engagement with governments, non-governmental organisations and others.

We identify and select those with whom we wish to engage in accordance with our five-year engagement plan. In 2013 we held a workshop with people from inside and outside the group in order to seek their views on our responses to key sustainability issues. Those attending from outside the group were from academic institutions, non-governmental organisations and businesses (including financial and communications businesses). Those attending were asked to rank identified sustainability matters in order of importance and to identify new sustainability matters. Concerns were expressed about environmental, regulatory and social matters which could affect the group. The results of our engagement with others are used to determine what we report on.

Matters Raised at the Workshop

- Greenhouse gas emissions
- Water usage
- Waste
- Health and safety management
- Safety culture
- Accident prevention
- Staff retention and well-being
- Training and development
- Diversity and equal opportunities
- Community impact assessment
- Sustainable procurement
- Supplier codes of conduct

The Five Sustainability Pillars

Sustainability matters are considered under five headings, which we call pillars: environment, health and safety, community involvement, staff and working with others.

Reporting Our Progress

This is Swire Pacific's third integrated report. We believe that by measuring and reporting our sustainability impact, we can manage the impact better. In this report we have reported on the aims set in 2012, and have set new aims for 2014. This report is prepared to a GRI G3.1 level C+ standard. We expect our 2014 report to be prepared to a GRI G4 standard. We voluntarily report to the Carbon Disclosure Project and the score awarded to us under that project has increased from 60 in 2011 to 90 in 2013. In 2013, Cathay Pacific was admitted to the Dow Jones Sustainability Index. Swire Pacific and Cathay Pacific remained on the Hang Seng Corporate Sustainability Index and Swire Properties was included in the Hang Seng Corporate Sustainability Benchmark Index for the first time.

Recognition

Swire Pacific Offshore received the "Achievement of Excellence" award, under the Sustainable Business Awards, Large Enterprise category, at the Singapore Sustainability Awards 2013. Swire Properties was ranked the best energy efficient developer in Hong Kong in a survey released by Greenpeace.

AIMS FOR 2014
To further integrate sustainability reporting data into mainstream reporting
To report to a GRI G4 standard

ENVIRONMENT

Swire Pacific's objective is to achieve zero impact on the environment, starting with greenhouse gas emissions, water and waste. We call this goal net zero. With a view to achieving the goal, we are setting quantifiable targets, making investments designed to reduce our environmental impact and concentrating on the three Rs – reduce, reuse and replenish. In 2013, business units started to make quarterly reports, which were included in the group management accounts.

REDUCE

To reduce our carbon emissions, water use and the amount of waste we produce

- Swire Properties aims to reduce its electricity usage by 52 million kWh per year by 2020. Investments intended to improve energy efficiency are expected to have aggregated around HK$500 million by 2020. The financial return on these investments is expected to be positive, with estimated savings of HK$910 million in electricity costs by 2020.
- Cathay Pacific aims to achieve a 2% per annum improvement in fuel efficiency up to 2020.
- TAECO generated 1.3 million kWh of renewable energy from solar panels in 2013.

REUSE

To reuse and recycle things that we use and where possible to return them to the environment

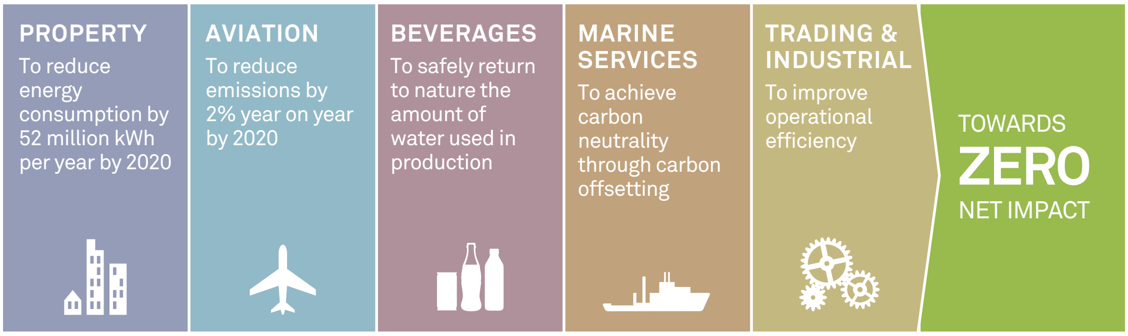
- Swire Beverages is using more recycled and plant based material in its packaging and is encouraging consumers to recycle more. This will reduce the amount of waste going to landfills.
- Swire Beverages recycled 11% of the waste water which it produced in 2013.

REPLENISH

To replenish resources which we consume, through investment and offset

- Swire Coca-Cola USA will replenish up to 273 million litres of water per year through its Jesse Creek flow regeneration project in Idaho. This is sufficient to offset the Idaho plant's entire annual water consumption.
- Swire Pacific Offshore participates in forest conservation in Paraguay.
- Cathay Pacific's FLY greener carbon offsetting program offset 11,000 tonnes of carbon in 2013. Money generated is used to support projects that offset the CO_2 generated by flying.

Our Environment Strategy

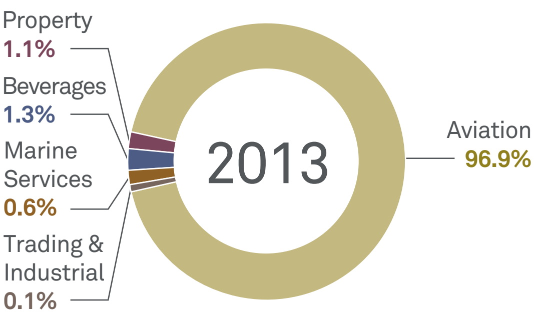


Greenhouse Gas Emissions

We believe that climate change is a risk to our business. Reductions in greenhouse gas emissions are necessary in order to reduce climate change.

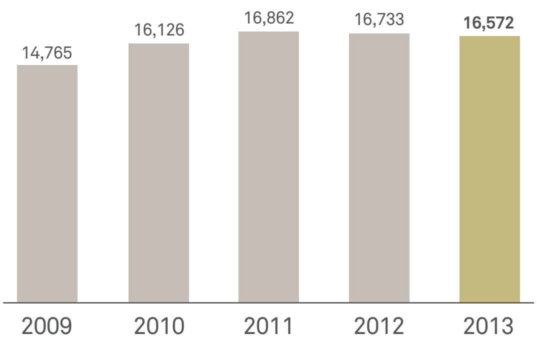
In 2013, our greenhouse gas emissions were 16.6 million tonnes of CO_2e, down from 16.7 million tonnes of CO_2e in 2012. This is attributable to less fuel consumed by the Cathay Pacific group. Although the Aviation Division accounts for 97% of our total emissions, we encourage all operating companies to reduce their emissions.

GHG Emissions by Division



GHG Emissions

Thousand tonnes of CO_2e



Cathay Pacific is replacing old, less efficient aircraft with new, more efficient aircraft. In 2013, it took delivery of 19 new aircraft, retired or deregistered 10 aircraft and returned four aircraft to their lessors. It wants to start using biofuels. This will help to achieve net zero. Cathay Pacific is a member of the Round Table on Sustainable Biofuels and of the Sustainable Aviation Fuel Users Group Asia. Swire Pacific is looking at possible biofuel investments.

Cathy Pacific has set itself the target of improving fuel efficiency by 2% per annum between 2009 and 2020. It supports IATA's target of carbon neutral growth by 2020.

Cathay Pacific seeks to manage its emissions in accordance with IATA's four pillar strategy;

IATA's Four Pillar Strategy

ENERGY EFFICIENCY

Electricity consumption is our second largest source of greenhouse gas emissions. As the cost of electricity rises, making buildings and operations more energy efficient is a priority. Swire Properties' energy consumption was 8% higher in 2013. This compares favourably with the increase in occupied space in the investment property portfolio.

Our group energy committee helps operating companies to identify energy savings. We require all new buildings and major renovations to obtain at least the second highest grade under an internationally or locally recognised building environmental assessment (Building Environmental Assessment Method (BEAM) or Leadership in Energy and Environmental Design (LEED)). Over HK$100 million was spent on energy saving investments in 2013.

Swire Properties aims to reduce electricity consumption by 52 million kWh per year by 2020. This is equivalent to the electricity consumption of 15,000 Hong Kong households.

HAECO's radiant cooling ceiling air conditioning system installed in its hangars at Hong Kong International Airport was recognised for its energy saving performance at industry awards in Hong Kong and the USA.

The new Cathay Pacific air cargo terminal, which opened in February 2013, has an energy efficient material handling system and a radiant cooling ceiling and uses natural light where possible.

By signing the Hong Kong Government indoor temperature charter, some of our Hong Kong businesses have agreed to keep average office temperatures between 24 – 26°C in the summer.

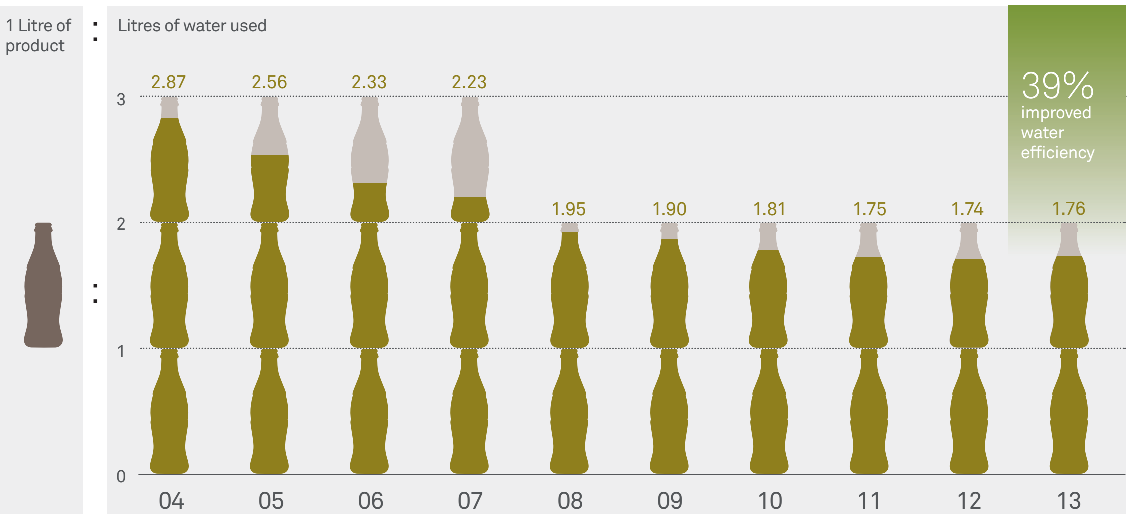
THE CARBON DESK

In 2013, five emissions trading schemes commenced in Mainland China and more are planned for 2014. Swire Pacific recognises the risks and opportunities associated with carbon trading. In 2014 we aim to register our first carbon credits with a view to setting up a platform for internal carbon trading. Cathay Pacific achieved carbon offsets in 2013 through FLY greener. The offsets are small but raise awareness. They are equivalent to taking nearly 2,300 cars off the road. We are looking for investments in businesses which will generate carbon credits and so help us to reach net zero.

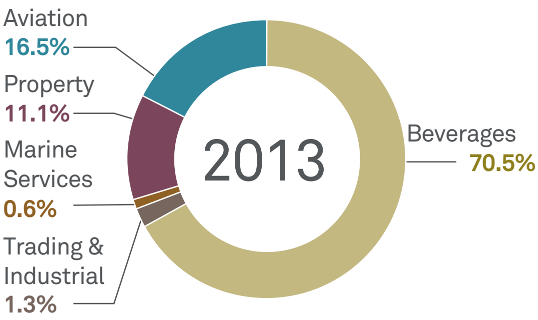
Water

In 2013, our total water consumption was 8.6 million cubic metres, an increase of 13% from 2012. Swire Beverages accounts for 71% of our total consumption, using water to make beverages and maintain hygiene. Water quality and access to

Water Efficiency at Swire Beverages



Water Consumption by Division



clean water are concerns in Mainland China. Water efficiency (measured in litres of water used per litre of product produced) has improved by 39% since 2004. In 2013, Swire Beverages continued to invest in water efficiency.

In 2013, Swire Coca-Cola USA invested in significant water source regeneration schemes for the first time. A flow restoration project in Jesse Creek, the water source for Swire's Fruitland bottling plant in Idaho, will restore nearly 1 billion litres of water per year to Jesse Creek. Of this amount, an estimated 273 million litres per year will be attributable to Swire Beverages. A similar project in Chalk Creek, Utah, will restore 11 million litres of water per year to the water source for our Utah bottling plant.

Waste

In 2013, the Hong Kong government published a blueprint for the sustainable use of resources. Those with whom we deal are increasingly aware of the problems associated with waste, including shortage of space at Hong Kong landfills. Cathay Pacific aims to increase recycling and to reduce material usage and waste, in each case by 25% by 2020. Cathay Pacific Catering Services sends its waste food to be converted to pig and fish food. Swire Beverages has introduced lightweight water bottles, bottles made from recycled PET and reverse vending machines. Swire Waste Management composts food waste on two of the outlying islands of Hong Kong.

Waste Management in Swire Properties

2014 Targets

- Extend a pilot waste management engagement programme to all tenants.
- Receive certification under the ISO14001 Environmental Management System (which has a waste management component).
- Achieve "Class of Excellence" award in the Wastewi$e Scheme for commercial centres.
- Set waste management targets for 2020.

2013

- Signs The Food Wise Charter in Hong Kong.
- Starts to recycle rechargeable batteries.
- Includes standard waste management requirements in cleaning contracts.
- Collects 3,000 mooncake tins, including at other Swire companies, for recycling.

2012

- Forms a team to improve waste management.
- Installs a food composter capable of handling 100 kg of food per day in Dorset House at Taikoo Place.
- Starts to donate surplus food from company annual dinners to charity.

2011

- Completes recycling 48 tonnes of glass and 628 tonnes of stone flooring at the end of the four-year Pacific Place contemporisation project.
- Receives 14 separation of waste awards from Hong Kong's environmental protection department.
- Collects 2,000 mooncake tins for recycling.

2010

- Starts to recycle glass bottles at 12 residential developments.

2009

- Starts to recycle used cooking oil and mooncake tins.

2007

- Installs an automatic baling system to compact recyclable waste.
- Starts to recycle electronics waste.

2006

- Begins to recycle fluorescent tubes.

2005

- Installs a food waste processor to recycle food waste.
- Introduces building information modelling to reduce construction waste.

Biodiversity

We comply with all legal requirements relating to biodiversity. We are contributing to the development of the Biodiversity Strategy and Action Plan for Hong Kong. Staff from Taikoo Motors are removing non indigenous plants and restoring native habitats. With Xiamen University, TAECO has planted over 27,000 mangrove trees since 2009 on 38,000m^2 of coastline. With Endangered Species International, Swire Pacific Offshore is trying to protect Philippine forest turtles. The Swire Group Charitable Trust supports a marine research centre in Xiamen which monitors marine ecosystem responses to global and regional environmental changes.

Air Quality

Air pollution is a big problem in Hong Kong and Mainland China. Vehicles cause a lot of it. We are trying to reduce our contribution by replacing our vehicles and using electric vehicles where we can.

Swire Sustainability Fund

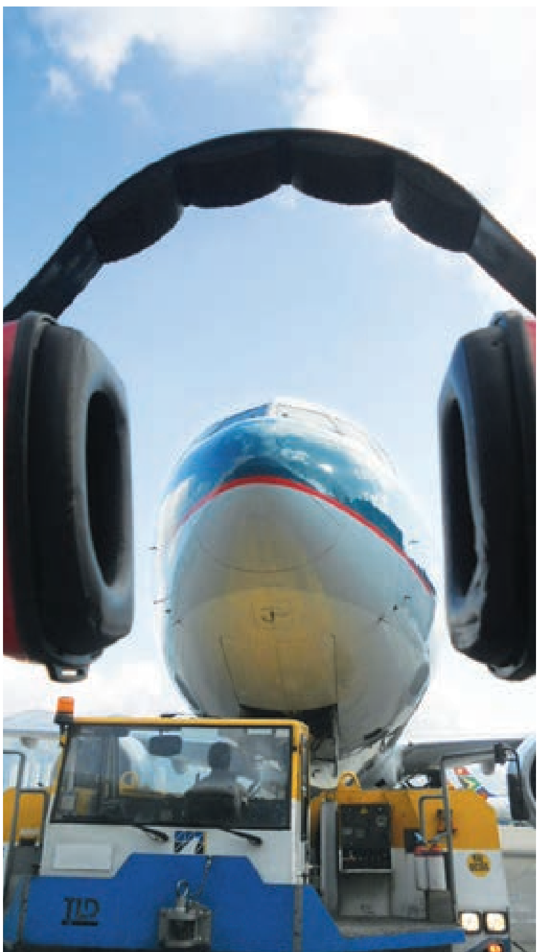
This fund is available for investment in businesses which can improve sustainability. Two investments were made in 2013. Green Biologics is a biotechnology company which is developing renewable chemical and biofuel technology, in particular for butanol. NanoSpun Technologies is a company which is developing a water treatment process using nanotechnology.

2013 AIMS AND PROGRESS
Aims | To use quarterly management accounts to monitor sustainability achievements against targets **Progress** | Done
Aims | To move towards net zero **Progress** | In progress **Comments** | Swire Properties and Cathay Pacific have set emission reduction targets. We have made investments in businesses which, if successful, will reduce our net impact on the environment
Aims | To continue to explore opportunities to increase energy efficiency, to generate carbon credits and to conduct internal carbon trading **Progress** | In progress **Comments** | Our energy committee and carbon desk continue to identify new opportunities for efficiency improvements and obtaining carbon credits

AIMS FOR 2014
To set targets to achieve net zero
To form working groups on the management of waste and water
To register our first carbon credits

HEALTH AND SAFETY

Swire Pacific takes health and safety very seriously. We try to conduct our operations in a manner which safeguards the health and safety of our employees, our contractors, our visitors and the communities in which we operate. We aim to do zero harm.



Health and Safety Management and Reporting

Our management of corporate risks includes management of health and safety risks. We encourage safety by training, sharing of best practices and transparent reporting.

HEALTH AND SAFETY COMMITTEE

Our health and safety committee reports to our group risk management committee, which in turn reports to the board of Swire Pacific. The committee comprises senior representatives from each division who are responsible for health and safety in the workplace. The committee is responsible for developing our health and safety policies and procedures, monitoring divisional performance, sharing best practices and developing internal health and safety capabilities.

In 2013 the health and safety committee oversaw the following matters:

- The staff transportation safety policy and guidelines developed in 2012 were formally endorsed and implemented in April. Compliance with this policy will be monitored by the Internal Audit department.
- All operating companies reviewed and updated the infectious diseases and pandemics sections of their business continuity plans.
- Lost time injury rates were included in the Swire Pacific management accounts on a quarterly basis. This allows senior management to review safety performance with financial performance.
- We compared our lost time injury rates with those of other companies.
- Aims and areas of focus for 2014 were developed at a meeting between the health and safety committee and the China health and safety working group.

The Swire Pacific occupational health and safety policy is reviewed and updated periodically. Compliance with the policy is monitored by the Internal Audit department.

CHINA HEALTH AND SAFETY WORKING GROUP

This group met three times in 2013 to review performance and share best practices. Contractor management, vehicle and road safety, policy implementation and workplace violence management were considered. Health and safety regulations change often in Mainland China and vary from province to province. To facilitate sharing of information, an online health and safety database was introduced. Progress was made in identifying safety management goals and implementing plans appropriate for Swire Pacific to meet those goals.

LTIR and Fatalities

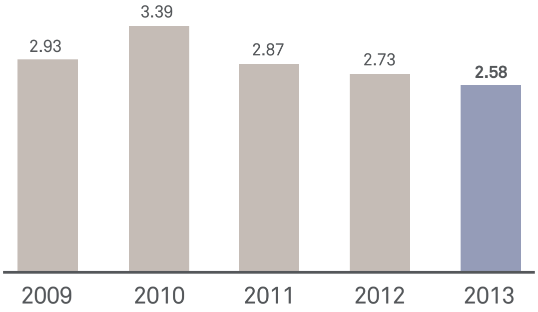
In 2013 the number of injuries per 100 full time equivalent employees (also known as the lost time injury rate or "LTIR") decreased from 2.73 to 2.58. This represents a 6% decrease since 2012 and a 12% decrease over the last five years. The number of injuries decreased 4% to 2,094, down from 2,188 in 2012. In total 53,542 days were lost due to injury in 2013, up from 50,812 in 2012. We are trying to identify the root causes of serious accidents in order to prevent their recurrence. Regrettably, there was one fatality in 2013. A Cathay Pacific employee was fatally injured while working on the ramp at John F. Kennedy airport in New York, USA.

Training and Awareness

All employees receive the health and safety training required by law for what they do. Extra training is given where necessary. HAECO has improved the way that it monitors and conducts safety training, including by the use of online guidance to managers.

LTIR

(No. of injuries per 100 full-time equivalent employees)



Swire Properties introduced a slip, trip and fall and manual handling accident prevention programme, with a view to reducing accidents by identifying risks and developing mitigation measures. HAESL developed a smartphone application to facilitate health and safety reporting as part of its I care, I report, I resolve campaign. Senior HAESL managers do weekly safety walks and safety shoe zones have been introduced. HAECO and Swire Properties use smartphone applications to report incidents and raise health and safety awareness.

Swire Properties obtained OHSAS 18001 certification for all its Hong Kong operations. Over 800 staff attended awareness training and 25 staff received internal auditor training certificates.

HAECO held an event to raise staff awareness of work safety and to promote zero harm. The event used games, competitions and stage performances to highlight four areas where work safety is important: working at height, manual lifting, driving and chemical handling. Over 2,000 staff attended the event.

DEVELOPING A SAFETY CULTURE

Swire Beverages appointed Dupont to conduct a safety review at its Zhengzhou and Luohe bottling plants. Dupont reviewed safety management, provided training for senior and operational management and helped to develop a three year action plan. With Swire Beverages management, Dupont developed a toolkit and training materials in order to replicate the plan at other bottling plants. Initial indications are that the plan has resulted in lower lost time injury rates.

2013 AIMS AND PROGRESS

Aims | To conduct a review of safety management systems at our companies in Mainland China
Progress | In progress
Comments | Companies in Mainland China are reviewing their performance against safety management standards developed by Swire Pacific

Aims | To compare our safety performance with that of comparable companies
Progress | Done

Aims | To extend health and safety training to more of our employees
Progress | Done

Aims | To improve the monitoring of safety management by our contractors
Progress | In progress
Comments | There has been some improvement. The health and safety committee and the China health and safety working group have identified safety training and contractor safety management as areas to focus on

AIMS FOR 2014

To develop a strategy for working towards doing zero harm

To determine whether findings from the Swire Beverages safety review in Mainland China conducted by Dupont are capable of adoption by other group companies

To minimise manual handling injuries by sharing information and best practices

To review the effectiveness of post accident rehabilitation

COMMUNITY INVOLVEMENT

We have a long history of community involvement. We believe that if the communities in which we operate prosper, so do we. Our operating companies wish to bring value to the communities in which they operate.

Our approach

We fund the Swire Group Charitable Trust ("Swire Trust"), which provides long-term funds for charitable purposes	Our operating companies support the communities in which they operate through their own programmes and our staff volunteer their time and skills to help those communities

Swire Trust

Swire Trust was established in 1983. It is overseen by a Philanthropy Council chaired by a director of Swire Pacific. Swire Trust receives almost all of its income from companies in the Swire Pacific Group and provides long-term funds for charitable purposes to non-profit organisations, mainly in Hong Kong and Mainland China. Its principal focus is on education, the environment, and arts and culture. In 2013, Swire Trust donated HK$43.6 million to charitable causes.

This year is the 30th anniversary of the formation of Swire Trust. In the past five years, Swire Trust has donated nearly HK$40 million per annum for charitable purposes to approximately 50 non-profit organisations. In 2013, it made new grants to the World Wide Fund for Nature Hong Kong, to The Leprosy Project and to the Global Ocean Commission. Details of Swire Trust's grants can be found under "Major Recipients of Grants from Swire Trust in 2013" on page 103.

The Taikoo Primary School celebrated its 90th anniversary in 2013. It has 600 students in 26 classes. Originally set up for the children of Swire staff, the school is now a government-subsidised public school to which Swire Trust makes an annual financial contribution. Swire Pacific is represented on the school board. In 2013, the Hong Kong Philharmonic Orchestra opened its 40th season with a new music director. It continues to provide world class music to the Hong Kong public. Swire

Trust has been the principal patron of the orchestra since 2006. Symphony under the Stars, an annual free concert, attracted an audience of more than 18,000 in 2013.

Swire Trust believes that non-profit organisations need to be well-managed in order to provide effective services and programmes. So, as well as supporting their projects, Swire Trust helps to build the capacity of small and medium-sized non-profit organisations. Such organisations have limited resources of their own for capacity building. Swire Trust gives them funds intended to strengthen their skills and governance and so to improve their effectiveness and sustainability.

Swire in the Community

We align our community programmes with our businesses. In 2013, Cathay Pacific undertook "The Spirit of Hong Kong" campaign. The campaign encouraged people to submit illustrations of what makes Hong Kong so special. More than 5,000 entries were received. The top 110 entrants' silhouettes were featured on the livery of Cathay Pacific's "Spirit of Hong Kong" aircraft. Swire Resources has supported Oxfam Trailwalker in Hong Kong since 2007, through sponsorship and staff volunteering. Swire Coca-Cola Hong Kong started community runs in 2004.

We support local communities with projects near where we operate. Cathay Pacific organises English on Air programmes for secondary schools in Tung Chung and works with Neighbourhood Advice Action Centre in Tung Chung to support disadvantaged families through elderly home visits and charity sales. In 2013, these activities benefited around 800 Tung Chung residents and involved around 250 Cathay Pacific staff. Swire Properties operates the Books for Love charity book drive, White Christmas Street Fair, Be My Friend and Be a little Engineer programmes with the support of its staff, business partners and customers at its Island East development in Hong Kong.

WELCOME HOME

Moving into a small apartment is a dream come true for many disadvantaged families in Hong Kong. Swire Properties community ambassadors worked with IDEA Hong Kong to design a 210 sq. ft. apartment for a 62-year-old father and his teenage daughter. The ambassadors built three bookshelves and painted and helped to refurbish the apartment, reusing equipment and furniture left behind by office tenants. Staff donated a television set, a refrigerator and a DVD player. One of our tenants, Towngas, donated a hood for the range in the kitchen. This project is connected with our business, involves staff and a non-governmental organisation and benefits from our expertise and resources.

We use the expertise of our staff in our community activities. Under Swire Properties' Mr Fix it programme, technical staff offer home maintenance to disadvantaged families. Vogue Laundry provides free laundry and blanket cleaning to disadvantaged families living in tenement buildings or partitioned rooms in Hong Kong.

We work with non-profit organisations with a view to maximising the impact of our community activities. Cathay Pacific Catering Services works closely with Sheng Kung Hui Tung Chung Integrated Services to support the elderly and those from disadvantaged families in Tung Chung. HAESL works with non-profit organisations in Kowloon East in Hong Kong to identify community needs and guide volunteering efforts.

We support emergency relief efforts. In November 2013, the Swire Pacific Group raised a total of HK$8.1 million following Typhoon Haiyan in the Philippines. Swire Trust gave HK$2 million, staff and matching company donations amounted to HK$4.7 million and Cathay Pacific provided HK$1.4 million from its "Change for Good" programme.

We encourage our staff to participate in community activities. Some of our operating companies facilitate this by offering time off from work. Best practice is shared at regular meetings. We communicate our community efforts on our intranet and in a volunteering newsletter.

In Mainland China, nearly 30,000 people participated in community walks organised by Swire Beverages to promote the benefits of exercise and a balanced diet. Swire Properties extended its community ambassador scheme to Mainland China, with programmes for children with autism and the elderly. Ambassadors attended a training workshop conducted by Voluntary Service Overseas. This helped them to learn how to work with non-profit organisations and disadvantaged groups in Mainland China.

At Swire Properties' Brickell Key development in Miami, there are sculptures by Cuban sculptor Manuel Carbonell. These include "The Centinela del Rio", a 30-ft bronze statue depicting a Tequesta Indian blowing a conch shell. The Swire Carbonell Scholarship Fund has been awarding undergraduate art and history of art scholarships to students at Florida International University since 2009.

MEASURING OUR IMPACT

We want to evaluate our community programmes in order to measure their effectiveness and to highlight areas for improvement. Cathay Pacific uses the London Benchmarking Group guidelines to measure the impact of its English on Air programme, and intends to do the same with other projects. Swire Pacific Offshore offers scholarships to provide residential training for young seafarers in Manila; it used a social return on investment measure to assess the financial value of doing this. Swire Trust monitors the qualitative and quantitative results of its grants, using international standards.

SWIRE VOLUNTEER TEAM

We employ over 37,000 staff in Hong Kong. If every member of staff volunteers for a few hours, we believe that we can make a significant difference to the communities in which we operate. In 2013, we conducted a staff survey to ensure that our community approach reflects the views and expectations of our staff. We did this with a view to setting up a formal Swire volunteer team in 2014.

2013 AIMS AND PROGRESS

Aims | To refine the way in which we engage with the communities in which we operate
Progress | In progress
Comments | A staff survey was conducted among Hong Kong-based staff to collect their views on community involvement. The results will be used to develop a community engagement strategy
Swire Trust formally considered a strategy for its future grant making

Aims | To designate a person in the head office of Swire Pacific to identify opportunities to engage with the communities in which we operate
Progress | Done
Comments | A full time manager has been appointed

Aims | To communicate our community efforts more effectively
Progress | In progress
Comments | Communication with staff has been enhanced by using a wider range of communication channels
The new manager mentioned above has been in contact with non-profit organisations to communicate our community engagement objectives and to explore partnership opportunities

AIMS FOR 2014

To set up the Swire volunteer team

To develop a strategy for community involvement

To formulate a strategy for our future philanthropic giving

Major Recipients of Grants from Swire Trust in 2013

ASIAN CHARITY SERVICES

Grant Amount | HK$2.2 million

Purpose | To build NGOs' organisational capacity at the leadership level

ARTS WITH THE DISABLED ASSOCIATION IN HONG KONG

Grant Amount | HK$1.5 million annually

Purpose | To promote the arts and artistic talent among persons with disabilities, to create equal opportunities for them in the world of art and to foster social integration

COMMUNITY ENGLISH LANGUAGE LABORATORY

Grant Amount | HK$2.0 million annually

Purpose | To improve English language capabilities in Hong Kong through a community-centre offering free English language training

HONG KONG BAPTIST UNIVERSITY

Grant Amount | HK$1.0 million

Purpose | To provide six scholarships to enable students from Mainland China's Ministry of Foreign Affairs and China Foreign Affairs University to study for masters degrees in translation

HONG KONG PHILHARMONIC ORCHESTRA

Grant Amount | HK$39.0 million

Purpose | To inspire and extend musical appreciation in Hong Kong and elsewhere

HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY (SWIRE PROFESSORSHIP IN AEROSPACE ENGINEERING)

Grant Amount | HK$10.0 million

Purpose | To develop a degree in aerospace engineering in Hong Kong, to offer greater access for Hong Kong students to specialised studies and to increase the competitiveness of the Hong Kong academic and aviation sectors

HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY (SWIRE INTERNATIONAL YOUNG FELLOWS PROGRAMME)

Grant Amount | HK$12.4 million

Purpose | To promote internationalism on the university campus

LIFE EDUCATION ACTIVITY PROGRAMME (LEAP)

Grant Amount | HK$6.0 million

Purpose | To help prevent substance abuse by providing positive health-based education programmes for children

RIGHT TO PLAY

Grant Amount | HK$16.2 million

Purpose | To promote an inclusive child welfare system through comprehensive early childhood education centres in thirty villages in Yunnan province in Mainland China

ST. JAMES' SETTLEMENT

Grant Amount | HK$4.4 million

Purpose | To support immediate and basic needs for the disadvantaged in Hong Kong through the operation of subsidised food stores

TAIKOO PRIMARY SCHOOL

Grant Amount | HK$1.7 million annually

Purpose | To strengthen the school's English and Mandarin language teaching, and for special projects

TEACH FOR CHINA

Grant Amount | HK$3.5 million

Purpose | To address educational inequality by recruiting candidates from top universities in Mainland China and the USA to teach at rural schools in Yunnan and Guangdong provinces and become a cohort of lifelong leaders committed to expanding educational equality

WORLD WIDE FUND FOR NATURE HONG KONG

Grant Amount | HK$14.3 million

Purpose | To improve knowledge of sustainability matters among primary school students and to encourage them to make environmentally sustainable choices in their daily lives

XIAMEN UNIVERSITY

Grant Amount | HK$6.9 million

Purpose | To support marine science in the South China Sea through the establishment of a marine research centre at Xiamen University

THE LEPROSY PROJECT

Grant Amount | HK$1.8 million

Purpose | To provide educational support to students affected by leprosy

GLOBAL OCEAN COMMISSION

Grant Amount | HK$3.0 million

Purpose | To support the work of the Commission in examining key threats, challenges, and changes to the ocean in the 21st century, including by supporting a meeting of the Commission in Hong Kong

Note 1: Some of the figures above are amounts which we have committed. In these cases, final grant amounts will depend on actual expenses and/or exchange rates.

Note 2: Grants may be awarded over a number of years.

STAFF

We recognise that our success depends critically on our staff. We try to be an employer of choice by providing an environment in which all employees are treated fairly and with respect. We want talented individuals to want to work for us. We try to recruit the best people, to offer competitive remuneration and benefits and to provide training to enable staff to realise their potential.

Managing for the Future

Under our management trainee programme, we recruit high calibre graduates to work in general management roles. The programme is demanding, with participants expected to contribute from day one. They must be highly flexible, open minded and capable of dealing with new challenges.

Our summer internship programme enables outstanding students from Hong Kong and Mainland China to gain experience working with us. Interns first learn about what we do and our values. They are then posted to operating companies to work on business projects.

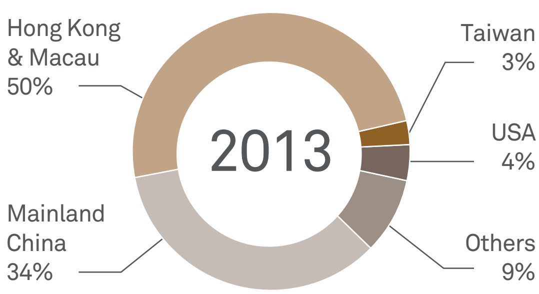
We employ many talented individuals. In 2013, we started to recruit internal candidates for general management positions.

Respect in the Workplace

We are an equal opportunities employer. In 2013, we formed a gender diversity committee. We recognise that diversity is not limited to gender. We aim to develop our approach to diversity in 2014. We developed a board diversity policy during the year, which is available on our website.

We try to provide an inclusive work culture. Individuals are unique and deserve respect for their individual abilities. We do not tolerate harassment. Nor do we tolerate unlawful discrimination or other breaches of employment law. We provide training on equal opportunities.

Employee Numbers By Region



Employee Training Hours by Division

Average hours of training per employee

	2013	2012
Property	**12.70**	14.28
Aviation	**29.20**	37.56
Beverages	**21.98**	28.06
Marine Services	**50.40**	39.12
Trading & Industrial	**15.56**	12.38
Head Office	**25.17**	10.85
Total Group	**25.88**	31.94

Training and Development

We spend a lot of time and money on training and career development. We try to provide more (and more targeted) training every year. All training required by law is provided. We try to provide all the training necessary for staff to progress.

Staff Engagement and Communication

We recognise the importance of engagement and communication with staff. We communicate with staff through our intranet, newsletters, surveys and staff forums. Operating companies have their own methods of communication, for example open microphone sessions and senior management forums. Cathay Pacific conducts focus groups for cabin crew, flight crew, ground staff and the post 1980s generation.

Specialist Training

CATHAY PACIFIC
Safety is Cathay Pacific's highest priority. It spends HK$1.2 million on training and certification of each of its cadet pilots.

SWIRE PACIFIC OFFSHORE GROUP
SPO operates a marine training centre equipped with a vessel simulator.

SWIRE PROPERTIES
Swire Properties gave health and safety training to over 800 staff and obtained OHSAS 18001 certification in 2013. 25 staff received internal auditor training certificates.

HAECO
HAECO started an aircraft maintenance mechanics trainee programme in 2013. This provides opportunities for staff to attain higher qualifications while working.

SWIRE RESOURCES
Swire Resources' sales staff are trained in-house. The training programme is customised by reference to brands (including their characteristics and desired positioning), retail chains and target customers.

ETHOS INTERNATIONAL
Ethos International, Swire's in house leadership development company, provides training for promising Swire Pacific staff. In 2013 Ethos reviewed its curriculum with support from INSEAD, Forum for the Future and the London Business School. The aim was to ensure that training needs are met.

I WILL IF YOU WILL

As an extension of WWF's Earth Hour in 2013, Cathay Pacific ran the I Will If You Will campaign which encouraged staff to make pledges to raise awareness of environmental issues. Staff from more than 100 departments and outports participated in the campaign. Airline safety manager Rob Holliday pushed his wheelchair to work and back for 100 days and donated the taxi fares he saved to charity. Staff in Singapore campaigned for six months to reduce energy and paper usage. The campaign was strongly supported by senior management.

2013 AIMS AND PROGRESS

Aims | To improve internal communication about sustainable development
Progress | In progress
Comments | We have appointed a consultant to conduct a sustainable development communications and engagement assessment. This is intended to identify ways of improving internal and external communication of our sustainable development initiatives

Aims | To review our gender balance
Progress | In progress
Comments | We have established a gender diversity committee

Aims | To continue to communicate with staff
Progress | In progress
Comments | Staff are informed via our intranet about corporate activities and relevant resources and developments within the group. Electronic media are used to make the communication more engaging. Swire News, the group's newsletter, has been available online since the beginning of 2013

AIMS FOR 2014

To develop our approach to diversity

To develop further the capabilities of our talented staff

WORKING WITH OTHERS

We have suppliers in many countries. Some of these countries have lower sustainability standards than others. We try to select suppliers which have high standards. We share information and best practices with suppliers and encourage them to adopt appropriate sustainability and other standards.

Supply Chain Management

Our supply chain sustainability working group helps operating companies to develop sustainability policies and guidelines for their suppliers. We have a supplier corporate social responsibility code of conduct. It deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting. Suppliers' compliance with our code is being assessed. 70% of HAECO's major suppliers have agreed to comply with the code. At Swire Resources, approximately 70% of purchases are from manufacturers of international branded goods (for example Nike, Adidas, Reebok, Puma and Columbia). The brand owners are responsible for their manufacturers' compliance with international manufacturing practice standards. All other Swire Resources suppliers have agreed to comply with the Swire code. Compliance is being monitored by outside auditors.

In 2013, the supply chain working group developed a supply chain risk matrix with a view to managing and mitigating risks. Attention has been focused on high risk suppliers. SPO and HAECO rate suppliers in accordance with a sustainability risk management framework. SPO follows up with self assessment questionnaires. The results determine which suppliers need to be audited in order to ensure compliance with the supply chain sustainability code of conduct.

Important Steps in Cathay Pacific's Supply Chain Management

2007
- First supplier corporate social responsibility code of conduct published. Suppliers to Cathay Pacific in Hong Kong are asked to complete a questionnaire to confirm their compliance.

2008
- Compliance questionnaire put on-line. New suppliers contractually obliged to comply with the code of conduct.

2009
- Code of conduct amended so as to include a commitment to business ethics.

2010
- Supply chain sustainability newsletter published and distributed to suppliers.
- Suppliers to outports asked to complete compliance questionnaires.

2012
- Code of conduct renamed the supply chain sustainability code of conduct and updated so as to align Cathay Pacific's expectations of suppliers with its sustainable development policy.

2013
- Sustainability assessment carried out on the top 200 suppliers to Cathay Pacific.
- Checklist developed for purchasing managers to assess sustainability risks.
- Sustainable purchasing checklist introduced.

Sustainable Procurement

In 2013, we developed a sustainable procurement policy. This policy commits operating companies to purchasing where possible products which do not adversely affect the environment. It can be difficult to source sustainable products. Our guidelines on doing so are in accordance with international standards.

In Mainland China, Swire Properties aims to source materials from suppliers within a radius of 800 km. Sourcing materials locally reduces energy consumption and creates local employment opportunities. At Swire Properties' INDIGO development in Beijing, reconstituted timber and bamboo (a renewable resource) were used as building materials. The amenity kit bag in Cathay Pacific's premium economy class is made largely from recycled PET bottles. The toothbrush and shoe horn are made from corn starch and cellulose, which are biodegradable and recyclable.

Working with Others

We cooperate with the Business Environment Council (BEC) in Hong Kong, being involved in three BEC advisory groups. We participated with other leading Hong Kong companies in a corporate sustainability supply chain forum in December 2013. We support sustainability programmes at universities in Hong Kong. Cathay Pacific works with IATA in connection with IATA's 2020 carbon neutrality target.

Swire Pacific participated in the Hong Kong government's producer responsibility scheme in relation to glass bottles. Swire Pacific Offshore signed the Maritime Singapore Green Pledge in 2013, which seeks to reduce the environmental impact of shipping.

Advocacy

We try to raise awareness of sustainability matters among those with whom we do business. We do this by example:

In 2013, Taikoo Sugar started selling three types of Fairtrade and organic certified sugar in Hong Kong.

Taikoo Motors supports Volvo Trucks' fuelwatch programme, which promotes fuel efficient driving.

Cathay Pacific and Dragonair have stopped carrying unsustainably harvested shark fins and other shark products. They stopped serving shark fins in 2009.

Cathay Pacific is monitoring the atmosphere as a participant in the In-service Aircraft for a Global Observing System project.

Swire Pacific Offshore operates two windfarm installation vessels.

Swire Hotels stopped serving shark fins in 2011. Its seafood menus comply with the WWF sustainable seafood guide.

Swire Properties has offered free energy audits to tenants since 2008 in order to help them understand their energy usage and to identify opportunities to save energy. Swire Properties helped Cathay Pacific to identify substantial energy savings at its Cathay City headquarters.

Swire Beverages uses lightweight bottles, up to 30% of which are made from plant-based material.

Swire Beverages uses reverse vending machines to promote recycling.

Sustainable Development Forum

Working as one was the theme of our third sustainable development forum, held in 2013. It highlighted the importance of our operating companies working with industry peers and those with whom we do business towards a sustainable future.

2013 AIMS AND PROGRESS
Aims | To develop a group policy on sustainable procurement **Progress** | Awaiting final approval
Aims | To continue to develop a database containing information about compliance by suppliers with our supplier code of conduct **Progress** | In progress **Comments** | Information is being collected from the operating companies

AIMS FOR 2014
To extend sustainability audits and assessments to more suppliers
To advocate sustainable procurement and other sustainable practices in the group

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

	Note	2013 HK$M	2012 (Restated) HK$M
Profit attributable to the Company's shareholders per accounts		**13,291**	17,410
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(6,650)**	(12,739)
Deferred tax on investment properties	(b)	**573**	661
Realised profit on sale of investment properties	(c)	**94**	763
Depreciation of investment properties occupied by the Group	(d)	**20**	20
Non-controlling interests' share of adjustments		**1,143**	2,155
Underlying profit attributable to the Company's shareholders		**8,471**	8,270
Other significant items:			
Profit on sale of investment properties		**(21)**	(651)
(Profit)/loss on sale of property, plant and equipment and other investments		**(197)**	135
Net impairment of property, plant and equipment, leasehold land and intangible assets		**161**	82
Adjusted underlying profit		**8,414**	7,836

Underlying equity

	Note	2013 HK$M	2012 (Restated) HK$M
Equity attributable to the Company's shareholders per accounts		**220,297**	208,467
Deferred tax on investment properties		**3,713**	3,236
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**1,840**	1,423
Revaluation of investment properties occupied by the Group		**890**	1,036
Cumulative depreciation of investment properties occupied by the Group		**67**	58
Underlying equity attributable to the Company's shareholders		**226,807**	214,220
Underlying non-controlling interests		**43,694**	41,227
Underlying equity		**270,501**	255,447

Notes:
(a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss plus the Group's share of net revaluation movements of joint venture 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 joint venture 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 statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement of profit or loss.
(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 joint venture 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 statement of profit or loss.

COMMENTARY ON AND ANALYSIS OF MAJOR BALANCES AND YEAR ON YEAR VARIANCES IN THE ACCOUNTS

Consolidated Statement of Profit or Loss

	Notes to the Accounts	2013 HK$M	2012 (Restated) HK$M	Increase/(Decrease) HK$M	%
Turnover	4	**51,437**	49,040	2,397	5%
Cost of sales	6	**(30,763)**	(28,532)	2,231	8%
Expenses	6	**(10,170)**	(9,436)	734	8%
Other net gains	5	**337**	268	69	26%
Change in fair value of investment properties		**5,845**	12,147	(6,302)	-52%
Operating profit		**16,686**	23,487	(6,801)	-29%
Net finance charges	9	**(1,999)**	(1,801)	198	11%
Share of profits less losses of joint venture companies		**1,682**	1,519	163	11%
Share of profits less losses of associated companies		**1,521**	582	939	161%
Taxation	10	**(1,852)**	(2,343)	(491)	-21%
Profit for the year		**16,038**	21,444	(5,406)	-25%
Profit attributable to the Company's shareholders	33	**13,291**	17,410	(4,119)	-24%

Turnover

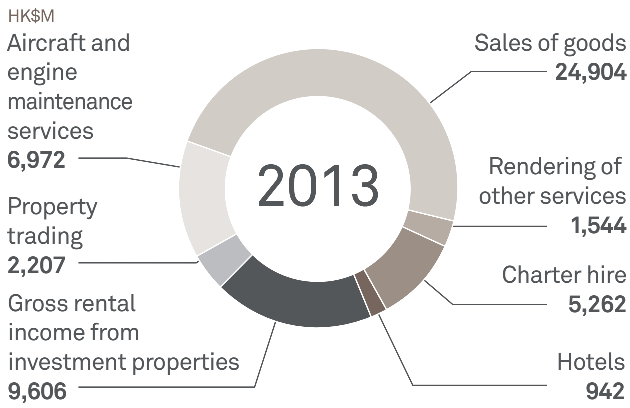
The increase in turnover of HK$2,397 million compared to 2012 reflects improvements from the Aviation Division (HK$1,557 million), the Marine Services Division (HK$1,428 million) and the Beverages Division (HK$657 million). These improvements were partially offset by a decrease in turnover from the Property Division (HK$1,132 million) and the Trading & Industrial Division (HK$120 million).

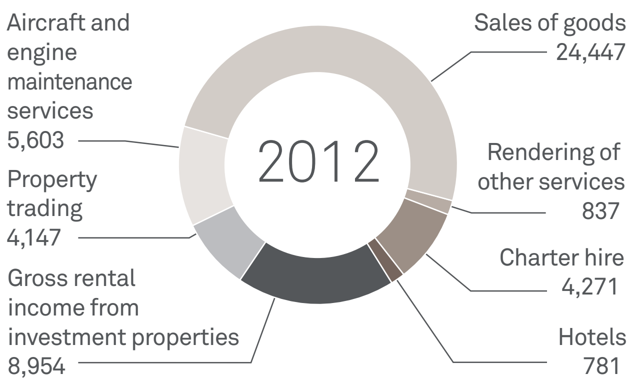
In the Property Division, turnover from property trading decreased by HK$1,940 million compared to 2012 due to 77 fewer units sold at the AZURA development in Hong Kong partially offset by the handover and sale of 12 units at the ARGENTA development in Hong Kong. Gross rental income from property investment increased by HK$652 million, principally reflecting positive rental reversions in Hong Kong, in particular at the Island East offices, and increased rental contributions in Mainland China from TaiKoo Hui in Guangzhou and Taikoo Li Sanlitun in Beijing. Turnover from hotels increased by HK$161 million, reflecting the opening of the Mandarin Oriental at TaiKoo Hui in January 2013 and improved occupancy and average room rates in Hong Kong and the United Kingdom.

In the Aviation Division, the increase in turnover in the HAECO group principally reflected increased airframe maintenance and engine repair work in Mainland China and higher demand for line maintenance services in Hong Kong. This was partially offset by lower turnover from airframe maintenance and component overhaul services in Hong Kong due to a shortage of skilled and semi-skilled labour.

In the Beverages Division, the increase in turnover principally reflected higher sales volume of sparkling and juice beverages in Mainland China. Price increases in Hong Kong and higher sales volume of still beverages in the USA also contributed to the increased turnover. Turnover was lower in Taiwan reflecting a decline in sales volume.

Turnover by Category





In the Marine Services Division, the increase in turnover at SPO was due to the addition of six new vessels delivered during the year and a full year's turnover derived from the seven vessels delivered in 2012. The new vessels are larger and more sophisticated and command higher charter rates. Non-charter hire income increased, reflecting liquidated damages received in respect of delays in delivery of vessels and additional revenue from Altus Logistics and the salvage business.

In the Trading & Industrial Division, the Taikoo Motors group's turnover decreased by HK$441 million, reflecting a reduction in the number of passenger cars sold in Taiwan following a product recall. The overall turnover from the Swire Resources group increased by HK$312 million, reflecting increased retail demand in Hong Kong from visitors from Mainland China and increased sales of Columbia products in Mainland China.

Operating Profit

The decrease in operating profit of HK$6,801 million compared to 2012 principally reflected a reduction in net valuation gains on investment properties of HK$6,302 million. Excluding net valuation gains, operating profit decreased by HK$499 million. The reduction reflected decreases in operating profit from the Property Division (HK$938 million), the Aviation Division (HK$168 million) and the Trading & Industrial Division (HK$11 million), partially offset by increases in operating profit from the Marine Services Division (HK$520 million) and the Beverages Division (HK$99 million).

Excluding net valuation gains on investment properties, the Property Division's operating profit decreased by HK$938 million. Profit from property trading decreased by HK$1,360 million, principally reflecting fewer sales of units at residential developments in Hong Kong. Profit from property investment increased by HK$448 million. There were increased operating losses from hotels due to a weaker performance from The Opposite House in Beijing and the opening of the Mandarin Oriental at TaiKoo Hui.

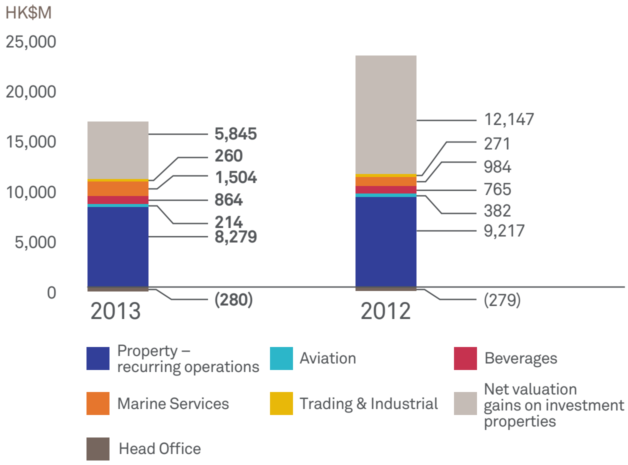
In the Aviation Division, the reduction in operating profit from the HAECO group was due to significantly lower profits from airframe maintenance and component overhaul services in Hong Kong partially offset by higher profits from airframe maintenance and engine repair work in Mainland China.

In the Beverages Division, the increase in operating profit was principally due to higher sales volume and lower raw material costs in Mainland China. There were also small increases in operating profit in the USA and Taiwan which benefited from lower raw material costs. Operating profit in Hong Kong was slightly lower due to higher operating costs.

In the Marine Services Division, the increase in operating profit at SPO reflected the contribution from new vessels delivered during 2013 and 2012, higher charter hire rates and liquidated damages received in respect of vessel delivery delays.

In the Trading & Industrial Division, the reduction in operating profit was due to a decrease in vehicle sales at Taikoo Motors and higher expenditure on developing new businesses at Taikoo Motors and Swire Pacific Cold Storage. There was an increase in operating profit in Swire Resources due to improved sales, partially offset by higher occupancy and staff costs.

Operating Profit by Division



Net Finance Charges

The increase in net finance charges mainly reflects higher borrowings during the year. Additional borrowings were principally incurred to finance capital expenditure in the Property Division and at SPO and advance of loans to joint venture companies.

Share of Profits Less Losses of Joint Venture Companies

In the Property Division, net valuation gains recorded on investment properties held by joint venture companies increased by HK$115 million compared to 2012, mainly due to higher valuation gains in Mainland China. There was an increase in profit from investment properties owned by joint venture companies in Hong Kong, mainly from the Citygate Outlets retail mall.

In the Aviation Division, profits from joint venture companies in the HAECO group decreased, principally reflecting a reduction in engine output at HAESL following the early retirement of Boeing 747-400 aircraft owned by its customers.

In the Beverages Division, there was an increase in the contribution from joint venture companies in Mainland China. This reflected higher sales volume and lower raw material costs.

In the Trading & Industrial Division, there was an increase in profits from Akzo Nobel Swire Paints, reflecting higher sales volume, a favourable product mix and lower raw material costs, partially offset by higher staff and advertising costs. There was an increased loss in Campbell Swire, due to an impairment loss in respect of production facilities.

Share of Profits Less Losses of Associated Companies

The Cathay Pacific group contributed a profit of HK$1,179 million in 2013 compared to a profit of HK$387 million in 2012. The increase principally reflects lower operating expenses and an improvement in the passenger business partially offset by weak air cargo demand. Profit from Cathay Pacific's associated company, Air China, was lower in 2013, reflecting increased fuel costs.

In the Beverages Division, there was an increase in the contribution from Coca-Cola Bottlers Manufacturing Holdings in Mainland China. This reflected a non-recurring remeasurement gain, higher sales volume and lower raw material costs.

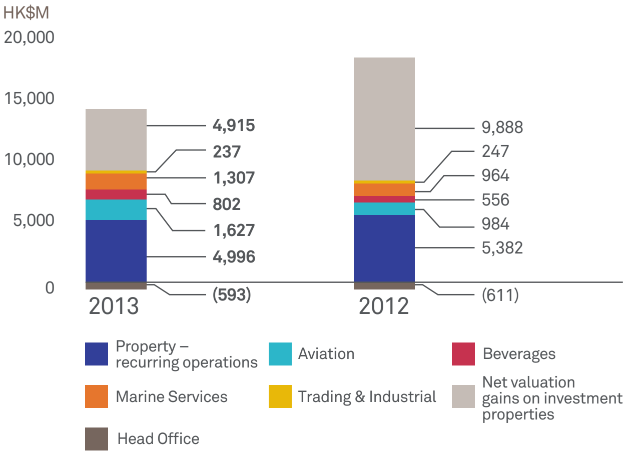
Taxation

The decrease in taxation principally reflects lower taxable profits in the Property Division as a result of fewer sales of units at residential properties in Hong Kong and lower deferred tax on valuation gains recorded on investment properties in Mainland China. There were also lower taxation charges in the HAECO group reflecting lower profits in Hong Kong and deferred tax movements in Mainland China.

Profit Attributable to the Company's Shareholders

The decrease in profit attributable to the Company's shareholders is mainly due to lower net valuation gains on investment properties and lower profits from the Property Division and the HAECO group partially offset by increased contributions from the Cathay Pacific group, SPO and the Beverages Division.

Profit Attributable to the Company's Shareholders by Division



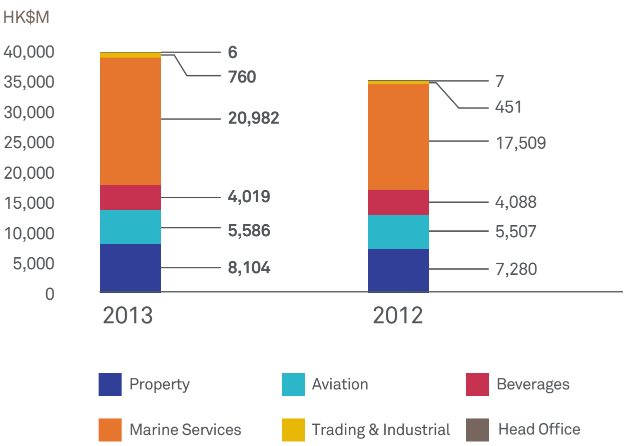
Consolidated Statement of Financial Position

	Notes to the Accounts	2013 HK$M	2012 (Restated) HK$M	Increase/(Decrease) HK$M	Increase/(Decrease) %
Property, plant and equipment	14	**39,457**	34,842	4,615	13%
Investment properties	15	**216,524**	205,588	10,936	5%
Intangible assets	17	**4,634**	4,612	22	0%
Joint venture companies	19(a)	**21,805**	20,222	1,583	8%
Associated companies	19(b)	**30,699**	27,420	3,279	12%
Properties for sale	23	**7,982**	6,910	1,072	16%
Stocks and work in progress	24	**3,234**	4,265	(1,031)	-24%
Trade and other receivables	25	**9,187**	9,164	23	0%
Cash and cash equivalents and short-term deposits	26	**11,288**	6,091	5,197	85%
Other assets		**4,215**	3,064	1,151	38%
Total Assets		**349,025**	322,178	26,847	8%
Trade and other payables	27	**17,022**	15,673	1,349	9%
Bank overdrafts, loans, bonds and perpetual capital securities	28, 29	**61,844**	50,397	11,447	23%
Deferred tax liabilities	30	**6,357**	5,673	684	12%
Other liabilities		**1,294**	2,053	(759)	-37%
Total liabilities		**86,517**	73,796	12,721	17%
Net Assets		**262,508**	248,382	14,126	6%
Equity attributable to the Company's shareholders	32,33	**220,297**	208,467	11,830	6%
Non-controlling interests	34	**42,211**	39,915	2,296	6%
Total Equity		**262,508**	248,382	14,126	6%

Property, Plant and Equipment

The increase in property, plant and equipment in 2013 primarily represents the acquisition of new vessels by SPO, the cost of construction of cold storage facilities in Mainland China and the reclassification of certain investment properties to owner-occupied properties. The increase also reflected purchases of rotable and repairable spare parts by the HAECO group and construction costs at the Mandarin Oriental at TaiKoo Hui and the hotel at the Brickell City Centre project in Miami, USA.

Property, Plant and Equipment by Division



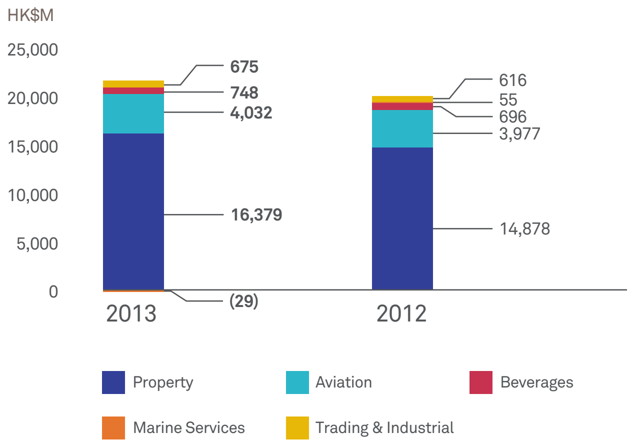
Investment Properties

The increase in investment properties mainly reflects net valuation gains of HK$5,845 million during the year. The increase also reflected the acquisition of new investment properties in Hong Kong, construction costs incurred on new investment properties and renovation costs incurred on existing investment properties. There was also a favourable exchange gain on investment properties in Mainland China.

Investments in Joint Venture Companies

The increase in investments in joint venture companies primarily reflects advances of loans to acquire a commercial site adjacent to the existing Citygate Outlets development and the DCH Commercial Centre in Hong Kong. There were also increases in retained profits in the Property Division (mainly as a result of valuation gains on investment properties held by joint venture companies), the Beverages Division, HAESL and Akzo Nobel Swire Paints, partially offset by dividends received.

Investments in Joint Venture Companies by Division



Investments in Associated Companies

The increase in investments in associated companies principally reflects an increase in retained profits of the Cathay Pacific group.

Properties for Sale

The increase in properties for sale is principally due to construction costs incurred during the year on the ARGENTA, AREZZO, MOUNT PARKER RESIDENCES, Cheung Sha and Seymour Road residential projects in Hong Kong and on the residential component of the Brickell City Centre project in Miami, USA, partially offset by the effect of completion of the sale of units at AZURA and ARGENTA in Hong Kong and ASIA in Miami, USA.

Stocks and Work in Progress

The decrease in stocks and work in progress is principally due to a reduction in the stock of vehicles in Taikoo Motors in Taiwan and Columbia apparel and footwear products in Mainland China.

Trade and Other Receivables

The small increase in trade and other receivables principally reflects higher trade receivables due to increased turnover partially offset by the repayment of a secured loan advanced by Swire Properties to Sino-Ocean Land, its joint venture partner at Sino-Ocean Taikoo Li Chengdu.

Trade and Other Payables

The increase in trade and other payables principally reflects the grant of a put option in relation to a non-controlling interest in the retail portion of the Brickell City Centre development and an increase in the fair value of a put option in relation to a non-controlling interest in Taikoo Li Sanlitun. There were also higher trade creditors and accruals in the HAECO group, the Beverages Division and SPO and higher rental deposits from tenants in the Property Division.

Bank Overdrafts, Loans, Bonds and Perpetual Capital Securities

The increase in bank overdrafts, loans and bonds reflects funding required to finance the Group's property developments, the purchase of new vessels and other fixed assets and investments in joint venture companies.

Deferred Tax Liabilities

The increase in deferred tax liabilities is principally attributable to increased deferred tax on valuation gains on investment properties held by the Group in Mainland China.

Equity Attributable to the Company's Shareholders

In each year, the movement in equity attributable to the Company's shareholders represents the total comprehensive income for the year attributable to the Company's shareholders (HK$17,115 million in 2013) less dividends paid to shareholders.

Non-Controlling Interests

The non-controlling interests principally reflect the 18% non-controlling interest in Swire Properties and the 25% non-controlling interest in the HAECO group.

Consolidated Statement of Cash Flows

	Notes to the Accounts	2013 HK$M	2012 (Restated) HK$M	Increase/(Decrease) HK$M	Increase/(Decrease) %
Cash generated from operations	39(a)	**14,301**	10,829	3,472	32%
Net interest paid		**(1,969)**	(1,956)	13	1%
Tax paid		**(1,831)**	(1,364)	467	34%
Dividends received		**1,356**	1,502	(146)	-10%
Investing activities					
Purchase of property, plant and equipment	39(b)	**(6,385)**	(7,532)	(1,147)	-15%
Additions of investment properties		**(5,108)**	(2,616)	2,492	95%
Proceeds from disposal of investment properties		**48**	995	(947)	-95%
Purchase of shares in subsidiary companies		**12**	(220)	(232)	-105%
Purchase of shares in joint venture companies		**(63)**	(296)	(233)	-79%
Purchase of shares in associated companies		**(62)**	(63)	(1)	-2%
Net loans to joint venture companies		**(384)**	(1,001)	(617)	-62%
Others		**(126)**	(94)	32	34%
Net cash used in businesses and investments		**(211)**	(1,816)	(1,605)	-88%
Dividends paid	33, 39(c)	**(6,123)**	(6,064)	59	1%
Loans drawn and refinancing		**17,900**	19,210	(1,310)	-7%
Repayment of loans and bonds		**(6,743)**	(9,332)	(2,589)	-28%
Capital contribution from non-controlling interests	34	**20**	97	(77)	-79%
Security deposits uplifted		**–**	42	(42)	-100%
Cash received from shareholders and net funding by external debt		**5,054**	3,953	1,101	28%
Increase in cash and cash equivalents		**4,843**	2,137	2,706	127%

Cash Generated from Operations

The increase in cash generated from operations is mainly due to higher operating profits at SPO and the Beverages Division and a reduction of stocks at Taikoo Motors and Swire Resources, partially offset by lower operating profits in the Property Division and the HAECO group.

Tax Paid

The increase in tax paid is principally due to higher taxable profits from property trading in the Property Division in 2012.

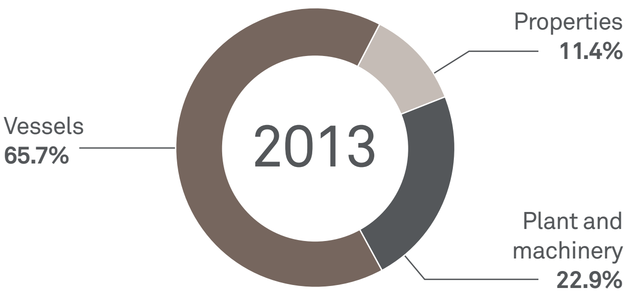
Dividends Received

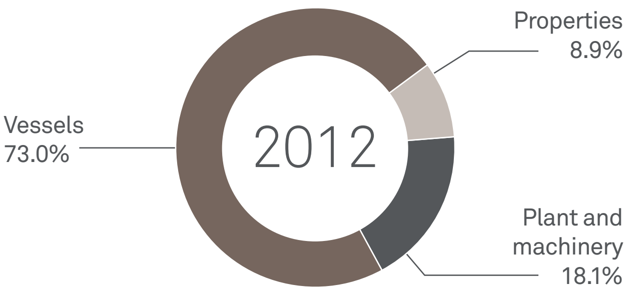
The decrease in dividends received principally reflects the receipt in 2013 of a lower 2012 second interim dividend from Cathay Pacific partially offset by increased dividends from the JW Marriott hotel, Akzo Nobel Swire Paints and the HUD group.

Purchase of Property, Plant and Equipment

The decrease in purchases of property, plant and equipment in 2013 is mainly due to lower capital expenditure on vessels by SPO and lower construction costs on the Mandarin Oriental at TaiKoo Hui following its opening in January 2013, partially offset by increased capital expenditure on cold storage facilities in Mainland China and rotable and repairable spare parts in the HAECO group.

Purchase of Property, Plant and Equipment by Category





Additions of Investment Properties

The additions of investment properties in 2013 include the acquisition of a commercial site in Kowloon Bay in Hong Kong, construction costs incurred at the TaiKoo Hui and Brickell City Centre developments and renovation costs incurred at the TaiKoo Place offices and at The Mall at Pacific Place.

Purchase of Shares in Joint Venture Companies

In 2013, the Group purchased an additional interest in Campbell Swire (HK$62 million).

Purchase of Shares in Associated Companies

In 2013, the Group purchased a 40% interest in Columbia China (HK$62 million).

Net Loans to Joint Venture Companies

In 2013, the Group advanced loans to fund the acquisition of a commercial site adjacent to the existing Citygate Outlets development and the DCH Commercial Centre in Hong Kong. The loan advances were partially offset by loan repayments from the Dazhongli property project in Shanghai.

Loans Drawn and Refinancing

In 2013, loans drawn and refinancing comprised new financing under the Medium-Term Note Programmes of Swire Pacific and Swire Properties and new loans and drawdown of existing financing from banks. Refer to the Financing section on page 118 for further details.

Investment Appraisal and Performance Review

Swire Pacific focuses on the long-term development of businesses where it can add value through its industry-specific expertise and particular knowledge of the Greater China region. The Group endeavours to create value for shareholders by making investments which exceed the target rate of return appropriate for each of its businesses.

The tables on page 117 show where the Group's net assets are employed, capital commitments by division and returns on equity attributable to the Company's shareholders.

PROPERTY DIVISION

Net assets employed in property investment increased by HK$11,783 million (5.7%) during the year, principally due to revaluation gains on investment properties and continued investment in property projects in Hong Kong and the USA.

Capital commitments at the year-end include the Group's share of the capital commitments of joint venture companies undertaking property development projects in Hong Kong and Mainland China.

The return on average equity from property investment decreased from 8.8% in 2012 to 6.3% in 2013, reflecting a decrease in profit, which in turn principally reflected lower property valuation gains.

The increase in net assets employed in property trading was principally due to the costs of constructing residential projects in Hong Kong and the USA, partly offset by the effect of completion of the sale of units at the AZURA and ARGENTA developments in Hong Kong.

The increase in net assets employed in hotels was principally due to the construction costs of the Mandarin Oriental at TaiKoo Hui.

AVIATION DIVISION

Net assets employed in the Aviation Division increased by HK$3,497 million (8.7%). The increase principally reflects the Group's share of capital expenditure on new aircraft by the Cathay Pacific group and movements in the retained profit of the Cathay Pacific group and the HAECO group.

The return on average equity increased from 2.7% in 2012 to 4.3% in 2013. The increase reflected higher profits from the Cathay Pacific group.

BEVERAGES DIVISION

Net assets employed decreased by HK$168 million (2.7%), principally as a result of lower capital expenditure and a decrease in working capital.

The return on average equity increased from 12.1% to 16.1%, reflecting an increase in attributable profit.

MARINE SERVICES DIVISION

Net assets employed increased by HK$3,781 million (21.4%) principally due to the acquisition of six new vessels by SPO.

The return on average equity increased from 9.3% to 11.2%, reflecting an increase in attributable profit.

TRADING & INDUSTRIAL DIVISION

Net assets employed decreased by HK$377 million (14.2%), primarily due to a decrease in stocks at Taikoo Motors and Swire Resources, partially offset by capital expenditure on cold storage facilities in Mainland China.

The return on average equity decreased from 11.4% in 2012 to 7.7% in 2013. This principally reflected a decrease in attributable profit and increased investments in cold storage facilities in Mainland China which have not commenced operation.

Investment Appraisal and Performance Review

	Net assets employed		Capital commitments*	
	2013 HK$M	2012 (Restated) HK$M	2013 HK$M	2012 (Restated) HK$M
Property investment				
– at cost	**82,090**	73,896	**28,200**	14,144
– valuation surplus	**149,979**	143,127	**–**	–
– deferred taxation	**(6,079)**	(5,333)	**–**	–
– other net liabilities	**(7,544)**	(5,027)	**–**	–
	218,446	206,663	**28,200**	14,144
Property trading	**9,408**	7,309	**–**	–
Hotels	**7,200**	7,111	**1,254**	1,770
Property – overall	**235,054**	221,083	**29,454**	15,914
Aviation	**43,801**	40,304	**4,669**	531
Beverages	**6,032**	6,200	**97**	41
Marine Services	**21,412**	17,631	**7,210**	10,329
Trading & Industrial	**2,286**	2,663	**2,175**	19
Head Office	**4,428**	4,755	**–**	48
Total net assets employed	**313,013**	292,636	**43,605**	26,882
Less: net debt	**(50,505)**	(44,254)		
Less: non-controlling interests	**(42,211)**	(39,915)		
Equity attributable to the Company's shareholders	**220,297**	208,467		

	Equity attributable to the Company's shareholders		Return on average equity attributable to the Company's shareholders	
	2013 HK$M	2012 (Restated) HK$M	2013	2012 (Restated)
Property investment	**156,481**	149,611	**6.3%**	8.8%
Property trading	**3,619**	2,362	**19.8%**	75.4%
Hotels	**5,505**	5,319	**-0.7%**	0.2%
Property – overall	**165,605**	157,292	**6.3%**	9.2%
Aviation	**39,525**	36,142	**4.3%**	2.7%
Beverages	**5,421**	4,521	**16.1%**	12.1%
Marine Services	**12,344**	10,949	**11.2%**	9.3%
Trading & Industrial	**3,566**	2,604	**7.7%**	11.4%
Head Office	**(6,164)**	(3,041)		
Total	**220,297**	208,467	**6.2%**	8.0%

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of joint venture companies.

Financing

- Capital Structure
- Changes in Financing
- Sources of Finance
  – Loans and Bonds
  – Perpetual Capital Securities
  – Bank Balances and Short-term Deposits
- Maturity Profile and Refinancing
- Currency Profile
- Finance Charges
- Interest Cover and Gearing Ratios
- Covenants and Credit Triggers
- Capital Management
- Key Credit Ratios
- Attributable Net Debt
- Debt in Joint Venture and Associated Companies
- Attributable Profit Correlation

Capital Structure

The Group aims to maintain a capital structure that is appropriate for long-term credit ratings of A3 to A1 on Moody's scale, A- to A+ on Standard & Poor's scale and A- to A+ on Fitch's scale. Actual credit ratings may depart from these levels from time to time due to economic or other circumstances. At 31st December 2013 the Company's long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A from Fitch and Swire Properties' long-term credit ratings were A2 from Moody's, A- from Standard & Poor's and A from Fitch.

Changes in Financing

ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Audited Financial Information

	2013 HK$M	2012 HK$M
Loans, bonds and perpetual capital securities		
At 1st January		
as originally stated	**50,664**	39,650
impact of change in accounting policy	**(294)**	154
as restated	**50,370**	39,804
Loans drawn and refinancing, as restated	**17,900**	19,210
Repayment of loans and bonds, as restated	**(6,743)**	(9,332)
Changes in composition of Group	**–**	585
Other non-cash movements	**317**	103
	61,844	50,370
Overdrafts, as restated	**–**	27
At 31st December	**61,844**	50,397

During the year, the Group raised financing amounting to HK$23,703 million. This principally comprised:
- the issue of a ten-year US dollar denominated medium-term note of US$700 million, four ten-year medium-term notes totalling HK$1,450 million and three ten-year medium term notes of RMB550 million under Swire Pacific's US$5 billion medium-term note programme
- the issue of a seven-year US dollar denominated medium-term note of US$500 million under Swire Properties' US$3 billion medium term note programme
- four five-year term and revolving credit facilities aggregating HK$4,100 million
- a three-year term loan facility of US$13 million
- a three-year term and revolving loan facility of approximately RMB200 million
- a four-year term loan facility of US$500 million
- a two-year revolving credit facility of US$50 million
- a twenty one-year term loan facility of US$69 million
- a two-year term loan facility of HK$1,520 million
- a two-year term loan facility of US$194 million

Significant debt repayments during the year were:
- three four-year medium-term notes totalling HK$500 million and a seven-year medium term note of HK$1,800 million
- bilateral revolving credit and term loan facilities aggregating HK$2,550 million

Sources of Finance

At 31st December 2013, committed loan facilities and debt securities amounted to HK$80,072 million, of which HK$19,518 million (24%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$8,848 million. Sources of funds at 31st December 2013 comprised:

Audited Financial Information

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	**35,794**	**35,794**	**–**	**–**
Bank loans, overdrafts and other loans	**41,952**	**22,434**	**1,005**	**18,513**
Perpetual capital securities	**2,326**	**2,326**	**–**	**–**
Total committed facilities	**80,072**	**60,554**	**1,005**	**18,513**
Uncommitted facilities				
Bank loans, overdrafts and other loans	**10,512**	**1,664**	**8,848**	**–**
Total	**90,584**	**62,218**	**9,853**	**18,513**

(I) LOANS AND BONDS

For accounting purposes, the loans and bonds are classified as follows:

Audited Financial Information

	2013			2012		
	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M	Drawn, before unamortised loan fees (Restated) HK$M	Unamortised loan fees HK$M	Carrying value (Restated) HK$M
Bank overdrafts and short-term loans – unsecured	**1,547**	**–**	**1,547**	1,891	–	1,891
Long-term loans and bonds at amortised cost	**58,345**	**(374)**	**57,971**	46,468	(287)	46,181
Less: amount due within one year included under current liabilities	**(7,143)**	**13**	**(7,130)**	(5,324)	2	(5,322)
	51,202	**(361)**	**50,841**	41,144	(285)	40,859

(II) PERPETUAL CAPITAL SECURITIES

Audited Financial Information

Perpetual capital securities, amounting to US$300 million and bearing cumulative interest at 8.84% per annum, were issued by a wholly-owned subsidiary (the "Issuer") on 13th May 1997. This issue has no scheduled maturity but is redeemable at the option of the Company or the Issuer either (i) at any time on or after 13th May 2017 or (ii) at any time upon amendment or imposition of certain taxes and, in any case, becomes due in the event of the Company's or the Issuer's winding up. The perpetual capital securities are unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company.

The perpetual capital securities are recorded in the statement of financial position at amortised cost. At 31st December 2013 the fair value was HK$2,559 million (2012: HK$2,604 million). The perpetual capital securities are listed on the Luxembourg Stock Exchange.

(III) BANK BALANCES AND SHORT-TERM DEPOSITS

The Group had bank balances and short-term deposits of HK$11,288 million at 31st December 2013 compared to HK$6,091 million, as restated, at 31st December 2012.

Maturity Profile and Refinancing

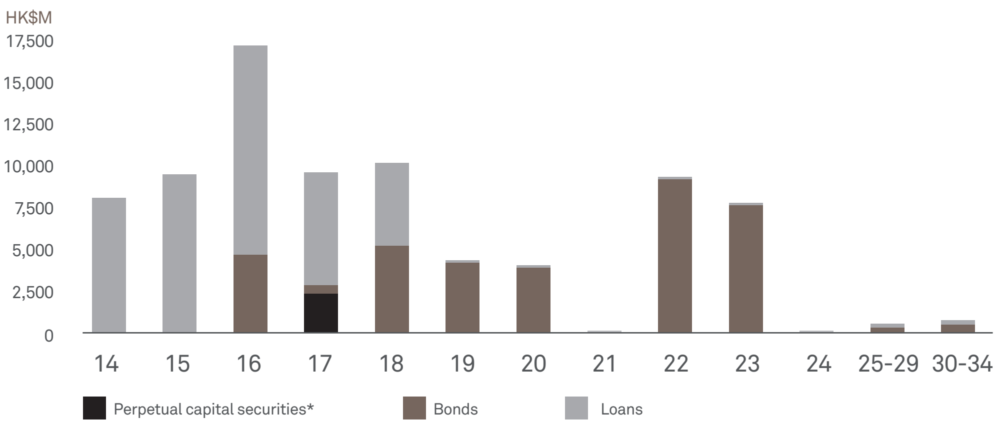
Bank loans and other borrowings are repayable on various dates up to 2034 (2012: 2030).

The weighted average term and cost of the Group's debt is:

	2013	2012 (Restated)
Weighted average term of debt	**4.4 years**	4.2 years
Weighted average term of debt (excluding perpetuals)	**4.5 years**	4.2 years
Weighted average cost of debt	**4.7%**	4.4%
Weighted average cost of debt (excluding perpetuals)	**4.6%**	4.2%

The maturity profile of the Group's available committed facilities is set out below:

Total Available Committed Facilities by Maturity
(as 31st December 2013)



* The perpetual capital securities have no fixed maturity date. In the above graph their maturity has been presented as their first call date, 13th May 2017.

The maturity of long-term loans and bonds is as follows:

Audited Financial Information

	2013 HK$M	2012 (Restated) HK$M
Bank loans (secured):		
Repayable between two and five years	**63**	–
Repayable after five years	**472**	–
Bank loans (unsecured):		
Repayable within one year	**7,130**	3,022
Repayable between one and two years	**3,882**	6,962
Repayable between two and five years	**10,819**	9,681
Other borrowings (unsecured):		
Repayable within one year	**–**	2,300
Repayable between one and two years	**–**	–
Repayable between two and five years	**10,311**	5,142
Repayable after five years	**25,294**	19,074
	57,971	46,181
Amount due within one year included under current liabilities	**(7,130)**	(5,322)
	50,841	40,859

Currency Profile

An analysis of the carrying amounts of gross borrowings by currency (after cross-currency swaps) is shown below:

Audited Financial Information

	2013		2012	
	HK$M		(Restated) HK$M	
Currency				
Hong Kong dollar	**38,458**	**62%**	35,337	70%
Renminbi	**8,484**	**14%**	7,948	16%
United States dollar	**14,812**	**24%**	6,441	13%
New Taiwan dollar	**65**	**–**	579	1%
Others	**25**	**–**	92	–
Total	**61,844**	**100%**	50,397	100%

Finance Charges

At 31st December 2013, 66% of the Group's gross borrowings were on a fixed rate basis and 34% were on a floating rate basis (2012: 57% and 43% as restated respectively).

The exposure of the Group's loans and bonds to interest rate changes (after interest rate swaps) can be illustrated as follows:

Audited Financial Information

		Fixed interest rate maturing in:			
	Floating interest rate HK$M	1 year or less HK$M	1 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31st December 2013	**20,969**	**150**	**12,634**	**25,765**	**59,518**
At 31st December 2012 (Restated)	21,520	2,186	5,291	19,075	48,072

Interest charged and earned during the year was as follows:

Audited Financial Information

	2013		2012	
			(Restated)	
	HK$M	HK$M	HK$M	HK$M
Interest charged on:				
Bank loans and overdrafts		**(747)**		(714)
Other loans, bonds and perpetual capital securities:				
Wholly repayable within five years	**(811)**		(574)	
Not wholly repayable within five years	**(828)**		(806)	
		(1,639)		(1,380)
Fair value gains on derivative instruments:				
Interest rate swaps: cash flow hedges, transferred from other comprehensive income		**109**		19
Amortised loan fees – loans at amortised cost		**(89)**		(67)
Fair value loss on put options over non-controlling interests in subsidiary companies		**(149)**		(175)
Other financing costs		**(98)**		(113)
Capitalised on:				
Investment properties	**63**		95	
Properties for sale	**256**		244	
Hotel and other properties	**8**		43	
Vessels	**127**		55	
		454		437
		(2,159)		(1,993)
Interest income on:				
Short-term deposits and bank balances	**70**		47	
Fair value gain on put options over non-controlling interests in subsidiary companies	**9**		–	
Other loans	**81**		145	
		160		192
Net finance charges		**(1,999)**		(1,801)

The capitalised interest rates used on funds both borrowed generally and used for the development of investment properties, properties for sale and vessels were between 1.25% and 4.88% per annum (2012: 1.14% and 6.21% per annum).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$2,366 million (2012: HK$2,142 million, as restated).

The interest rates per annum, before swaps, at the year-end date were as follows:

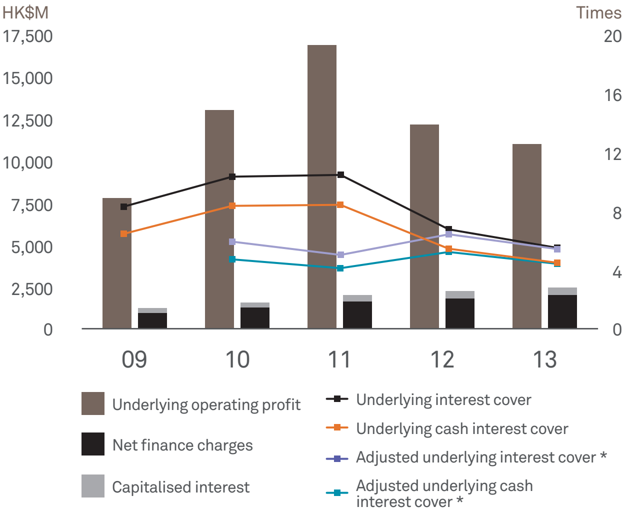
Audited Financial Information

	2013				2012			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Bank overdrafts and short-term loans	**0.86-3.53**	**1.85-3.50**	**5.04-5.60**	**0.75-2.20**	0.50-2.70	2.16-3.00	5.60-6.27	0.71-2.23
Long-term loans and bonds	**0.73-5.05**	**0.89-6.25**	**3.90-6.77**	**–**	0.64-5.05	0.94-6.25	5.76-7.38	1.81
Perpetual capital securities	**–**	**8.84**	**–**	**–**	–	8.84	–	–

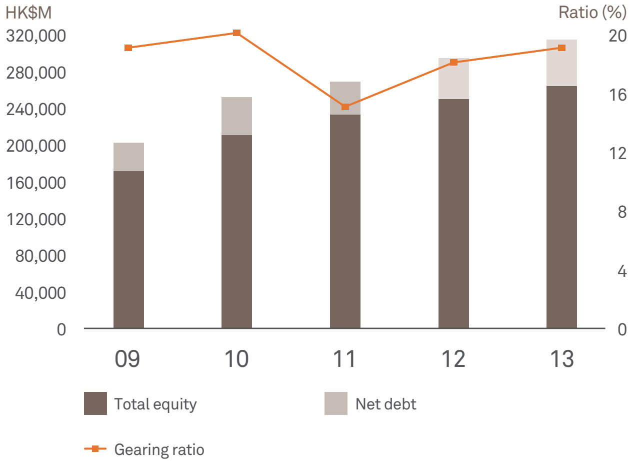
Interest Cover and Gearing Ratios

The following graphs illustrate the underlying interest cover and the gearing ratios for each of the last five years:

Interest Cover



Gearing Ratio



* Calculated using adjusted underlying operating profit which excludes the effect of capital profits less impairments.

	2013	2012 (Restated)
Gearing ratio		
Per accounts	**19.2%**	17.8%
Underlying	**18.7%**	17.3%
Interest cover – times		
Per accounts	**8.3**	13.0
Underlying	**5.5**	6.7
Cash interest cover – times		
Per accounts	**6.8**	10.5
Underlying	**4.5**	5.4

Covenants and Credit Triggers

Audited Financial Information

There are no specific covenants given by the Group for its debt facilities which would require debt repayment or termination of a facility should its credit rating be revised by the credit rating agencies.

The Company has entered into financial covenants in respect of gearing limits and maintenance of minimum consolidated net worth, to secure funding for itself and its subsidiaries. These covenants are set out below:

	Covenant limits	2013	2012 (Restated)
Gearing			
Consolidated borrowed money/adjusted consolidated net worth	≤ 200%	**19.2%**	17.8%
	HK$M	HK$M	HK$M
Maintenance of minimum adjusted consolidated tangible net worth			
Adjusted consolidated tangible net worth	≥ 20,000	**257,874**	243,770

These financial covenants, together with the long-term credit rating objective, establish the framework within which the capital structure of the Group is determined.

To date, none of the covenants have been breached.

Capital Management

Audited Financial Information

The Group's primary objectives when managing capital are to safeguard the Group's ability to operate as a going concern, so that it can continue to provide returns for shareholders, and to secure access to finance at a reasonable cost.

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its various investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings (comprising borrowings net of security deposits plus perpetual capital securities issued by the Group) less short-term deposits and bank balances and certain available-for-sale investments. Capital comprises total equity, as shown in the consolidated statement of financial position.

In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2013 and 31st December 2012 were as follows:

	2013 HK$M	2012 (Restated) HK$M
Perpetual capital securities	**2,326**	2,325
Borrowings	**59,518**	48,072
Total borrowings	**61,844**	50,397
Less:		
Short-term deposits and bank balances	**(11,288)**	(6,091)
Certain available-for-sale investments	**(51)**	(52)
	(11,339)	(6,143)
Net debt	**50,505**	44,254
Total equity	**262,508**	248,382
Gearing ratio	**19.2%**	17.8%
Cash interest cover – times	**6.8**	10.5
Underlying cash interest cover – times	**4.5**	5.4
Return on average equity attributable to the Company's shareholders	**6.2%**	8.0%

The increase in the gearing ratio during 2013 principally reflects the increase in net debt incurred to fund capital expenditure on property projects and the purchase of new vessels by SPO.

Key Credit Ratios

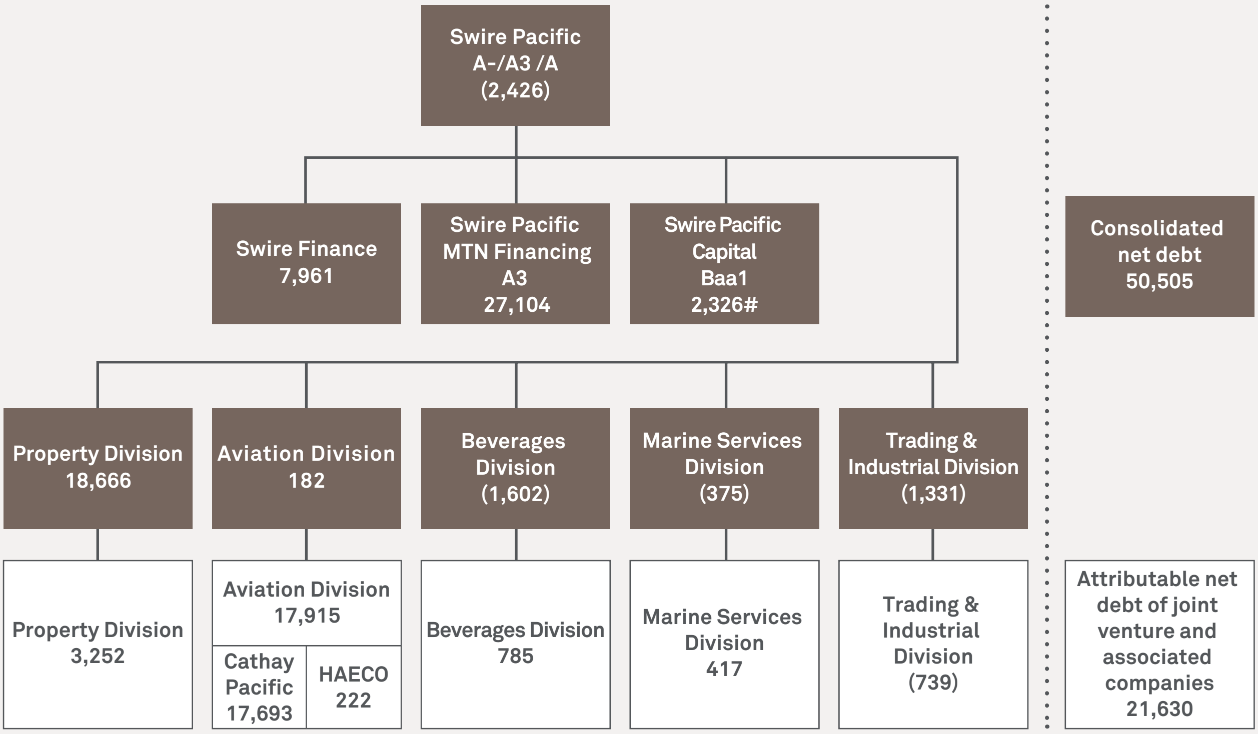
The table below sets out those credit ratios of the Group which are commonly assessed when determining credit ratings:

	Note	2009 (Restated)	2010 (Restated)	2011 (Restated)	2012 (Restated)	2013
Operating margin	2					
– per accounts		81.7%	108.2%	81.2%	52.0%	**37.3%**
– underlying		31.2%	43.9%	45.3%	28.9%	**26.1%**
EBIT/net interest expenses	1, 2					
– per accounts		18.9	22.9	17.2	11.3	**7.4**
– underlying		7.2	9.4	9.9	6.3	**5.0**
FFO + net finance charges/net interest expenses	1					
– per accounts		7.4	6.2	5.8	6.1	**5.3**
FFO/net debt						
– per accounts		25.3%	20.3%	28.1%	26.7%	**21.7%**
Net debt/total equity plus net debt						
– per accounts		15.6%	16.4%	13.4%	15.1%	**16.1%**
Property rental income/net interest expenses	1	5.0	4.1	3.5	3.3	**3.2**

Notes:
1. Net interest expenses include capitalised interest.
2. Underlying credit ratios are calculated by adjusting for the impact of revaluation movements on investment properties and the associated deferred tax in Mainland China and for 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.

Attributable Net Debt

The chart below illustrates, by entity, the Group's attributable net debt (in HK$M):



Represents US$300 million perpetual capital securities.

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at the end of 2013 and 2012:

	Total net debt/(cash) of joint venture and associated companies		Portion of net debt/(cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property Division	**7,817**	3,264	**3,252**	1,613	**496**	467
Aviation Division						
Cathay Pacific group	**39,317**	35,364	**17,693**	15,914	**–**	–
HAECO group	**1,484**	1,043	**222**	188	**66**	68
Others	**–**	(2)	**–**	(1)	**–**	–
Beverages Division	**2,224**	3,070	**785**	1,127	**–**	–
Marine Services Division	**834**	682	**417**	341	**500**	500
Trading & Industrial Division	**(2,316)**	(1,391)	**(739)**	(448)	**69**	72
	49,360	42,030	**21,630**	18,734	**1,131**	1,107

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 27.5% and underlying gearing would rise to 26.7%.

Attributable Profit Correlation

Swire Pacific's attributable profits comprise earnings from a diverse range of businesses. An analysis of the degree of correlation between these earnings over the last ten years has been carried out. The correlation table below illustrates that most of the attributable profits received from different businesses are not strongly correlated. This demonstrates the relative stability of the earnings for the Group as a whole.

	Property Division	Aviation Division	Marine Services Division	Beverages and Trading & Industrial Divisions	Divisions combined, excluding Property Division
Underlying attributable profit 2013 (HK$M)	**5,091**	**1,627**	**1,307**	**1,039**	**3,973**
Correlation coefficient:					
Property Division	**1.000**	**0.174**	**-0.183**	**0.044**	**0.154**
Aviation Division	**0.174**	**1.000**	**-0.581**	**0.282**	**-0.446**
Marine Services Division	**-0.183**	**-0.581**	**1.000**	**0.209**	**-0.559**
Beverages and Trading & Industrial Divisions	**0.044**	**0.282**	**0.209**	**1.000**	**0.354**
Divisions combined, excluding Property Division	**0.154**	**-0.446**	**-0.559**	**0.354**	**1.000**

Correlation key: 1 Highly correlated; 0 Uncorrelated; -1 Highly negatively correlated.

Corporate Governance Report

Governance Culture

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Swire Pacific believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:
- satisfactory and sustainable returns to shareholders
- that the interests of those who deal with the Company are safeguarded
- that overall business risk is understood and managed appropriately
- the delivery of high-quality products and services to the satisfaction of customers and
- that high standards of ethics are maintained

Corporate Governance Statement

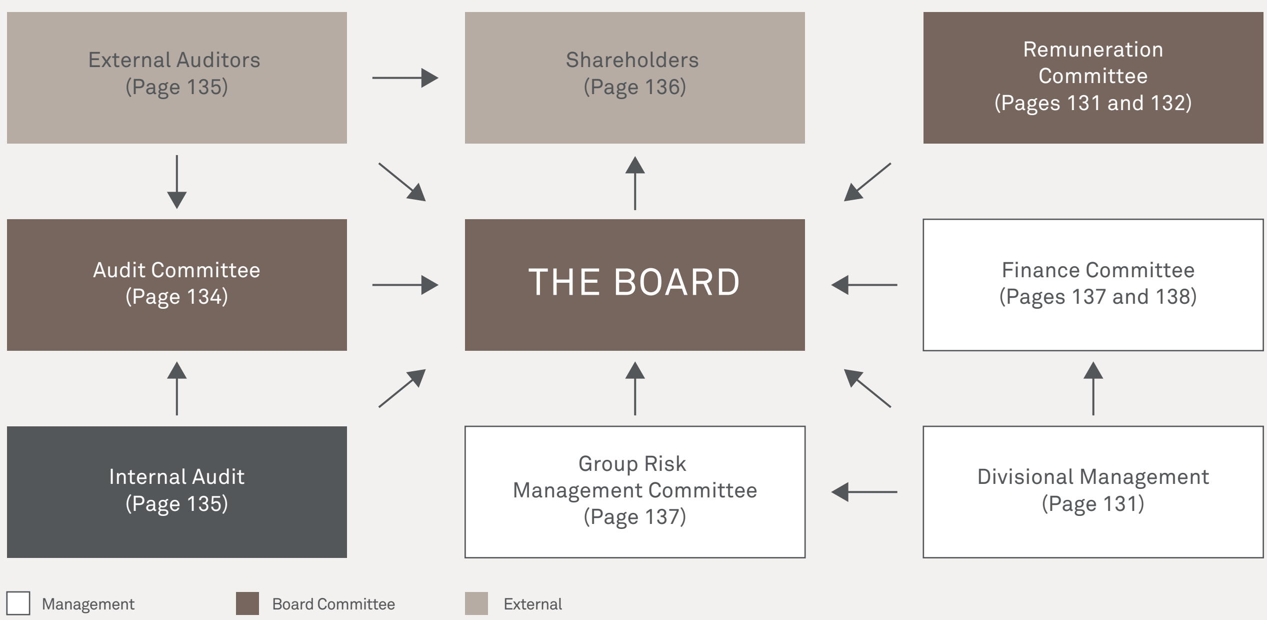
The Corporate Governance Code (the "CG Code") as published by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:
- code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
- recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only

The Company supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Swire Pacific has adopted its own corporate governance code which is available on its website www.swirepacific.com. Corporate governance does not stand still; it evolves with each business and operating environment. The Company is always ready to learn and adopt best practices. As part of its commitment to enhance corporate governance standards within the region, Swire Pacific is a member of the Asian Corporate Governance Association.

The Company complied with all the code provisions set out in the CG Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

- **Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee.** The Board has considered the merits of establishing a nomination committee but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

Governance Structure



The Board of Directors

ROLE OF THE BOARD

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the interests of those with whom the Group does business and others.

Responsibility for achieving the Company's objectives and running the business on a day-to-day basis is delegated to divisional management. The Board exercises a number of reserved powers which include:

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including accounts
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy
- approving appointments to the Board
- reviewing the board diversity policy with a view to the Board having a balance of skills, experience and diversity of perspectives appropriate to the Company's businesses
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of internal control and risk management, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see page 134) and the Remuneration Committee (see pages 131 and 132).

CHAIRMAN AND CHIEF EXECUTIVE

The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

C D Pratt, the Chairman, was responsible for:

- leadership of the Board
- setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
- facilitating effective contributions from and dialogue with all Directors and constructive relations between them
- ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information
- obtaining consensus amongst the Directors
- ensuring, through the Board, that good corporate governance practices and procedures are followed

Each division of the Group has one or more Executive Directors or Officers who are responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's individual businesses (see page 131). During the year, these executives were: M Cubbon (Property), J R Slosar and Augustus Tang (Aviation), P Healy (Beverages) and J B Rae-Smith (Marine Services and Trading & Industrial).

Throughout the year, there was a clear division of responsibilities between the Chairman and the management executives named above.

BOARD COMPOSITION

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

The Board comprises the Chairman, six other Executive Directors and ten Non-Executive Directors. Their biographical details are set out on pages 140 to 141 of this report and are posted on the Company's website.

M Cubbon, J W J Hughes-Hallett, P A Kilgour, C D Pratt, I S C Shiu, J R Slosar and A K W Tang are directors and employees of the John Swire & Sons Limited ("Swire") group. Baroness Dunn and M B Swire are shareholders, directors and employees of Swire. J B Rae-Smith is a director and employee of the Swire group and a shareholder of Swire.

The Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit and Remuneration Committees of the Board comprise only Non-Executive Directors.

The Board considers that six of the ten Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. C K M Kwok, C Lee, M C C Sze and M M T Yang have served as Non-Executive Directors for more than nine years. The Directors are of the opinion that they remain independent, notwithstanding their length of tenure. C K M Kwok, C Lee, M C C Sze and M M T Yang continue to demonstrate the attributes of an Independent Non-Executive Director noted above and there is no evidence that their tenure has had any impact on their independence. The Board believes that their detailed knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company, and that they maintain an independent view of its affairs.

Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

The Independent Non-Executive Directors:
- provide open and objective challenge of management and Board members
- raise intelligent questions and challenge constructively and with vigour
- bring outside knowledge of the businesses and markets in which the Group operates, providing informed insight and responses to management

The number of Independent Non-Executive Directors represented at least one-third of the Board of Directors.

APPOINTMENT AND RE-ELECTION

Potential new Directors are identified and considered for appointment by the Board. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his or her appointment, and all Executive and Non-Executive Directors are subject to re-election by shareholders every three years.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

Full details of changes in the Board during the year and to the date of this report are provided in the Directors' Report on page 143.

BOARD DIVERSITY

The Board adopted a board diversity policy with effect from 1st September 2013 in compliance with a new code provision on board diversity in the CG Code, which came into effect on the same date. The board diversity policy is available on the Company's website.

In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders.

RESPONSIBILITIES OF DIRECTORS

On appointment, the Directors receive information about the Group including:
- the role of the Board and the matters reserved for its attention
- the role and terms of Board Committees
- the Group's corporate governance practices and procedures
- the powers delegated to management and
- the latest financial information

Directors update their skills, knowledge and familiarity with the Group through their ongoing participation at meetings of the Board and its committees and through regular meetings with management at the head office and in the divisions. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

Through the Company Secretary, Directors are able to obtain appropriate professional training and advice.

Each Director ensures that he can give sufficient time and attention to the affairs of the Group. All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated regularly.

Details of Directors' other appointments are shown in their biographies on pages 140 to 141.

BOARD PROCESSES

All committees of the Board follow the same processes as the full Board.

The dates of the 2013 Board meetings were determined in 2012 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met five times in 2013. The attendance of individual Directors at meetings of the Board and its committees is set out on page 130. Average attendance at Board meetings was 95%. All Directors attended Board meetings in person or through electronic means of communication during the year.

Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before meetings.

The Chairman takes the lead to ensure that the Board acts in the best interests of the Company, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole.

Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

Minutes of Board meetings are taken by the Company Secretary and, together with any supporting papers, are made available to all Directors. The minutes record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and records respectively.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings.

A typical Board meeting would consist of:
- review of a report by each Executive Director or Officer on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
- the raising of new initiatives and ideas
- the presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for Directors' consideration
- any declarations of interest

The executive management provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. Two such meetings were held in 2013.

The Chairman meets at least annually with the Non-Executive Directors without the Executive Directors being present.

	Meetings Attended/Held				Continuous Professional Development
Directors	Board	Audit Committee	Remuneration Committee	2013 Annual General Meeting	Type of Training (Note)
Executive Directors					
C D Pratt – Chairman	5/5			√	A
M Cubbon	5/5			√	A
P A Kilgour	5/5			√	A
J B Rae-Smith	5/5			√	A
J R Slosar	5/5			√	A
I S C Shiu	5/5			√	A
A K W Tang	5/5			√	A
Non-Executive Directors					
Baroness Dunn	5/5			√	A
J W J Hughes-Hallett	5/5			√	A
P A Johansen	5/5	3/3	3/3	√	A
M B Swire	4/5			√	A
Independent Non-Executive Directors					
T G Freshwater	5/5			√	A
C K M Kwok	5/5	3/3	3/3	X	A
C Lee	5/5	3/3	3/3	√	A
R W M Lee	4/5			√	A
M C C Sze	5/5			√	A
M M T Yang	3/5			X	A
Average attendance	95%	100%	100%	88%	

Note:
A: All the Directors received training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors. They also kept abreast of matters relevant to their role as directors by such means as attendance at seminars and conferences and reading and viewing materials about financial, commercial, economic, legal, regulatory and business affairs.

CONTINUOUS PROFESSIONAL DEVELOPMENT
All Directors named above have received the training referred to above and have been provided with "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" issued by the Hong Kong Institute of Directors. The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

DIRECTORS' AND OFFICERS' INSURANCE
The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

CONFLICTS OF INTEREST
If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstains from voting. The matter is considered at a Board meeting and voted on by Directors who have no material interest in the transaction.

DELEGATION BY THE BOARD
Responsibility for delivering the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the Executive Director or Officer at the head of each business unit. These individuals have been given clear guidelines and directions as to their powers and, in particular, the circumstances under which they should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:
- detailed monthly management accounts consisting of statements of profit or loss, financial position and cash flows compared to budget, together with forecasts
- internal and external audit reports
- feedback from external parties such as customers, those with whom the Group does business, trade associations and service providers.

SECURITIES TRANSACTIONS
The Company has adopted a code of conduct (the "Securities Code") regarding securities transactions by Directors and officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. These rules are available on the Company's website.

A copy of the Securities Code has been sent to each Director of the Company and will be sent to each Director twice annually, immediately before the two financial period ends, with a reminder that the Director cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors and senior executives of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Directors' interests as at 31st December 2013 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 144 to 146.

Remuneration Committee

Full details of the remuneration of the Directors and an Executive Officer are provided in note 8 to the accounts.

The Remuneration Committee comprises three Non-Executive Directors, C K M Kwok, C Lee and P A Johansen. Two of the Committee members are Independent Non-Executive Directors, one of whom, C Lee is Chairman. All the members served for the whole of 2013.

The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee exercises the powers of the Board to determine the remuneration packages of individual executive directors and individual members of senior management, (including salaries, bonuses, benefits in kind and the terms on which they participate in any provident fund or other retirement benefit scheme) taking into consideration salaries paid by comparable companies, time commitments and responsibilities and employment conditions elsewhere in the group.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code and are posted on the Company's website.

A Services Agreement exists between the Company and John Swire & Sons (H.K.) Limited, a wholly-owned subsidiary of John Swire & Sons Limited, which is the parent company of the Swire group. This agreement has been considered in detail and approved by the Independent Non-Executive Directors of the Company. Under the terms of the agreement, staff at various levels, including Executive Directors and an Executive Officer, are seconded to the Company. These staff report to and take instructions from the Board of the Company but remain employees of the Swire group. As a substantial shareholder of the Company, it is in the best interests of the Swire group to ensure that executives of high quality are seconded to and retained within the Swire Pacific Group.

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave-passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire Pacific Group.

Although the remuneration of these executives is not entirely linked to the profits of the businesses in which they are working, it is considered that, given the different profitability profiles of businesses within the Group, these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre senior management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors and an Executive Officer at its meeting in November 2013. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors and an Executive Officer, as disclosed in note 8 to the accounts, was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

The following fee levels have been approved by the Board:

Fee	2013 HK$	2014 HK$
Director's Fee	**690,000**	690,000
Fee for Audit Committee Chairman	**240,000**	260,000
Fee for Audit Committee Member	**180,000**	180,000
Fee for Remuneration Committee Chairman	**75,000**	80,000
Fee for Remuneration Committee Member	**58,000**	58,000

Accountability and Audit

FINANCIAL REPORTING

The Board acknowledges its responsibility for:

- the proper stewardship of the Company's affairs, to ensure the integrity of financial information
- preparing annual and interim accounts and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate

INTERNAL CONTROLS

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's system of internal controls with a view to ensuring that shareholders' investments and the Company's assets are safeguarded. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on page 134.

The foundation of a strong system of internal control is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

Since profits are, in part, the reward for successful risk taking in business, the purpose of internal controls is to help manage and control, rather than eliminate, risk. Consequently internal controls can only provide reasonable, and not absolute, assurance against misstatement or loss.

The key components of the Group's control structure are as follows:

Culture: The Board believes that good governance reflects the culture of an organisation. This is more significant than any written procedures.

The Company aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by example from the Board down. The Company has a Code of Conduct, which is posted on its internal intranet site.

The Company is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Company's ways of thinking and acting.

Channels of communication are clearly established, allowing employees a means of communicating their views upwards with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Company's Code of Conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Risk assessment: The Board of Directors and the management each have a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated.

There are two key management committees which monitor risk processes throughout the Group; the Group Risk Management Committee ("GRMC") and the Finance Committee. These primarily comprise senior management and both are chaired by the Group Finance Director, who reports to the Board on matters of significance that arise.

The GRMC, discussed further on page 137, focuses on business, operational, safety, security, legal and reputational risks. The Finance Committee, discussed further on pages 137 and 138, focuses on broad financial and treasury risks.

Management structure: The Group has a clear organisational structure that, to the extent required, delegates the day-to-day responsibility for the design, documentation and implementation of procedures and monitoring of risk. Individuals appreciate where they will be held accountable in this process.

A control self-assessment process requires the management in each material business unit to assess, through the use of detailed questionnaires, the adequacy and effectiveness of controls over the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This process and its results are reviewed by internal auditors and form part of the Audit Committee's annual assessment of control effectiveness.

Controls and review: The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap between them. The typical control activities adopted by Group companies include:

- analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
- direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
- information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports
- physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
- performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse.

The Company has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

Internal audit: Independent of management, the Internal Audit department reports directly to the Chairman and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on page 135.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, C K M Kwok, C Lee and P A Johansen, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, C K M Kwok, is Chairman. All the members served for the whole of 2013.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website.

The Audit Committee met three times in 2013. Regular attendees at the Audit Committee meetings are the Group Finance Director, the Head of Internal Audit and the external auditors. The Audit Committee meets at least twice a year with the external auditors, and at least once a year with the Head of Internal Audit, without the presence of management. Each meeting receives written reports from the Group Risk Management Committee, the external auditors and Internal Audit. Other attendees during the year included the Group Finance Manager and the Head of Group Risk Management.

The work of the Committee during 2013 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2012 annual and 2013 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's internal controls and risk management systems
- the Group's risk management processes
- the approval of the 2014 annual Internal Audit programme and review of progress on the 2013 programme
- periodic reports from Internal Audit and progress in resolving any matters identified in them
- significant accounting and audit issues
- the Company's policy regarding connected transactions and the nature of such transactions
- the relationship with the external auditors as discussed on page 135
- the Company's compliance with the CG Code

In 2014, the Committee has reviewed, and recommended to the Board for approval, the 2013 accounts.

ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROLS

On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's systems of internal controls dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

- the scope and quality of management's monitoring of risks and of the systems of internal control, the work of Internal Audit and the assurances provided by the Group Finance Director
- the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or position
- the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
- areas of risk identified by management
- significant risks reported by Internal Audit and the Group Risk Management Committee
- work programmes proposed by both Internal Audit and the external auditors
- significant issues arising from internal and external audit reports
- the results of management's control self assessment exercise

As a result of the above review, the Board confirms that the Group's internal control systems are adequate and effective and have complied with the CG Code provisions on internal control throughout the year and up to the date of this annual report.

Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update his skills and knowledge.

Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 18 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 21 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 21 professionals include a team based in Mainland China which reports to IA in Hong Kong.

IA reports directly to the Chairman of the Board and, without the need to consult with management, to the Chairman of the Audit Committee and via him to the Board. IA has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work.

The annual IA work plan and resources are reviewed and agreed with the Audit Committee.

SCOPE OF WORK

Business unit audits are designed to provide assurance that the internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the Group Risk Management Committee and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 41 assignments were conducted for Swire Pacific in 2013.

IA specifically assists the Audit Committee in assessing the effectiveness of the Group's internal controls through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

IA conducts ad-hoc projects and investigative work as may be required by management or the Audit Committee.

AUDIT CONCLUSION AND RESPONSE

Copies of IA reports are sent to the Chairman of the Board, the Group Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

Management is called upon to present action plans in response to IA's recommendations. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the "auditors"). PricewaterhouseCoopers, the auditors, have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual accounts
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity is not, and is not seen to be, compromised
- approval of audit and non-audit fees

AUDITORS' INDEPENDENCE

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of Section 290 of the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work and the nature of the non-audit work) at a meeting of the Audit Committee.

PROVISION OF NON-AUDIT SERVICES

In deciding whether the auditors should provide non-audit services the following key principles are considered:

- the auditors should not audit their own firm's work
- the auditors should not make management decisions
- the auditors' independence should not be impaired
- quality of service

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

The fees in respect of audit and non-audit services provided to the Group by the auditors for 2013 amounted to approximately HK$38 million and HK$25 million respectively. Fees paid to the auditors are disclosed in note 6 to the accounts.

Shareholders

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company.

The principal methods used to communicate with shareholders include the following:

- The Group Finance Director makes himself available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In 2013 the Group Finance Director held seven meetings/calls with analysts and investors, conducted three analyst briefings, three overseas roadshows and spoke at one investor conference.

- Through the Company's website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses

- Through publication of interim and annual reports

- Through the Annual General Meeting as discussed below

Shareholders may send their enquiries and concerns to the Board by post or email at ir@swirepacific.com. The relevant contact details are set out in the Financial Calendar and Information for Investors section of this Annual Report.

THE ANNUAL GENERAL MEETING

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 9th May 2013. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 130.

At the Annual General Meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

- receiving the report of the Directors and the audited accounts for the year ended 31st December 2012
- re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share repurchases
- a general mandate authorising the Directors to allot and issue shares up to 20% of the then issued share capital, provided that the aggregate nominal amount of the shares of any class so allotted wholly for cash would not exceed 5% of the aggregate nominal amount of the shares then in issue
- changing the name of the Company from "Swire Pacific Limited" to "Swire Pacific Limited 太古股份有限公司"

Minutes of the meeting together with voting results are available on the Company's website.

SHAREHOLDER ENGAGEMENT

Pursuant to Article 95 of the Company's Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, he or she should deposit a written notice of nomination at the registered office of the Company within the 7-day period commencing on and including the day after the despatch of the notice of the meeting. The procedures for nominating candidates to stand for election as Directors at general meetings are set out in the Corporate Governance Section of the Company's website.

If they wish to propose a resolution relating to other matters to be considered at a general meeting, shareholders are requested to follow the requirements and procedures set out in the Corporate Governance Section of the Company's website.

Shareholder(s) holding not less than one-fortieth of the total voting rights of all members may request the Board to convene an extraordinary general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance Section of the Company's website.

OTHER INFORMATION FOR SHAREHOLDERS

Key shareholder dates for 2014 are set out on the inside back cover of this report and in the Financial Calendar on the Company's website.

The name of the Company was changed from "Swire Pacific Limited" to "Swire Pacific Limited 太古股份有限公司" with effect from 15th May 2013. No amendment has been made to the Company's Articles of Association during the year.

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital is held by the public. Details of the shareholder profile of the Company are included in the Directors' Report on page 146.

Risk Management

The Board of Directors and the management of each division are responsible for identifying and analysing the risks underlying the achievement of business objectives, and for determining how such risks should be managed and mitigated.

There are two key management committees which seek to monitor the risks to which the Group is subject; the Group Risk Management Committee ("GRMC") and the Finance Committee. These are made up of members of senior management and both are chaired by the Group Finance Director, who reports to the Board on matters of significance that arise.

Group Risk Management Committee

The GRMC provides oversight of all the risks to which the Group is subject (except for those expressly covered by the Finance Committee) including setting risk management policies and strategies. The GRMC reports directly to the Board. It comprises the Group Finance Director and the Executive Directors and Officer in charge of the operating divisions. It is chaired by the Group Finance Director.

The GRMC oversees a number of committees and working groups. These cover the following areas: Insurance, Human Resources, Health & Safety, Legal, Information Technology, Sustainability, Environmental Best Practices, Supply Chain Sustainability, Energy and Enterprise Risk Management. The GRMC's oversight role includes those areas which can be collectively categorised as sustainable development.

In 2013, the GRMC met three times and its functional Group committees and working groups met a total of 37 times.

The members of the functional Group committees and working groups are specialists in their respective areas. Each committee is chaired by a member of the GRMC Working Committee, with the exception of the Energy Committee which reports through the Sustainability Committee. The GRMC Working Committee has been established to monitor the activities of each of the functional Group committees and working groups and to submit consolidated proposals on key risk issues to the GRMC.

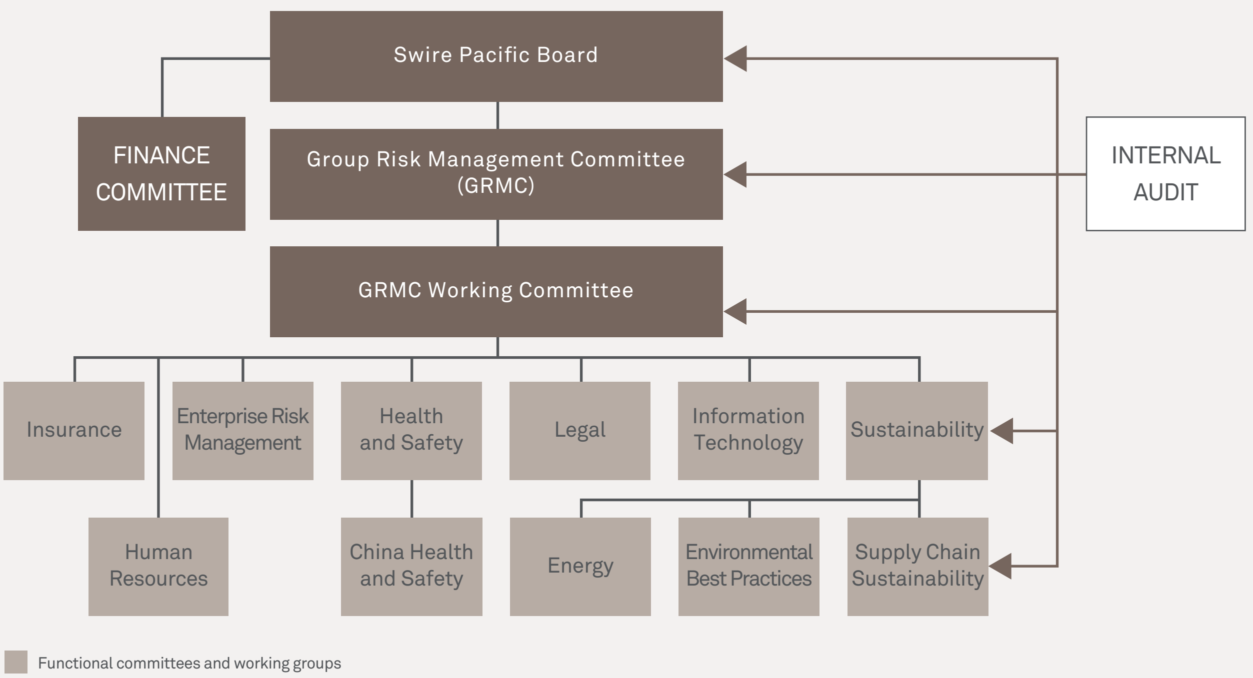
The role of the functional Group committees and working groups is to identify risks and opportunities which fall within their respective functional areas and to draw up policy recommendations for GRMC review and approval. The policies approved by the GRMC apply to all companies in which Swire Pacific has a controlling interest. The boards of these operating companies are required to adopt these policies and to establish procedures to ensure compliance with them. Joint venture and associated companies are encouraged to adopt Group policies.

The management of risks is subject to audit by the Group's Internal Audit department, with support from specialist external consultants where necessary.

Finance Committee

The role of the Finance Committee is to provide oversight of the Group's financial risks, including setting the Group's financial risk management policies and procedures. These are implemented within both the Group's central financial reporting function and the divisional finance functions.

Risk Governance Structure



The Finance Committee consists of the Group Finance Director, five Divisional Finance Directors, the Corporate Finance Director, the Group Treasurer, the Group Finance Manager and the Group Taxation Manager. In 2013, the Finance Committee met four times.

The Group's approach to financial risk management is discussed below.

Financial Risk Management

Audited Financial Information

STRUCTURE AND POLICIES

In the normal course of business the Group is exposed to financial risks attributable to interest rates, currency, credit and liquidity.

The Finance Committee maintains and develops the Group's financial risk management policies and procedures. These policies and procedures are implemented by the Head Office Treasury Department, within an agreed framework authorised by the Board.

The Treasury department manages the majority of the Group's funding needs, as well as resulting interest rate, currency, credit and liquidity risks. Operating subsidiaries manage currency and credit exposures that are specific to their trading transactions.

It is the Group's policy not to enter into derivative transactions for speculative purposes. Derivatives are used solely for management of an underlying risk and the Group minimises its exposure to market risk by applying hedge accounting for derivative instruments. By applying hedge accounting, gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. Accounting for derivative financial instruments and hedging activities is discussed on pages 188 to 189.

The Group's listed companies and its non-listed joint venture and associated companies arrange their financial and treasury affairs on a stand-alone basis. The Company may provide financial support by way of guarantees to its non-listed joint venture and associated companies in cases where significant cost savings are available and risks are acceptable.

INTEREST RATE EXPOSURE

The Group's interest rate risk arises primarily from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group earns interest income on cash deposits.

The Group maintains a significant proportion of debt on a fixed rate basis with a view to increasing certainty of funding costs. The level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and the expected cash flows of the Group's businesses and investments. The Group uses interest rate swaps to manage its long-term interest rate exposure. The Group Finance Director approves all interest rate hedges prior to implementation.

On a quarterly basis, the Treasury department calculates the effect of the Group's exposure to interest rate fluctuations on forecast earnings and cash flows by performing sensitivity testing with varying forecast interest rates. The Treasury department reports the results of this testing to the Finance Committee. Refer to page 162 for details of the sensitivity testing performed at 31st December 2013.

CURRENCY EXPOSURE

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Chinese Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations.

The Group's policy is to hedge in full all highly probable transactions in each major currency where their value or time to execution gives rise to a significant currency exposure, provided that the cost of the foreign exchange forward or other derivative contract is not prohibitively expensive having regard to the underlying exposure.

Exposure to movements in exchange rates on transactions other than borrowings is minimised by using forward foreign exchange contracts where active markets for the relevant currencies exist. At 31st December 2013, the Group had hedged its significant foreign currency funding exposures, by fixing the foreign exchange rates with forward contracts.

Financial Risk Management (continued)

Audited Financial Information (continued)

CURRENCY EXPOSURE (continued)

Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

Foreign currency funding and deposit exposure is monitored by the Treasury department on a continuous basis and hedging proposals are presented to the Finance Committee. On a quarterly basis, the Treasury department performs sensitivity testing by varying forecast foreign exchange rates. The results of this testing are used to assess whether positions should remain unhedged. Refer to page 162 for details of the sensitivity testing performed at 31st December 2013.

CREDIT EXPOSURE

The Group's credit risk is primarily attributable to trade and other receivables with wholesale customers, derivative financial instruments and cash and deposits with banks and financial institutions. Individual operating entities are responsible for setting credit terms appropriate to their industry and assessing the credit profile of individual customers.

Standard settlement terms within the Beverages Division and SPO are 30 days from the date of invoice. In accordance with the provisions of Swire Properties' standard tenancy agreements, rentals and other charges are due on the first day of each calendar month. Typically sales to retail customers within Swire Resources are made by cash or major credit cards. The Group has no significant credit risk with any one customer.

When depositing surplus funds or entering into derivative contracts, the Group controls its exposure to non-performance by counterparties by dealing with investment grade counterparties, setting approved counterparty limits and applying monitoring procedures. Counterparty credit exposure limits for financial institutions are proposed by the Treasury department and approved by the Group Finance Director. The Treasury department monitors the counterparties' credit ratings and issues an approved list of counterparties with their limits on a quarterly basis to all subsidiaries. Group companies require prior approval from the Group Treasurer to deal with banks not on the approved list.

The Group is not required by its counterparties to provide collateral or any other form of security against any change in the market value of derivatives. There are no specific conditions that would require the termination of derivative contracts should the credit rating of Swire Pacific be downgraded.

The maximum credit risk in respect of contingencies is disclosed in note 36 to the accounts.

LIQUIDITY RISK

The Group takes liquidity risk into consideration when deciding its sources of funds and their tenors, so as to avoid over reliance on funds from any one source and to prevent substantial refinancing in any one period. The Group maintains significant undrawn committed revolving credit facilities and cash deposits in order to reduce liquidity risk further and to allow for flexibility in meeting funding requirements.

The Group aims to maintain immediate access to committed funds to meet its refinancing and capital commitments for the following 12 months on a rolling basis, excluding its onshore Renminbi debt funding, where forward commitments are not readily available. The Group does not have significant offshore Renminbi debt funding.

The Treasury department produces a forecast funding plan for the Group on a quarterly basis and a summary forecast on a monthly basis, in order to assess committed and probable funding requirements. The plan includes an analysis of debt refinancing by year and by source of funds. The Group Treasurer presents the forecast funding plan together with funding proposals to the Group Finance Director on a regular basis, and to the Finance Committee. Refer to page 163 for details of the Group's contractual obligations at 31st December 2013.

PRICE RISK

The Group is exposed to price risk in relation to listed equity securities held as available-for-sale investments. Management regularly reviews the expected returns from holding such investments, on an individual basis.

Directors and Officers

EXECUTIVE DIRECTORS

* **Pratt, Christopher Dale, CBE**, aged 57, has been a Director and the Chairman of the Company since February 2006. He is also Chairman of Cathay Pacific Airways Limited, Hong Kong Aircraft Engineering Company Limited, John Swire & Sons (H.K.) Limited and Swire Properties Limited and a Director of Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. He will retire from these positions with effect from 14th March 2014. He joined the Swire group in 1978 and has worked with the group in Hong Kong, Australia and Papua New Guinea.

Chu, Kwok Leung Ivan, aged 52, has been appointed as a Director of the Company and John Swire & Sons (H.K.) Limited and Chief Executive of Cathay Pacific Airways Limited with effect from 14th March 2014. He is Chief Operating Officer and a Director of Cathay Pacific Airways Limited and Chairman of Hong Kong Dragon Airlines Limited. He joined the Swire group in 1984 and has worked with the group in Hong Kong, Mainland China, Taiwan, Thailand and Australia.

* **Cubbon, Martin**, aged 56, has been a Director of the Company since September 1998. He is also a Director and Chief Executive of Swire Properties Limited. He joined the Swire group in 1986.

* **Kilgour, Peter Alan**, aged 58, has been Finance Director of the Company since April 2009. He is also a Director of Cathay Pacific Airways Limited, Swire Properties Limited and Swire Beverages Limited. He joined the Swire group in 1983.

* **Rae-Smith, John Bruce**, aged 50, has been a Director of the Company since January 2013. He is Executive Director of the Marine Services Division and the Trading & Industrial Division. He joined the Swire group in 1985 and has worked with the group in Australia, Papua New Guinea, Japan, Taiwan, Hong Kong, the United States and Singapore.

* **Shiu, Ian Sai Cheung**, aged 59, has been a Director of the Company since August 2010. He is also a Director of Cathay Pacific Airways Limited, Hong Kong Dragon Airlines Limited and Air China Limited. He joined Cathay Pacific Airways Limited in 1978 and has worked with the group in Hong Kong, the Netherlands, Singapore and the United Kingdom.

* **Slosar, John Robert**, aged 57, has been a Director of the Company since May 2006. He is also a Director and Chief Executive of Cathay Pacific Airways Limited and Chairman of Swire Beverages Limited. He has been appointed Chairman of the Company, John Swire & Sons (H.K.) Limited, Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited with effect from 14th March 2014. He joined the Swire group in 1980 and has worked with the group in Hong Kong, the United States and Thailand.

* **Tang, Kin Wing Augustus**, aged 55, has been a Director of the Company since August 2011. He is also a Director and Chief Executive Officer of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1982 and has worked with Cathay Pacific Airways Limited in Hong Kong, Malaysia and Japan.

NON-EXECUTIVE DIRECTORS

Baroness Dunn, Lydia Selina, DBE, aged 74, has been a Director of the Company since February 1981 and, until January 1996, had responsibility for the Trading Division. She is also a Director of John Swire & Sons Limited. She joined the Swire group in 1963 and has worked with the group in Hong Kong and London.

Hughes-Hallett, James Wyndham John, SBS, CMG, aged 64, has been a Director of the Company since January 1994 and was appointed Deputy Chairman in March 1998 and Chairman in June 1999. He stepped down as Chairman in December 2004 to become Chairman of John Swire & Sons Limited. He is also a Director of Cathay Pacific Airways Limited, Swire Properties Limited, Steamships Trading Company Limited and HSBC Holdings plc. He joined the Swire group in 1976 and has worked with the group in Hong Kong, Taiwan, Japan, Australia and London.

+# **Johansen, Peter André**, aged 71, has been a Director of the Company since January 1983 and was Finance Director until April 1997. He joined the Swire group in 1973 and worked in Hong Kong, Japan and the United Kingdom before retiring from John Swire & Sons Limited on 31st December 2008. He is also a Director of Hong Kong Aircraft Engineering Company Limited.

Swire, Merlin Bingham, aged 40, has been a Director of the Company since January 2009. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is a Director and shareholder of John Swire & Sons Limited, a Director of Cathay Pacific Airways Limited, Hong Kong Aircraft Engineering Company Limited and Swire Properties Limited and an Alternate Director of Steamships Trading Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Freshwater, Timothy George, aged 69, has been a Director of the Company since January 2008. He is a Non-Executive Director of Aquarius Platinum Limited and Savills Plc. He is also an Independent Non-Executive Director of Cosco Pacific Limited and Hong Kong Exchanges and Clearing Limited.

+# **Kwok, King Man Clement**, aged 54, has been a Director of the Company since September 2002. He is Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited. He is also a Board member of the Faculty of Business and Economics of the University of Hong Kong and a global member of the World Travel and Tourism Council.

+# **Lee, Chien**, aged 60, has been a Director of the Company since January 1993. He is a Non-Executive Director of Hysan Development Company Limited and an Independent Non-Executive Director of Television Broadcasts Limited. He is a Council member of the Chinese University of Hong Kong and St. Paul's Co-educational College and also a Trustee Emeritus of Stanford University and Director of Stanford Hospital and Clinics.

Lee, Wai Mun Rose, aged 61, has been a Director of the Company since July 2012. She is Vice-Chairman and Chief Executive of Hang Seng Bank Limited, a Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-Executive Director of Hutchison Whampoa Limited. She is also Vice President of The Hong Kong Institute of Bankers, Vice-Chairman of the Finance Professional Committee of Guangdong's Association for Promotion of Cooperation between Guangdong, Hongkong & Macao, Co-chairman of the Campaign Committee of the Community Chest of Hong Kong, a Board member of the Community Chest of Hong Kong and a member of the court of The Hong Kong University of Science and Technology and the Financial Services Advisory Committee of Hong Kong Trade Development Council.

Sze, Cho Cheung Michael, GBS, CBE, ISO, JP, aged 68, has been a Director of the Company since November 2004. He was a former Executive Director of the Hong Kong Trade Development Council, a position he held for eight years prior to his retirement on 1st May 2004. Before that, he worked for 25 years in various capacities in the Hong Kong Government. He is also a Consultant to the Board of Lee Kum Kee Co., Ltd., a Director of SADS HK Foundation Limited and an Independent Non-Executive Director of Yangtzekiang Garment Limited and YGM Trading Limited.

Yang, Mun Tak Marjorie, aged 61, has been a Director of the Company since October 2002. She is Chairman of Esquel Group, and a Director of The Hongkong and Shanghai Banking Corporation Limited. She also serves as Chairman of the Hong Kong – U.S. Business Council, and as Deputy Chairman of the Seoul International Business Advisory Council. She is Chairman of the Hong Kong Polytechnic University Council, a member of the Massachusetts Institute of Technology Corporation, and sits on advisory boards at Harvard Business School and Tsinghua School of Economics and Management.

EXECUTIVE OFFICER

Healy, Patrick, aged 48, has been Executive Director of the Beverages Division since January 2013. He joined the Swire group in 1988 and has worked with the group in Hong Kong, Germany and Mainland China.

SECRETARY

Fu, Yat Hung David, aged 50, has been Company Secretary since January 2006. He joined the Swire group in 1988.

Notes:
* These Directors are also Directors of John Swire & Sons (H.K.) Limited.
+ These Directors are members of the Audit Committee.
# These Directors are members of the Remuneration Committee.

All the Executive Directors, the Executive Officer, Baroness Dunn, J W J Hughes-Hallett and M B Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31st December 2013, which are set out on pages 151 to 234.

PRINCIPAL ACTIVITIES

The principal activity of Swire Pacific Limited (the "Company") is that of a holding company, and the principal activities of its major subsidiary, joint venture and associated companies are shown on pages 224 to 234. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 7 to the accounts.

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 2013, 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 2012. The second interim dividends will be paid on 9th May 2014 to shareholders registered at the close of business on the record date, being Friday, 11th April 2014. Shares of the Company will be traded ex-dividend from Wednesday, 9th April 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on Friday, 11th April 2014, 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, 10th April 2014.

To facilitate the processing of proxy voting for the annual general meeting to be held on 15th May 2014, the register of members will be closed from 12th May 2014 to 15th May 2014, 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, 9th May 2014.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 33 to the accounts.

SHARE CAPITAL

During the year under review and up to the date of this report, the Company did not purchase, sell or redeem any of its shares and the Group has not adopted any share option scheme.

ACCOUNTING POLICIES

The principal accounting policies of the Group are set out in the relevant Notes to the Accounts on pages 157 to 217 (if they relate to a particular item) and on pages 218 to 219.

AUDITORS

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

FINANCIAL REVIEW

A review of the consolidated results, financial position and cash flows is shown on pages 110 to 117. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown on pages 8 to 10.

CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules throughout the year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

- Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Board has considered the merits of establishing a nomination committee but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

Details of the Company's corporate governance practices are set out on pages 127 to 136.

DONATIONS

During the year, the Group made donations for charitable purposes of HK$41 million and donations towards various scholarships of HK$3 million.

FIXED ASSETS

For details of movements in fixed assets refer to notes 14 and 15 to the accounts.

The annual valuation of the Group's investment property portfolio, whether complete or in the course of development, was carried out by professionally qualified valuers (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value at 31st December 2013. This valuation resulted in an increase of HK$5,845 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its joint venture and associated companies is given on pages 243 to 251.

BORROWINGS

For details of the Group's borrowings refer to pages 118 to 126.

INTEREST

Refer to page 122 for details of the amount of interest capitalised by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

The Directors of the Company as at the date of this report are listed on pages 140 and 141 and served throughout the calendar year 2013. With effect from 14th March 2014, C D Pratt will retire as Chairman and a Director, J R Slosar will become Chairman and I K L Chu will become a Director.

INDEPENDENCE CONFIRMATION

The Company has received from all of its Independent Non-Executive Directors listed on page 141 confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

TERM OF APPOINTMENT

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third Annual General Meeting following their election by ordinary resolution. In accordance therewith, M Cubbon, Baroness Dunn, T G Freshwater, C Lee, I S C Shiu and M C C Sze retire this year and, being eligible, offer themselves for re-election.

I K L Chu, having been appointed to the Board under Article 91 since the last Annual General Meeting, also retires and offers himself for election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

FEES AND EMOLUMENTS

Full details of Directors' fees and emoluments are set out in note 8 to the accounts.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$4.7 million. They received no other emoluments from the Group.

DIRECTORS' INTERESTS

At 31st December 2013, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Swire Pacific Limited						
'A' shares						
Baroness Dunn	100,000	–	–	100,000	0.0110	
T G Freshwater	41,000	–	–	41,000	0.0045	
P A Johansen	31,500	–	–	31,500	0.0035	
P A Kilgour	5,000	–	–	5,000	0.0006	
C D Pratt	41,000	–	–	41,000	0.0045	
J B Rae-Smith	–	–	5,000	5,000	0.0006	1
M C C Sze	6,000	–	–	6,000	0.0007	
'B' shares						
P A Johansen	200,000	–	–	200,000	0.0067	
C Lee	850,000	–	21,605,000	22,455,000	0.7497	2
C D Pratt	100,000	–	–	100,000	0.0033	
J B Rae-Smith	17,500	–	–	17,500	0.0006	
I S C Shiu	–	20,000	–	20,000	0.0007	

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Capacity: Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	
J B Rae-Smith	97,066	–	97,659	194,725	0.19	1
M B Swire	3,140,523	–	19,222,920	22,363,443	22.36	3
8% Cum. Preference Shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	
J B Rae-Smith	18,821	–	9,628	28,449	0.09	1
M B Swire	846,476	–	5,655,441	6,501,917	21.67	3

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Capacity: Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Swire Properties Limited						
Ordinary Shares						
Baroness Dunn	70,000	–	–	70,000	0.00120	
T G Freshwater	28,700	–	–	28,700	0.00049	
P A Johansen	50,050	–	–	50,050	0.00086	
P A Kilgour	3,500	–	–	3,500	0.00006	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	2
C D Pratt	4,200	–	–	4,200	0.00007	
J B Rae-Smith	2,450	–	3,500	5,950	0.00010	1
I S C Shiu	–	2,800	–	2,800	0.00005	
M C C Sze	4,200	–	–	4,200	0.00007	

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Total no. of shares	Percentage of issued capital (%)
Cathay Pacific Airways Limited				
Ordinary Shares				
I S C Shiu	1,000	–	1,000	0.00003

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Other	Total no. of shares	Percentage of issued capital (%)
Hong Kong Aircraft Engineering Company Limited				
Ordinary Shares				
T G Freshwater	10,000	–	10,000	0.0060
I S C Shiu	1,600	–	1,600	0.0010
M C C Sze	12,800	–	12,800	0.0077

Notes:
1. All the shares held by J B Rae-Smith under "Trust interest" are held by him as beneficiary of trusts.
2. All the shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
3. M B Swire is a trustee of trusts which held 7,899,584 ordinary shares and 2,237,039 preference shares in John Swire & Sons Limited included under "Trust interest" and does not have any beneficial interest in those shares.

Other than as stated above, no Director or Chief Executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER INTERESTS

The register of interests in shares maintained under Section 336 of the SFO shows that as at 31st December 2013, the Company had been notified of the following interests in the Company's shares:

Long position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Substantial Shareholders					
John Swire & Sons Limited	298,023,020	32.91	2,051,533,782	68.49	1
Aberdeen Asset Management plc	126,533,351	13.97	360,638,226	12.04	2
JPMorgan Chase & Co.	45,587,815	5.03	–	–	3

Short position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
JPMorgan Chase & Co.	1,011,756	0.11	–	–	4

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 298,023,020 'A' shares and 2,051,533,782 'B' shares of the Company as at 31st December 2013, comprising:
   (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 225,709,000 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 9,140,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 10,075,500 'A' shares held by Waltham Limited.
2. Aberdeen Asset Management plc is interested in the 'A' shares and 'B' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested.
3. The shares held by JPMorgan Chase & Co. are held in the following capacities:

Capacity	No. of shares
Beneficial owner	2,724,691
Investment manager	279,798
Trustee	437
Custodian Corporation/Lending agent	42,582,889

4. This short position is held in the capacity as beneficial owner, of which 15,000 shares are in physically settled derivatives listed or traded on a stock exchange or on a futures exchange and 630,756 shares in cash settled unlisted derivatives.

At 31st December 2013, the Swire group owned interests in shares of the Company representing 47.08% of the issued capital and 60.23% of the voting rights.

PUBLIC FLOAT

From information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public.

CONNECTED TRANSACTION

On 19th December 2013, Marvel Glory Limited ("Marvel Glory") (as purchaser), Newmarket Holdings Limited ("Newmarket") (as seller), Swire Properties Limited ("Swire Properties") and CITIC Pacific Limited ("CITIC Pacific") entered into an agreement (the "Sale and Purchase Agreement") for the sale and purchase of the entire issued share capital of Joyluck Limited and the assignment of a shareholder's loan. Marvel Glory is 50% indirectly owned by Swire Properties and Newmarket is an indirect wholly-owned subsidiary of CITIC Pacific. Joyluck Limited holds an indirect 100% interest in the property known as DCH Commercial Centre located at 25 Westlands Road, Quarry Bay, Hong Kong. Under the Sale and Purchase Agreement, Swire Properties agreed to guarantee to CITIC Pacific and Newmarket the due and punctual payment by Marvel Glory of the consideration of HK$3,900 million (the "Guarantee") in accordance with the Sale and Purchase Agreement.

CITIC Pacific and Newmarket, being associates of a substantial shareholder of a subsidiary of Swire Pacific, are connected persons of Swire Pacific under the Listing Rules.

As Swire Properties is a subsidiary of the Company, the provision of the Guarantee by Swire Properties to CITIC Pacific and Newmarket constituted a connected transaction of the Company under Chapter 14A of the Listing Rules, in respect of which an announcement dated 19th December 2013 was published.

CONTINUING CONNECTED TRANSACTIONS

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and some of its subsidiary and associated companies advice and expertise of the directors and senior officers of the Swire group, full or part time services of members of the staff of the Swire group, other administrative and similar services and such other services as may have been agreed from time to time, and procured for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by Swire.

In return for these services, JSSHK received annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associated and joint venture companies of the Company, where there were no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The fees for each year were payable in cash in arrear in two instalments; an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimbursed the Swire group at cost for all expenses incurred in the provision of the services.

The Services Agreements, which took effect from 1st January 2005 and were renewed on 1st October 2007 and 1st October 2010, were renewed again on 14th November 2013 for a term of three years from 1st January 2014 to 31st December 2016. They are renewable for successive periods of three years thereafter unless either party to them gives to the other notice of termination of not less than three months expiring on any 31st December.

Under the Services Agreement between JSSHK and the Company, JSSHK is obliged to procure for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. This procuration obligation would fall away if the Services Agreement between JSSHK and the Company were terminated or not renewed.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2013 are given in note 38 to the accounts.

The Company and JSSHK entered into a Tenancy Framework Agreement ("the JSSHK Tenancy Framework Agreement") on 5th August 2010 to govern existing and future tenancy agreements between members of the Group and members of the JSSHK group for a term of six years from 1st January 2010 to 31st December 2015. Pursuant to the JSSHK Tenancy Framework Agreement, members of the Group will enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is renewable for successive periods of six years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Particulars of the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement for the year ended 31st December 2013 are given in note 38 to the accounts.

The Swire group owned approximately 47.08% of the issued capital of the Company and approximately 60.23% of voting rights attached to such issued share capital as at 31st December 2013. JSSHK, as a wholly-owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the Services Agreements and the JSSHK Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 14th November 2013 and 5th August 2010 were published respectively.

As directors and employees of the Swire group, M Cubbon, J W J Hughes-Hallett, P A Kilgour, C D Pratt, I S C Shiu, J R Slosar and A K W Tang are interested in the Services Agreements and the JSSHK Tenancy Framework Agreement. Baroness Dunn and M B Swire are interested as shareholders, directors and employees of Swire. J B Rae-Smith is interested as a director and employee of the Swire group and as a shareholder of Swire.

The Independent Non-Executive Directors of the Company, who are not interested in any connected transactions with the Group, have reviewed the continuing connected transactions set out above and have confirmed that they have been entered into by the Group in the ordinary and usual course of business, on normal commercial terms, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed these transactions and confirmed to the Board that they have been approved by the Board of the Company and have been entered into in accordance with the relevant agreements governing the transactions; that they are in accordance with the pricing policies of the Group (if the transactions involve provision of goods or services by the Group); and that they have not exceeded the relevant annual caps disclosed in previous announcements.

On behalf of the Board

Christopher Pratt
Chairman
Hong Kong, 13th March 2014

Financial Contents

AUDITOR'S REPORT AND ACCOUNTS

SUSTAINABLE DEVELOPMENT STATISTICS

SUPPLEMENTARY INFORMATION

Independent Auditor's Report

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

We have audited the accounts of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 151 to 234, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Accounts

The directors of the Company are responsible for the preparation of accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as about whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 13th March 2014

Consolidated Statement of Profit or Loss

For the year ended 31st December 2013

	Note	2013 HK$M	2012 (Restated) HK$M
Turnover	4	**51,437**	49,040
Cost of sales		**(30,763)**	(28,532)
Gross profit		**20,674**	20,508
Distribution costs		**(5,802)**	(5,528)
Administrative expenses		**(4,081)**	(3,560)
Other operating expenses		**(287)**	(348)
Other net gains	5	**337**	268
Change in fair value of investment properties		**5,845**	12,147
Operating profit		**16,686**	23,487
Finance charges		**(2,159)**	(1,993)
Finance income		**160**	192
Net finance charges	9	**(1,999)**	(1,801)
Share of profits less losses of joint venture companies		**1,682**	1,519
Share of profits less losses of associated companies		**1,521**	582
Profit before taxation		**17,890**	23,787
Taxation	10	**(1,852)**	(2,343)
Profit for the year		**16,038**	21,444
Profit for the year attributable to:			
The Company's shareholders	33	**13,291**	17,410
Non-controlling interests	34	**2,747**	4,034
		16,038	21,444
Cash dividends			
First Interim – paid		**1,505**	1,505
Second Interim – declared/paid		**3,761**	3,761
Special interim dividend by way of a distribution in specie		**–**	31,589
	12	**5,266**	36,855

	Note	HK$	HK$
Earnings per share for profit attributable to the Company's shareholders			
(basic and diluted)	13		
'A' shares		**8.83**	11.57
'B' shares		**1.77**	2.31

The notes on pages 157 to 223 (which include the principal accounting policies) form part of these accounts.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2013

	2013 HK$M	2012 (Restated) HK$M
Profit for the year	**16,038**	21,444
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group		
gains recognised during the year	**357**	54
deferred tax	**(15)**	(9)
Defined benefit plans		
remeasurement gains recognised during the year	**569**	67
deferred tax	**(139)**	(18)
	772	94
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
gains recognised during the year	**4**	92
transferred to net finance charges	**(109)**	(19)
transferred to operating profit – exchange differences	**(4)**	33
transferred to initial cost of non-financial assets	**4**	(56)
deferred tax	**10**	13
Net fair value gains on available-for-sale assets	**252**	153
Share of other comprehensive income of joint venture and associated companies	**2,581**	891
Net translation differences on foreign operations	**675**	215
	3,413	1,322
Other comprehensive income for the year, net of tax	**4,185**	1,416
Total comprehensive income for the year	**20,223**	22,860
Total comprehensive income attributable to:		
The Company's shareholders	**17,115**	18,772
Non-controlling interests	**3,108**	4,088
	20,223	22,860

The notes on pages 157 to 223 (which include the principal accounting policies) form part of these accounts.

Consolidated Statement of Financial Position

At 31st December 2013

	Note	2013 HK$M	2012 (Restated) HK$M	2011 (Restated) HK$M
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	**39,457**	34,842	28,293
Investment properties	15	**216,524**	205,588	191,805
Leasehold land and land use rights	16	**1,164**	1,080	1,048
Intangible assets	17	**4,634**	4,612	4,361
Properties held for development	23	**706**	188	124
Joint venture companies	19(a)	**21,805**	20,222	18,181
Associated companies	19(b)	**30,699**	27,420	26,614
Available-for-sale assets	21	**713**	340	188
Long-term other receivables		**21**	17	6
Derivative financial instruments	22	**590**	643	785
Deferred tax assets	30	**567**	555	533
Retirement benefit assets	31	**429**	210	213
		317,309	295,717	272,151
Current assets				
Properties for sale	23	**7,982**	6,910	6,810
Stocks and work in progress	24	**3,234**	4,265	3,781
Trade and other receivables	25	**9,187**	9,164	6,846
Derivative financial instruments	22	**25**	31	18
Cash and cash equivalents	26	**10,950**	6,080	3,920
Short-term deposits	26	**338**	11	67
		31,716	26,461	21,442
Current liabilities				
Trade and other payables	27	**16,439**	15,458	15,401
Taxation payable		**456**	886	571
Derivative financial instruments	22	**97**	64	228
Bank overdrafts and short-term loans	29	**1,547**	1,891	1,487
Long-term loans and bonds due within one year	29	**7,130**	5,322	8,750
		25,669	23,621	26,437
Net current assets/(liabilities)		**6,047**	2,840	(4,995)
Total assets less current liabilities		**323,356**	298,557	267,156
Non-current liabilities				
Perpetual capital securities	28	**2,326**	2,325	2,331
Long-term loans and bonds	29	**50,841**	40,859	27,237
Receipt in advance from an associated company		**37**	48	58
Derivative financial instruments	22	**112**	125	119
Other payables	27	**583**	215	–
Deferred tax liabilities	30	**6,357**	5,673	4,979
Deferred income		**47**	114	108
Retirement benefit liabilities	31	**545**	816	806
		60,848	50,175	35,638
NET ASSETS		**262,508**	248,382	231,518
EQUITY				
Share capital	32	**903**	903	903
Reserves	33	**219,394**	207,564	225,477
Equity attributable to the Company's shareholders		**220,297**	208,467	226,380
Non-controlling interests	34	**42,211**	39,915	5,138
TOTAL EQUITY		**262,508**	248,382	231,518

Christopher D Pratt
Peter A Kilgour
Clement K M Kwok
Directors
Hong Kong, 13th March 2014

The notes on pages 157 to 223 (which include the principal accounting policies) form part of these accounts.

Company Statement of Financial Position

At 31st December 2013

	Note	2013 HK$M	2012 (Restated) HK$M	2011 (Restated) HK$M
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	**7**	8	10
Investment properties	15	**4,100**	4,396	5,266
Subsidiary companies	18	**32,841**	29,779	26,604
Joint venture companies	19(a)	**114**	114	114
Associated companies	19(b)	**4,624**	4,624	4,608
Available-for-sale assets	21	**93**	103	63
Long-term other receivables		**–**	1	1
Deferred tax assets	30	**13**	6	–
Retirement benefit assets	31	**86**	71	73
		41,878	39,102	36,739
Current assets				
Trade and other receivables	25	**48**	55	56
Taxation receivable		**14**	14	14
Cash and cash equivalents	26	**2,154**	1,256	24
Short-term deposits	26	**190**	–	–
		2,406	1,325	94
Current liabilities				
Trade and other payables	27	**29,042**	22,232	17,183
Net current liabilities		**(26,636)**	(20,907)	(17,089)
Total assets less current liabilities		**15,242**	18,195	19,650
Non-current liabilities				
Deferred tax liabilities	30	**27**	18	16
NET ASSETS		**15,215**	18,177	19,634
EQUITY				
Equity attributable to the Company's shareholders				
Share capital	32	**903**	903	903
Reserves	33	**14,312**	17,274	18,731
TOTAL EQUITY		**15,215**	18,177	19,634

Christopher D Pratt
Peter A Kilgour
Clement K M Kwok
Directors
Hong Kong, 13th March 2014

The notes on pages 157 to 223 (which include the principal accounting policies) form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31st December 2013

	Note	2013 HK$M	2012 (Restated) HK$M
Operating activities			
Cash generated from operations	39(a)	**14,301**	10,829
Interest paid		**(2,203)**	(2,058)
Interest received		**234**	102
Tax paid		**(1,831)**	(1,364)
		10,501	7,509
Dividends received from joint venture and associated companies and available-for-sale assets		**1,356**	1,502
Net cash generated from operating activities		**11,857**	9,011
Investing activities			
Purchase of property, plant and equipment	39(b)	**(6,385)**	(7,532)
Additions of investment properties		**(5,108)**	(2,616)
Purchase of intangible assets		**(44)**	(39)
Proceeds from disposals of property, plant and equipment		**214**	151
Proceeds from disposals of investment properties		**48**	995
Purchase of shares in subsidiary companies		**12**	(220)
Purchase of shares in joint venture companies		**(63)**	(296)
Purchase of shares in associated companies		**(62)**	(63)
Purchase of available-for-sale assets		**(56)**	–
Loans to joint venture companies		**(888)**	(1,426)
Repayment of loans by joint venture companies		**504**	425
Net loans from associated companies		**119**	66
Net increase in deposits maturing after more than three months		**(303)**	(157)
Initial leasing costs incurred		**(56)**	(115)
Net cash used in investing activities		**(12,068)**	(10,827)
Net cash outflow before financing		**(211)**	(1,816)
Financing activities			
Loans drawn and refinancing		**17,900**	19,210
Repayment of loans and bonds		**(6,743)**	(9,332)
	39(c)	**11,157**	9,878
Security deposits uplifted		**–**	42
Capital contribution from non-controlling interests	34	**20**	97
Dividends paid to the Company's shareholders	33	**(5,266)**	(5,041)
Dividends paid to non-controlling interests	39(c)	**(857)**	(1,023)
Net cash generated from financing activities		**5,054**	3,953
Increase in cash and cash equivalents		**4,843**	2,137
Cash and cash equivalents at 1st January		**6,053**	3,920
Currency adjustment		**54**	(4)
Cash and cash equivalents at 31st December		**10,950**	6,053
Represented by:			
Bank balances and short-term deposits maturing within three months	26	**10,950**	6,080
Bank overdrafts		**–**	(27)
		10,950	6,053

The notes on pages 157 to 223 (which include the principal accounting policies) form part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2013

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2013						
as originally stated	**903**	**202,007**	**6,731**	**209,641**	**39,693**	**249,334**
impact of change in accounting policy	**–**	**(1,176)**	**2**	**(1,174)**	**222**	**(952)**
as restated	**903**	**200,831**	**6,733**	**208,467**	**39,915**	**248,382**
Profit for the year	**–**	**13,291**	**–**	**13,291**	**2,747**	**16,038**
Other comprehensive income	**–**	**845**	**2,979**	**3,824**	**361**	**4,185**
Total comprehensive income for the year	**–**	**14,136**	**2,979**	**17,115**	**3,108**	**20,223**
Cash dividends paid	**–**	**(5,266)**	**–**	**(5,266)**	**(855)**	**(6,121)**
Change in composition of the Group	**–**	**(19)**	**–**	**(19)**	**43**	**24**
At 31st December 2013	**903**	**209,682**	**9,712**	**220,297**	**42,211**	**262,508**

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2012						
as originally stated	903	221,209	5,447	227,559	4,917	232,476
impact of change in accounting policy	–	(1,181)	2	(1,179)	221	(958)
as restated	903	220,028	5,449	226,380	5,138	231,518
Profit for the year, as restated	–	17,410	–	17,410	4,034	21,444
Other comprehensive income, as restated	–	78	1,284	1,362	54	1,416
Total comprehensive income for the year	–	17,488	1,284	18,772	4,088	22,860
Cash dividends paid, as restated	–	(5,041)	–	(5,041)	(990)	(6,031)
Dividend by way of a distribution in specie	–	(31,589)	–	(31,589)	31,589	–
Change in composition of the Group	–	3	–	3	108	111
Recognition of put options over non-controlling interests in subsidiary companies	–	(58)	–	(58)	(18)	(76)
At 31st December 2012	903	200,831	6,733	208,467	39,915	248,382

The notes on pages 157 to 223 (which include the principal accounting policies) form part of these accounts.

Notes to the Accounts

General Information

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 224 to 234.

1. Changes in Accounting Standards

(a) The following relevant new and revised standards were required to be adopted by the Group effective from 1st January 2013:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (revised 2011)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The following revised standard was early adopted by the Group from 1st January 2013:

HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets

The improvements to HKFRSs 2009 to 2011 cycle consists of six amendments to five existing standards. These have had no 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 profit or loss subsequently or not. The Group's presentation of other comprehensive income in these accounts has been modified accordingly.

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. The adoption of HKFRS 11 has prompted the Group to review the accounting treatment of certain of its franchise businesses in Mainland China within the Beverages Division. Having regard to HKFRS 11, it has concluded that certain franchises previously accounted for as jointly controlled companies no longer meet the definition of joint ventures under the new standard. Having regard to the relevant standards, the group has reclassified these franchise businesses as subsidiaries and has fully consolidated them in its accounts. The change has been applied retrospectively.

HKAS 19 was amended in 2011. The impact on the Group's defined benefit plans and post employment benefits is 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 removes the accounting policy choice that previously permitted only the recognition of actuarial gains and losses outside a 10% 'corridor' to be recognised in profit or loss. Instead all such remeasurements are required to be recognised in other comprehensive income, when they occur. The above change is required to be applied retrospectively.

1. Changes in Accounting Standards (continued)

As a result of the adoption of the new HKFRS 11 and revised HKAS 19, the Group has changed its accounting policy with respect to interests in joint venture companies and defined benefit plans. These changes in accounting policy have been applied retrospectively by restating the balances at 31st December 2012 and 2011, and the results for the year ended 31st December 2012 as summarised in the below table:

Consolidated Statement of Profit or Loss
for the year ended 31st December 2012

	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Turnover	43,859	5,181	–	49,040
Cost of sales	24,923	3,609	–	28,532
Distribution costs	4,406	1,122	–	5,528
Administrative expenses	3,236	255	69	3,560
Other net gains	194	74	–	268
Finance charges	1,988	5	–	1,993
Finance income	191	1	–	192
Share of profits less losses of joint venture companies	1,647	(119)	(9)	1,519
Share of profits less losses of associated companies	607	50	(75)	582
Taxation	2,289	67	(13)	2,343
Profit attributable to the Company's shareholders	17,484	50	(124)	17,410
Profit attributable to non-controlling interests	3,971	79	(16)	4,034

	HK$	HK$	HK$	HK$
Earnings per 'A' share (basic and diluted)	11.62	0.03	(0.08)	11.57
Earnings per 'B' share (basic and diluted)	2.32	–	(0.01)	2.31

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

	HK$M	HK$M	HK$M	HK$M
Defined benefit plans – remeasurement gains recognised during the year	–	–	67	67
Defined benefit plans – deferred tax	–	–	18	18
Cash flow hedge gains recognised during the year	86	6	–	92
Share of other comprehensive income of joint venture and associated companies	860	(6)	37	891
Total comprehensive income attributable to the Company's shareholders	18,767	46	(41)	18,772
Total comprehensive income attributable to non-controlling interests	4,018	79	(9)	4,088

1. Changes in Accounting Standards (continued)

Consolidated Statement of Financial Position
at 31st December 2012

	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Property, plant and equipment	33,641	1,201	–	34,842
Leasehold land and land use rights	998	82	–	1,080
Intangible assets	4,509	103	–	4,612
Joint venture companies	20,969	(731)	(16)	20,222
Associated companies	27,946	55	(581)	27,420
Deferred tax assets	338	78	139	555
Retirement benefit assets	637	–	(427)	210
Stocks and work in progress	3,860	405	–	4,265
Trade and other receivables	8,835	329	–	9,164
Cash and cash equivalents	5,888	192	–	6,080
Short-term deposits	310	(299)	–	11
Trade and other payables	14,376	1,297	–	15,673
Taxation payable	873	13	–	886
Derivative financial instrument liabilities	174	15	–	189
Bank overdrafts and short-term loans	1,918	(27)	–	1,891
Long-term loans and bonds	46,425	(244)	–	46,181
Deferred tax liabilities	5,757	–	(84)	5,673
Retirement benefit liabilities	304	–	512	816
Reserves	208,738	55	(1,229)	207,564
Non-controlling interests	39,693	306	(84)	39,915

Consolidated Statement of Financial Position
at 31st December 2011

	HK$M	HK$M	HK$M	HK$M
Property, plant and equipment	27,288	1,005	–	28,293
Leasehold land and land use rights	969	79	–	1,048
Intangible assets	4,270	91	–	4,361
Joint venture companies	18,866	(669)	(16)	18,181
Associated companies	27,145	4	(535)	26,614
Deferred tax assets	305	71	157	533
Retirement benefit assets	600	–	(387)	213
Stocks and work in progress	3,287	494	–	3,781
Trade and other receivables	6,275	571	–	6,846
Cash and cash equivalents	3,707	213	–	3,920
Short-term deposits	215	(148)	–	67
Trade and other payables	14,179	1,222	–	15,401
Taxation payable	557	14	–	571
Derivative financial instrument liabilities	326	21	–	347
Bank overdrafts and short-term loans	1,333	154	–	1,487
Deferred tax liabilities	5,050	–	(71)	4,979
Retirement benefit liabilities	258	–	548	806
Reserves	226,656	4	(1,183)	225,477
Non-controlling interests	4,917	296	(75)	5,138

1. Changes in Accounting Standards (continued)

Consolidated Statement of Cash Flows
for the year ended 31st December 2012

	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Cash generated from operations	10,186	643	–	10,829
Interest paid	2,053	5	–	2,058
Interest received	101	1	–	102
Tax paid	1,290	74	–	1,364
Dividends received from joint venture and associated companies and available-for-sale assets	1,337	165	–	1,502
Purchase of property, plant and equipment	7,183	349	–	7,532
Purchase of intangible assets	19	20	–	39
Proceeds from disposals of property, plant and equipment	149	2	–	151
Repayment of loans by joint venture companies	293	132	–	425
Net increase in deposits maturing after more than three months	134	23	–	157
Loans drawn and refinancing	19,455	(245)	–	19,210
Repayment of loans and bonds	9,129	203	–	9,332
Dividends paid to non-controlling interests	954	69	–	1,023
Cash and cash equivalents at 1st January	3,706	214	–	3,920
Cash and cash equivalents at 31st December	5,884	169	–	6,053

HKAS 27 (revised 2011) was issued following the issuance of HKFRS 10. The revised HKAS 27 only deals with the accounting for subsidiaries, joint ventures and associates in the separate financial statements of the parent company. The amendment has had no significant impact on the results and financial position of the Company as it already complies with the requirements of the standard.

HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The amendment has had no significant impact on the results and financial position of the Group.

The amendment to HKFRS 7 required entities to disclose quantitative information about financial assets and financial liabilities that are offset in the statement of financial position or subject to an enforceable master netting agreement or similar arrangement. The amendment has had no significant impact on the Group's accounts.

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 in light of the provisions of HKFRS 10 and has concluded, as more specifically described in Note 19(b) on page 187, that it should continue to account for its interest in Cathay Pacific as an associate interest.

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. The Group has provided the applicable disclosures.

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. The adoption of HKFRS 13 only affects disclosures on fair value measurements of investment properties and financial assets and liabilities in the Group's accounts.

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. The amendments have had no significant impact on the Group's accounts.

1. Changes in Accounting Standards (continued)

The amendment to HKAS 36 removes certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. The effective date for the amendment is annual periods on or after 1st January 2014. As permitted, the Group has early adopted this amendment. The amendment has had no significant impact on the Group's accounts.

(b) The following revised standards are effective but not relevant to the Group's operations:

HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) 21	Levies[1]
HKFRS 9	Financial Instruments[2]

1. To be applied by the Group from 1st January 2014.
2. The mandatory effective date has not been issued but is not expected to be earlier than 1st January 2017.

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 Group's accounts.

The amendment to HKAS 39 provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group has yet to assess the full impact of the amendment.

HK(IFRIC) 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to a levy and when a liability should be recognised. The Group has yet to assess the full impact of the interpretation.

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 portion of a fair value change attributable to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Group has yet to assess the full impact of the new standard.

(d) The following amendment has been issued which is not yet effective and is not relevant to the Group's operations:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Investment Entities

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 138 to 139.

Interest rate exposure

The impact on the Group's profit or loss and equity of a 100 basis-points increase or decrease in market interest rates from the rates applicable at 31st December, with all other variables held constant, would have been:

	100 basis-points increase in interest rates HK$M	100 basis-points decrease in interest rates HK$M
At 31st December 2013		
Impact on profit or loss: (loss)/gain	**(139)**	**139**
Impact on equity: gain/(loss)	**63**	**(100)**
At 31st December 2012		
Impact on profit or loss: (loss)/gain	(168)	168
Impact on equity: (loss)/gain	(8)	69

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments
- Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
- Changes in market interest rates affect the fair value of derivative financial instruments
- All other financial assets and liabilities are held constant

Currency exposure

The impact on the Group's profit or loss and equity of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.754 (2012: 7.751), with all other variables held constant, would have been:

	Strengthening in HK$ to lower peg limit (7.750) HK$M	Weakening in HK$ to upper peg limit (7.850) HK$M
At 31st December 2013		
Impact on profit or loss: gain/(loss)	**8**	**(146)**
Impact on equity: (loss)/gain	**(2)**	**41**
At 31st December 2012		
Impact on profit or loss: gain/(loss)	2	(69)
Impact on equity: gain	1	61

This analysis is based on a hypothetical situation, as in practice market exchange rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- All foreign currency cash flow hedges are expected to be highly effective
- Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the Company and its subsidiary companies

2. Financial Risk Management (continued)

Liquidity risk

The tables below analyse the contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities and net-settled derivative financial liabilities by relevant maturity groupings based on the remaining period at the year-end date to the earliest contractual maturity date.

Group
At 31st December 2013

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	27	**3,418**	**3,418**	**3,418**	**–**	**–**	**–**
Amounts due to immediate holding company	27	**213**	**213**	**213**	**–**	**–**	**–**
Amounts due to joint venture companies	27	**167**	**167**	**167**	**–**	**–**	**–**
Amounts due to associated companies	27	**227**	**227**	**227**	**–**	**–**	**–**
Interest-bearing advances from joint venture companies	27	**528**	**528**	**528**	**–**	**–**	**–**
Advances from non-controlling interests	27	**445**	**445**	**445**	**–**	**–**	**–**
Rental deposits from tenants	27	**2,124**	**2,124**	**466**	**389**	**986**	**283**
Put option over non-controlling interest in Taikoo Li Sanlitun	27	**1,256**	**1,256**	**1,256**	**–**	**–**	**–**
Put option over non-controlling interest in Brickell City Centre	27	**367**	**570**	**–**	**–**	**–**	**570**
Put options over non-controlling interests in subsidiary companies	27	**216**	**237**	**–**	**77**	**159**	**1**
Accruals and other payables	27	**8,061**	**8,061**	**8,040**	**21**	**–**	**–**
Borrowings (including interest obligations)	29	**59,518**	**71,387**	**10,865**	**5,824**	**25,549**	**29,149**
Derivative financial instruments	22	**209**	**209**	**97**	**13**	**11**	**88**
Financial guarantee contracts	36	**–**	**1,131**	**1,131**	**–**	**–**	**–**
		76,749	**89,973**	**26,853**	**6,324**	**26,705**	**30,091**

Group
At 31st December 2012

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	27	3,231	3,231	3,231	–	–	–
Amounts due to immediate holding company	27	253	253	253	–	–	–
Amounts due to joint venture companies	27	197	197	197	–	–	–
Amounts due to associated companies	27	134	134	134	–	–	–
Interest-bearing advances from joint venture companies	27	484	484	484	–	–	–
Advances from non-controlling interests	27	365	365	365	–	–	–
Rental deposits from tenants	27	1,953	1,953	447	438	830	238
Put option over non-controlling interest in Taikoo Li Sanlitun	27	1,112	1,157	1,157	–	–	–
Put options over non-controlling interests in subsidiary companies	27	215	280	–	–	266	14
Accruals and other payables	27	7,729	7,729	7,583	124	22	–
Borrowings (including interest obligations)	29	48,072	57,940	9,188	8,644	18,541	21,567
Derivative financial instruments	22	189	189	64	37	5	83
Financial guarantee contracts	36	–	1,107	1,107	–	–	–
		63,934	75,019	24,210	9,243	19,664	21,902

2. Financial Risk Management (continued)

Company
At 31st December 2013

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	27	**17**	**17**	**17**	**–**	**–**	**–**
Amounts due to subsidiary companies	27	**4,382**	**4,382**	**4,382**	**–**	**–**	**–**
Interest-bearing advances from a subsidiary company	27	**24,554**	**24,554**	**24,554**	**–**	**–**	**–**
Rental deposits from tenants	27	**8**	**8**	**–**	**–**	**8**	**–**
Accruals and other payables	27	**81**	**81**	**81**	**–**	**–**	**–**
Financial guarantee contracts	36	**–**	**569**	**569**	**–**	**–**	**–**
		29,042	**29,611**	**29,603**	**–**	**8**	**–**

Company
At 31st December 2012

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	27	30	30	30	–	–	–
Amounts due to subsidiary companies	27	4,229	4,229	4,229	–	–	–
Interest-bearing advances from a subsidiary company	27	17,835	17,835	17,835	–	–	–
Accruals and other payables	27	138	138	138	–	–	–
Financial guarantee contracts	36	–	1,039	1,039	–	–	–
		22,232	23,271	23,271	–	–	–

3. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, seldom be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed in the relevant notes as follows:

(a) Taxation (Note 10)
(b) Impairment of assets (Notes 14 and 17)
(c) Estimates of fair value of investment properties (Note 15)
(d) Accounting for Cathay Pacific Airways Limited (Note 19b)

4. Turnover

Accounting Policy

Provided the collectability of the related receivable is reasonably assured, revenue is recognised as follows:

(a) Rental income is recognised on a straight-line basis over the shorter of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when the underlying lessee's revenue transaction is recognised.

(b) Sales of properties are recognised when effective control of ownership of the properties is transferred to the buyers.

(c) Sales of services, including aircraft maintenance services and services provided by hotel operations, are recognised when the services are rendered.

(d) Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership, for example insurance and service costs.

(e) Revenue from vessel charter hire services is recognised over the period of charter hire in accordance with the vessel charter hire agreements.

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

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Gross rental income from investment properties	**9,606**	8,954
Property trading	**2,207**	4,147
Hotels	**942**	781
Aircraft and engine maintenance services	**6,972**	5,603
Sales of goods	**24,904**	24,447
Charter hire	**5,262**	4,271
Rendering of other services	**1,544**	837
Total	**51,437**	49,040

5. Other Net Gains

Other net gains include the following:

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Profit on sale of investment properties	**–**	66
Profit on sale of property, plant and equipment	**95**	22
Net foreign exchange (losses)/gains	**(54)**	18
Fair value gains/(losses) on cross-currency swaps transferred from cash flow hedge reserve	**4**	(33)
Fair value gains/(losses) on forward foreign exchange contracts not qualifying as hedges	**42**	(6)
Dividend income on available-for-sale assets	**1**	3
Other income	**249**	198
Total	**337**	268

6. Expenses by Nature

Expenses included in cost of sales, distribution costs, administrative expenses and other operating expenses are analysed as follows:

		Group	
		2013	2012 (Restated)
	Note	HK$M	HK$M
Direct operating expenses of investment properties that			
– generated rental income		**1,571**	1,490
– did not generate rental income		**127**	102
Cost of stocks sold		**19,622**	18,773
Write-down of stocks and work in progress		**51**	41
Goodwill written off	17	**–**	8
Impairment losses recognised on:			
– property, plant and equipment	14	**46**	58
– intangible assets	17	**20**	10
– trade receivables		**43**	22
Reversal of impairment losses on trading properties		**(21)**	(4)
Depreciation of property, plant and equipment	14	**2,294**	1,846
Amortisation of			
– leasehold land and land use rights	16	**32**	30
– intangible assets	17	**69**	60
– initial leasing costs on investment properties		**94**	89
Staff costs		**8,667**	7,807
Operating lease rentals			
– properties		**778**	728
– vessels		**135**	129
– plant and equipment		**22**	21
Auditors' remuneration			
– audit services		**38**	31
– tax services		**15**	5
– other services		**10**	2
Other expenses		**7,320**	6,720
Total cost of sales, distribution costs, administrative expenses and other operating expenses		**40,933**	37,968

7. Segment Information

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

Accounting Policy

Segment information is reported in a manner consistent with the Group's internal financial reporting provided to the executive directors for making strategic decisions. A reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics or single operating segments which are disclosable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

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 statement of profit or loss in note 7(a) presents the results of the Beverages Division by geographical location in order to provide further information to the user of the Annual Report.

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2013

	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/ credit HK$M	Profit for the year HK$M	Profit attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	9,707	79	7,309	(1,468)	76	208	(2)	(681)	5,442	4,443	(192)
Change in fair value of investment properties	–	–	6,141	–	–	683	(4)	(447)	6,373	5,211	–
Property trading	2,207	–	1,035	–	7	(46)	–	(185)	811	591	(27)
Hotels	942	–	(65)	(62)	–	(36)	145	(30)	(48)	(38)	(179)
	12,856	**79**	**14,420**	**(1,530)**	**83**	**809**	**139**	**(1,343)**	**12,578**	**10,207**	**(398)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	1,179	–	1,179	1,179	–
HAECO group	7,387	–	266	(59)	21	501	–	(33)	696	469	(446)
Others	–	–	(52)	–	–	6	(2)	–	(48)	(21)	(52)
	7,387	**–**	**214**	**(59)**	**21**	**507**	**1,177**	**(33)**	**1,827**	**1,627**	**(498)**
Beverages											
Mainland China	7,614	–	364	(62)	22	190	207	(144)	577	415	(288)
Hong Kong	2,144	1	209	–	–	–	–	(13)	196	177	(75)
Taiwan	1,418	–	36	(7)	–	–	–	(7)	22	22	(56)
USA	3,877	–	284	–	–	–	–	(67)	217	217	(162)
Central costs	–	–	(29)	–	–	–	–	–	(29)	(29)	–
	15,053	**1**	**864**	**(69)**	**22**	**190**	**207**	**(231)**	**983**	**802**	**(581)**
Marine Services											
Swire Pacific Offshore group	6,292	–	1,504	(163)	8	1	(2)	(98)	1,250	1,243	(914)
HUD group	–	–	–	–	–	64	–	–	64	64	–
	6,292	**–**	**1,504**	**(163)**	**8**	**65**	**(2)**	**(98)**	**1,314**	**1,307**	**(914)**
Trading & Industrial											
Swire Resources group	3,896	–	214	–	13	4	–	(101)	130	142	(30)
Taikoo Motors group	5,322	–	90	(4)	2	–	–	(31)	57	57	(60)
Swire Foods group	618	108	13	–	–	–	–	(6)	7	7	(2)
Campbell Swire	–	–	–	(8)	–	(117)	–	–	(125)	(125)	–
Swire Pacific Cold Storage group	–	–	(39)	(1)	1	9	–	(1)	(31)	(31)	(3)
Akzo Nobel Swire Paints	–	–	–	–	–	216	–	(10)	206	206	–
Other activities	–	–	(18)	–	–	(1)	–	–	(19)	(19)	–
	9,836	**108**	**260**	**(13)**	**16**	**111**	**–**	**(149)**	**225**	**237**	**(95)**
Head Office											
Net income/(expenses)	13	22	(280)	(1,117)	802	–	–	2	(593)	(593)	(3)
Change in fair value of investment properties	–	–	(296)	–	–	–	–	–	(296)	(296)	–
	13	**22**	**(576)**	**(1,117)**	**802**	**–**	**–**	**2**	**(889)**	**(889)**	**(3)**
Inter-segment elimination	–	(210)	–	792	(792)	–	–	–	–	–	–
Total	51,437	–	16,686	(2,159)	160	1,682	1,521	(1,852)	16,038	13,291	(2,489)

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.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2012

	External turnover (Restated) HK$M	Inter-segment turnover HK$M	Operating profit (Restated) HK$M	Finance charges (Restated) HK$M	Finance income (Restated) HK$M	Share of profits less losses of joint venture companies (Restated) HK$M	Share of profits less losses of associated companies (Restated) HK$M	Tax (charge)/credit (Restated) HK$M	Profit for the year (Restated) HK$M	Profit attributable to the Company's shareholders (Restated) HK$M	Depreciation and amortisation charged to operating profit (Restated) HK$M
Property											
Property investment	9,060	63	6,861	(1,443)	113	146	–	(768)	4,909	4,011	(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**	**21,376**	**(1,483)**	**116**	**660**	**161**	**(1,857)**	**18,973**	**15,282**	**(320)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	387	–	387	387	–
HAECO group	5,830	–	434	(35)	18	560	–	(122)	855	618	(443)
Others	–	–	(52)	–	–	6	–	–	(46)	(21)	(52)
	5,830	**–**	**382**	**(35)**	**18**	**566**	**387**	**(122)**	**1,196**	**984**	**(495)**
Beverages											
Mainland China	6,950	–	268	(67)	24	171	33	(113)	316	207	(263)
Hong Kong	2,122	1	212	–	–	–	–	(19)	193	175	(70)
Taiwan	1,500	–	30	(7)	–	–	–	(5)	18	18	(59)
USA	3,824	–	277	–	1	–	–	(100)	178	178	(146)
Central costs	–	–	(22)	–	–	–	–	–	(22)	(22)	–
	14,396	**1**	**765**	**(74)**	**25**	**171**	**33**	**(237)**	**683**	**556**	**(538)**
Marine Services											
Swire Pacific Offshore group	4,864	–	984	(24)	4	–	1	(42)	923	911	(590)
HUD group	–	–	–	–	–	53	–	–	53	53	–
	4,864	**–**	**984**	**(24)**	**4**	**53**	**1**	**(42)**	**976**	**964**	**(590)**
Trading & Industrial											
Swire Resources group	3,584	–	180	–	3	3	–	(53)	133	141	(22)
Taikoo Motors group	5,763	–	122	(8)	2	–	–	(27)	89	89	(55)
Swire Foods group	606	132	7	–	–	–	–	(4)	3	3	(2)
Campbell Swire	–	–	–	(6)	–	(76)	–	–	(82)	(82)	–
Swire Pacific Cold Storage group	–	–	(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	(279)	(1,414)	1,075	–	–	7	(611)	(611)	(2)
Change in fair value of investment properties	–	–	(12)	–	–	–	–	–	(12)	(12)	–
	6	**42**	**(291)**	**(1,414)**	**1,075**	**–**	**–**	**7**	**(623)**	**(623)**	**(2)**
Inter-segment elimination	**–**	**(239)**	**–**	**1,051**	**(1,051)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**49,040**	**–**	**23,487**	**(1,993)**	**192**	**1,519**	**582**	**(2,343)**	**21,444**	**17,410**	**(2,025)**

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.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2013

	Segment assets HK$M	Joint venture companies HK$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	217,067	14,008	50	1,713	232,838	5,066
Property trading and development	9,255	1,128	–	729	11,112	538
Hotels	5,734	1,243	471	79	7,527	299
	232,056	**16,379**	**521**	**2,521**	**251,477**	**5,903**
Aviation						
Cathay Pacific group	–	–	28,799	–	28,799	–
HAECO group	8,719	1,213	–	2,364	12,296	524
Others	4,675	2,819	(2)	–	7,492	–
	13,394	**4,032**	**28,797**	**2,364**	**48,587**	**524**
Beverages						
Swire Beverages	**8,104**	**748**	**1,315**	**1,667**	**11,834**	**475**
Marine Services						
Swire Pacific Offshore group	23,086	–	4	1,031	24,121	5,101
HUD group	–	(29)	–	–	(29)	–
	23,086	**(29)**	**4**	**1,031**	**24,092**	**5,101**
Trading & Industrial						
Swire Resources group	702	22	62	457	1,243	47
Taikoo Motors group	1,856	–	–	559	2,415	123
Swire Foods group	169	–	–	130	299	6
Campbell Swire	–	(111)	–	–	(111)	–
Swire Pacific Cold Storage group	505	266	–	184	955	419
Akzo Nobel Swire Paints	–	481	–	–	481	–
Other activities	205	17	–	1	223	–
	3,437	**675**	**62**	**1,331**	**5,505**	**595**
Head Office	**5,105**	**–**	**–**	**2,425**	**7,530**	**2**
	285,182	**21,805**	**30,699**	**11,339**	**349,025**	**12,600**

Note:
In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, financial instruments, deferred tax assets and retirement benefit assets.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group (continued)

At 31st December 2012

	Segment assets (Restated) HK$M	Joint venture companies (Restated) HK$M	Associated companies (Restated) HK$M	Bank deposits and securities (Restated) HK$M	Total assets (Restated) HK$M	Additions to non-current assets (note) (Restated) HK$M
Property						
Property investment	205,888	12,737	55	1,529	220,209	2,396
Property trading and development	7,272	1,063	–	345	8,680	66
Hotels	5,532	1,078	666	66	7,342	414
	218,692	**14,878**	**721**	**1,940**	**236,231**	**2,876**
Aviation						
Cathay Pacific group	–	–	25,707	–	25,707	–
HAECO group	7,869	1,156	–	1,423	10,448	349
Others	4,727	2,821	–	–	7,548	–
	12,596	**3,977**	**25,707**	**1,423**	**43,703**	**349**
Beverages						
Swire Beverages	**8,311**	**696**	**981**	**649**	**10,637**	**863**
Marine Services						
Swire Pacific Offshore group	19,412	2	11	251	19,676	6,170
HUD group	–	53	–	–	53	–
	19,412	**55**	**11**	**251**	**19,729**	**6,170**
Trading & Industrial						
Swire Resources group	844	19	–	364	1,227	28
Taikoo Motors group	2,759	–	–	14	2,773	186
Swire Foods group	135	–	–	50	185	2
Campbell Swire	–	(55)	–	–	(55)	–
Swire Pacific Cold Storage group	81	255	–	33	369	–
Akzo Nobel Swire Paints	–	395	–	–	395	–
Other activities	143	2	–	78	223	59
	3,962	**616**	**–**	**539**	**5,117**	**275**
Head Office	**5,420**	**–**	**–**	**1,341**	**6,761**	**73**
	268,393	**20,222**	**27,420**	**6,143**	**322,178**	**10,606**

Note:
In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, financial instruments, deferred tax assets and retirement benefit assets.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2013

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	6,979	5,700	8,892	19,829	41,400	34,957
Property trading and development	873	102	4,754	795	6,524	969
Hotels	247	1	–	547	795	1,227
	8,099	**5,803**	**13,646**	**21,171**	**48,719**	**37,153**
Aviation						
HAECO group	**2,084**	**338**	**–**	**2,545**	**4,967**	**4,095**
Beverages						
Swire Beverages	**3,756**	**379**	**1,268**	**65**	**5,468**	**945**
Marine Services						
Swire Pacific Offshore group	**1,560**	**89**	**9,427**	**655**	**11,731**	**17**
Trading & Industrial						
Swire Resources group	755	66	(194)	–	627	1
Taikoo Motors group	876	9	38	–	923	–
Swire Foods group	111	1	–	–	112	–
Campbell Swire	–	–	206	–	206	–
Swire Pacific Cold Storage group	36	–	–	–	36	–
Other activities	20	14	–	–	34	–
	1,798	**90**	**50**	**–**	**1,938**	**1**
Head Office	**563**	**114**	**(24,391)**	**37,408**	**13,694**	**–**
	17,860	**6,813**	**–**	**61,844**	**86,517**	**42,211**

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total liabilities and non-controlling interests of the Group (continued)

At 31st December 2012

	Segment liabilities (Restated) HK$M	Current and deferred tax liabilities (Restated) HK$M	Inter-segment borrowings/ (advances) (Restated) HK$M	External borrowings (Restated) HK$M	Total liabilities (Restated) HK$M	Non-controlling interests (Restated) HK$M
Property						
Property investment	6,828	5,189	10,999	14,189	37,205	33,393
Property trading and development	557	469	4,265	423	5,714	604
Hotels	165	–	–	691	856	1,167
	7,550	**5,658**	**15,264**	**15,303**	**43,775**	**35,164**
Aviation						
HAECO group	**1,643**	**333**	**–**	**1,664**	**3,640**	**3,921**
Beverages						
Swire Beverages	**3,442**	**346**	**1,395**	**132**	**5,315**	**801**
Marine Services						
Swire Pacific Offshore group	**1,792**	**55**	**6,816**	**102**	**8,765**	**15**
Trading & Industrial						
Swire Resources group	724	14	(30)	–	708	14
Taikoo Motors group	1,026	25	–	470	1,521	–
Swire Foods group	84	2	–	–	86	–
Campbell Swire	–	–	144	–	144	–
Swire Pacific Cold Storage group	1	–	–	–	1	–
Other activities	27	12	–	–	39	–
	1,862	**53**	**114**	**470**	**2,499**	**14**
Head Office	**551**	**114**	**(23,589)**	**32,726**	**9,802**	**–**
	16,840	**6,559**	**–**	**50,397**	**73,796**	**39,915**

(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*	
	2013 HK$M	2012 (Restated) HK$M	2013 HK$M	2012 (Restated) HK$M
Hong Kong	**19,109**	20,329	**202,362**	193,014
Asia (excluding Hong Kong)	**22,337**	20,271	**35,311**	33,272
United States of America	**4,083**	4,039	**3,045**	1,911
United Kingdom	**185**	132	**568**	566
Ship owning and operating activities	**5,723**	4,269	**21,220**	17,564
	51,437	49,040	**262,506**	246,327

* In this analysis, the total of non-current assets excludes joint venture and associated companies, financial instruments, deferred tax assets and retirement benefit assets.

8. Directors' and Executive Officers' Emoluments

(a) The total emoluments of Directors and Executive Officers charged to the Group in 2013 and 2012 are as follows:

	Cash			Non cash				
	Salary/ fees (note i) HK$'000	Bonus (note ii) HK$'000	Allowance and benefits HK$'000	Retirement scheme contributions HK$'000	Bonus paid into retirement scheme (note ii) HK$'000	Housing benefits HK$'000	Total 2013 HK$'000	Total 2012 HK$'000
Executive Directors								
C D Pratt	8,583	6,728	477	2,189	2,079	6,189	**26,245**	27,476
M Cubbon	5,046	4,441	324	1,287	1,501	4,838	**17,437**	18,907
P A Kilgour	3,591	3,320	513	916	1,247	2,419	**12,006**	13,418
J R Slosar	846	768	42	216	267	621	**2,760**	3,148
I Shiu	1,014	1,575	688	173	–	–	**3,450**	3,800
G L Cundle (until 31st December 2012)	–	2,810	–	–	1,170	–	**3,980**	9,980
A K W Tang	3,112	4,210	1,484	532	–	–	**9,338**	10,069
J B Rae-Smith (from 1st January 2013)	2,165	404	491	552	196	3,246	**7,054**	–
A N Tyler (until 31st March 2011)	–	–	–	–	–	–	**–**	101
Non-Executive Directors								
Baroness Dunn	–	–	–	–	–	–	**–**	–
J W J Hughes-Hallett	–	–	–	–	–	–	**–**	–
P A Johansen	928	–	–	–	–	–	**928**	932
M B Swire	–	–	–	–	–	–	**–**	–
Independent Non-Executive Directors								
T G Freshwater	690	–	–	–	–	–	**690**	690
C K M Kwok	988	–	–	–	–	–	**988**	988
C Lee	945	–	–	–	–	–	**945**	941
R W M Lee (from 1st July 2012)	690	–	–	–	–	–	**690**	345
M Leung (until 30th June 2012)	–	–	–	–	–	–	**–**	345
M C C Sze	690	–	–	–	–	–	**690**	690
M M T Yang	690	–	–	–	–	–	**690**	690
Total 2013	**29,978**	**24,256**	**4,019**	**5,865**	**6,460**	**17,313**	**87,891**	
Total 2012	29,663	27,190	3,899	8,357	6,825	16,586		92,520
Executive Officers								
G L Cundle (until 31st July 2011)	–	–	–	–	–	–	**–**	2,774
A K W Tang (until 31st July 2011)	–	–	–	–	–	–	**–**	79
J B Rae-Smith (until 31st December 2012)	–	1,253	–	–	609	–	**1,862**	8,930
P Healy (from 1st January 2013)	1,914	–	740	488	–	2,802	**5,944**	–
Total 2013	**1,914**	**1,253**	**740**	**488**	**609**	**2,802**	**7,806**	
Total 2012	1,919	3,833	463	754	1,695	3,119		11,783

i. Independent Non-executive Directors and P A Johansen receive fees as members of the Board and its committees. Executive Directors and Officers receive salaries.
ii. Bonuses are not yet approved for 2013. The amounts disclosed above are related to services as Executive Directors or Officers for 2012 but paid and charged to the Group in 2013.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2013 include four (2012: four) Executive Directors and Officers whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2012: one) individual during the year is as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**8,671**	7,838
Bonus	**2,114**	2,746
Retirement scheme contributions	**482**	668
	11,267	11,252

9. Net Finance Charges

Accounting Policy

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

Interest income is recognised on a time-proportion basis using the effective interest method.

Refer to page 122 for details of the Group's net finance charges.

10. Taxation

Accounting Policy

The tax expense comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Critical Accounting Estimates and Judgements

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the year in which the outcomes become known.

		Group			
		2013		2012	
				(Restated)	(Restated)
	Note	HK$M	HK$M	HK$M	HK$M
Current taxation:					
Hong Kong profits tax		**(974)**		(1,240)	
Overseas taxation		**(544)**		(438)	
Over/(under)-provisions in prior years		**117**		(2)	
			(1,401)		(1,680)
Deferred taxation:	30				
Changes in fair value of investment properties		**(208)**		(249)	
Origination and reversal of temporary differences		**(243)**		(414)	
			(451)		(663)
			(1,852)		(2,343)

Hong Kong profits tax is calculated at 16.5% (2012: 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.

10. Taxation (continued)

The tax charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate of the Company as follows:

	2013 HK$M	2012 (Restated) HK$M
Profit before taxation	**17,890**	23,787
Calculated at a tax rate of 16.5% (2012: 16.5%)	**(2,952)**	(3,925)
Share of profits less losses of joint venture and associated companies	**529**	348
Effect of different tax rates in other countries	**(157)**	(226)
Income not subject to tax	**1,136**	1,776
Expenses not deductible for tax purposes	**(241)**	(184)
Unused tax losses not recognised	**(191)**	(169)
Utilisation of previously unrecognised tax losses	**16**	8
Deferred tax assets written off	**(13)**	(24)
Over/(under)-provisions in prior years	**117**	(2)
Recognition of previously unrecognised tax losses	**28**	82
Others	**(124)**	(27)
Tax charge	**(1,852)**	(2,343)

The Group's share of joint venture and associated companies' tax charges of HK$371 million (2012: HK$246 million, as restated) and HK$363 million (2012: HK$220 million, as restated) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

11. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$2,296 million (2012: HK$5,591 million, as restated) is dealt with in the accounts of the Company.

12. Dividends

Accounting Policy

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

	Company	
	2013 HK$M	2012 HK$M
Cash dividends		
First interim dividend paid on 4th October 2013 of HK$1.00 per 'A' share and HK$0.20 per 'B' share (2012: HK$1.00 and HK$0.20)	**1,505**	1,505
Second interim dividend declared on 13th March 2014 of HK$2.50 per 'A' share and HK$0.50 per 'B' share (2012 actual dividend paid: HK$2.50 and HK$0.50)	**3,761**	3,761
Special interim dividend by way of a distribution in specie	**–**	31,589
	5,266	36,855

The second interim dividend is not accounted for in 2013 because it had not been declared at the year end date. The actual amount payable in respect of 2013 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2014.

12. Dividends (continued)

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.

13. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$13,291 million (2012: HK$17,410 million, as restated) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2013 and 2012 in the proportion five to one.

14. Property, Plant and Equipment

Accounting Policy

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Major renovation costs and modifications that extend the life or usefulness of vessels are capitalised and depreciated over the period until the next drydocking. All other repairs and maintenance are expensed in the statement of profit or loss during the financial period in which they are incurred. Vessels under construction are not depreciated until they are completed.

Leasehold land can be classified as held under finance lease and recorded as property, plant and equipment if the lessee is exposed to substantially all the risks and rewards of ownership of that piece of land.

With the exception of freehold land, all other property, plant and equipment are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Leasehold land	Over the lease term
Property	2% to 5% per annum
Plant and machinery	7% to 34% per annum
Vessels	4% to 7% per annum
Drydocking costs	20% to 50% per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at the end of each reporting period to take into account operational experience and changing circumstances.

On the transfer of owner occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other net gains/(losses)' in the statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

14. Property, Plant and Equipment (continued)

Critical Accounting Estimates and Judgments

At each period-end date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs to sell and/or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the statement of profit or loss.

During the year, the carrying amounts of certain property, plant and equipment have been written down by HK$46 million to their recoverable amount.

		Group					Company
	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M	Plant and machinery HK$M
Cost:							
At 1st January 2013							
as originally stated		2,652	14,075	9,715	20,358	46,800	25
impact of change in accounting policy		–	452	1,670	–	2,122	–
as restated		2,652	14,527	11,385	20,358	48,922	25
Translation differences		–	144	90	6	240	–
Change in composition of the Group		–	–	2	–	2	–
Additions		–	558	1,373	4,990	6,921	1
Disposals		–	(40)	(524)	(959)	(1,523)	–
Transfer between categories		(4)	4	–	–	–	–
Net transfers from investment properties	15	287	75	–	–	362	–
Other transfers		–	(4)	–	–	(4)	–
Revaluation surplus		357	–	–	–	357	–
At 31st December 2013		3,292	15,264	12,326	24,395	55,277	26
Accumulated depreciation and impairment:							
At 1st January 2013							
as originally stated		102	3,630	6,353	3,074	13,159	17
impact of change in accounting policy		–	151	770	–	921	–
as restated		102	3,781	7,123	3,074	14,080	17
Translation differences		–	39	39	1	79	–
Change in composition of the Group		–	–	2	–	2	–
Charge for the year	6	21	445	957	871	2,294	2
Net impairment losses	6	–	(1)	47	–	46	–
Disposals		–	(11)	(411)	(249)	(671)	–
Net transfers from investment properties	15	(3)	(7)	–	–	(10)	–
At 31st December 2013		120	4,246	7,757	3,697	15,820	19
Net book value:							
At 31st December 2013		3,172	11,018	4,569	20,698	39,457	7

14. Property, Plant and Equipment (continued)

	Note	Group					Company
		Leasehold land held for own use under finance leases	Property	Plant and machinery	Vessels	Total	Plant and machinery
		HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Cost:							
At 1st January 2012							
as originally stated		2,615	13,498	8,918	13,988	39,019	25
impact of change in accounting policy		–	420	1,382	–	1,802	–
as restated		2,615	13,918	10,300	13,988	40,821	25
Translation differences		–	80	70	(32)	118	–
Change in composition of the Group		–	21	45	863	929	–
Additions		–	606	1,338	5,809	7,753	–
Disposals		–	(10)	(381)	(270)	(661)	–
Transfer between categories		–	(11)	11	–	–	–
Net transfers to investment properties	15	23	(117)	–	–	(94)	–
Other transfers		–	–	2	–	2	–
Revaluation surplus		14	40	–	–	54	–
At 31st December 2012		2,652	14,527	11,385	20,358	48,922	25
Accumulated depreciation and impairment:							
At 1st January 2012							
as originally stated		82	3,236	5,754	2,659	11,731	15
impact of change in accounting policy		–	137	660	–	797	–
as restated		82	3,373	6,414	2,659	12,528	15
Translation differences		–	23	32	(6)	49	–
Change in composition of the Group		–	5	23	122	150	–
Charge for the year	6	20	407	880	539	1,846	3
Impairment losses	6	–	11	43	4	58	–
Disposals		–	(8)	(279)	(244)	(531)	(1)
Transfer between categories		–	(10)	10	–	–	–
Net transfers to investment properties	15	–	(17)	–	–	(17)	–
Transfer to leasehold land and land use rights	16	–	(3)	–	–	(3)	–
At 31st December 2012		102	3,781	7,123	3,074	14,080	17
Net book value:							
At 31st December 2012		2,550	10,746	4,262	17,284	34,842	8

As at 31st December 2013, bank borrowings of HK$535 million (2012: Nil) are secured on vessels with a net book value of HK$706 million (2012: Nil).

During the year properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from the carrying amount to the fair value at the date of transfer of HK$357 million (2012: HK$54 million) has been recognised in other comprehensive income and the property revaluation reserve.

Property, plant and machinery and vessels include costs of HK$480 million (2012: HK$1,368 million), HK$127 million (2012: HK$89 million) and HK$2,795 million (2012: HK$3,385 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

15. Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Accounting Policy

Investment property comprises freehold land, leasehold land and buildings. Land held under operating leases and classified as an investment property is accounted for as if it was a finance lease. Any premium paid for a lease is treated as part of the minimum lease payments and is included in the cost of the asset, but is excluded from the liability.

Investment properties (including those under construction) are carried at fair value and are valued twice a year. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. These values represent their fair values in accordance with HKFRS 13. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as under development. Changes in fair values are recognised in the statement of profit or loss.

Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Expenditure incurred in leasing the Group's investment property during construction is deferred and amortised on a straight-line basis to the statement of profit or loss upon occupation of the property over a period not exceeding the terms of the lease.

Refer to page 29 for details of the Group's and Company's investment properties.

Critical Accounting Estimates and Judgements

DTZ Debenham Tie Leung, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio as at 31st December 2013. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of open market rents and yields.

Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment property portfolio is reasonable.

Fair value hierarchy

The Group's investment properties are measured at fair value. They principally comprise completed commercial and residential properties in Hong Kong and Mainland China and commercial and residential properties under development in Hong Kong. The Group has other investment property projects, principally comprising a mixed-use development at Brickell City Centre in Miami. Because of the unique nature of the Group's investment properties, most of them are valued by reference to a level 3 fair value measurement. In 2013 and 2012, there were no transfers between different levels within the fair value hierarchy.

15. Investment Properties (continued)

Fair value hierarchy (continued)

	Completed			Under Development				
	Hong Kong	Mainland China	Total	Hong Kong	Others	Total	2013 Total	2012 Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Level 2	2,902	194	3,096	9,416	–	9,416	**12,512**	12,068
Level 3	168,192	24,245	192,437	9,634	1,656	11,290	**203,727**	193,205
Total	171,094	24,439	195,533	19,050	1,656	20,706	**216,239**	205,273
Add: initial leasing costs							**285**	315
At 31st December							**216,524**	205,588

Fair value – Level 3

	Completed				Under Development			
	Hong Kong	Mainland China	Others	Total	Hong Kong	Others	Total	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January 2013	**167,030**	**22,923**	**104**	**190,057**	**2,698**	**450**	**3,148**	**193,205**
Translation differences	**–**	**676**	**–**	**676**	**–**	**–**	**–**	**676**
Additions	**220**	**(8)**	**–**	**212**	**2,981**	**1,123**	**4,104**	**4,316**
Transfer upon completion	**1,057**	**–**	**–**	**1,057**	**(1,057)**	**–**	**(1,057)**	**–**
Transfer to redevelopment	**(5,390)**	**–**	**(104)**	**(5,494)**	**5,390**	**104**	**5,494**	**–**
Other net transfers to property, plant and equipment	**(32)**	**–**	**–**	**(32)**	**–**	**–**	**–**	**(32)**
Fair value gains/(losses)	**5,307**	**654**	**–**	**5,961**	**(378)**	**(21)**	**(399)**	**5,562**
At 31st December 2013	**168,192**	**24,245**	**–**	**192,437**	**9,634**	**1,656**	**11,290**	**203,727**

Valuation processes and techniques underlying management's estimate of fair value

The Group's investment properties were valued at their fair values at 31st December 2013. 96% by value were valued by DTZ Debenham Tie Leung, an independent professionally qualified valuer which holds a recognised relevant professional qualification and has recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. The current use of the investment properties equates to the highest and best use.

The valuation of the Group's completed investment property portfolio is derived by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions available in the relevant property market.

The valuation of the Group's investment properties under development is derived by making reference to market capitalisation rates and recent comparable sales transactions in the relevant property market (on the assumption that the property had already been completed at the valuation date). It has also taken into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk. Where the valuation is prepared based on the assumption that the property's title certificate has been received but this is not the case, the Group has made an estimate of the future land cost and deducted this from the valuation.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If the capitalisation rate increases, the fair value decreases. If the fair market rent increases, the fair value increases. If estimated costs to complete or the developer's estimated profit and margin for risk increase, the fair value decreases. The opposite is true for decreases in these inputs.

There are inter-relationships between observable and unobservable inputs. Expected vacancy rates may have an impact on yields, with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the property's features may result in an increase in future rental values. An increase in future rental income may be linked with higher costs.

The Group reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuer at least once every half year, in line with the Group's half year reporting dates.

15. Investment Properties (continued)

Valuation processes and techniques underlying management's estimate of fair value (continued)

Information about level 3 fair value measurements using significant unobservable inputs is as follows:

		Fair value HK$M	Valuation technique	Fair market rent per month HK$ per sq. ft. (lettable) [(a)]	Capitalisation rate
Completed	Hong Kong	168,192	Income capitalisation	Low 10's-High 500's	2.50%-5.25%
	Mainland China	24,245	Income capitalisation	Less than 10-High 100's	7.00%-7.50%
		192,437			
Under development [(b)]	Hong Kong	9,634	Residual	High 30's-High 50's	2.00%-4.25%
	Others [(c)]	1,656			
		11,290			
Total		203,727			

Notes:

(a) Fair market rent is determined in accordance with the definition of that term in the Valuation Standards on Properties of The Hong Kong Institute of Surveyors, which is "the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion". It is in effect the rental income (exclusive of usual tenant's outgoings) which a property would be expected to earn if it were vacant and available to let. It is not necessarily the same as the rent which a tenant is actually committed to pay.

(b) There are two additional unobservable inputs which are used in making fair value measurements of investment properties under development. These are the estimated costs to complete the development and the developer's estimated profit and margin for risk. The fair value of the Group's investment properties under development are not significantly affected by these unobservable inputs.

(c) The fair value of Others is not significant to the total carrying value of the investment property portfolio. Each property within Others is valued principally by using direct sales comparison.

16. Leasehold Land and Land Use Rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments, the net book value of which is analysed as follows:

		Group	
	Note	2013 HK$M	2012 HK$M
At 1st January			
as originally stated		**998**	969
impact of change in accounting policy		**82**	79
as restated		**1,080**	1,048
Translation differences		**14**	4
Change in composition of the Group		**–**	2
Additions		**102**	59
Transfer from property, plant and equipment	14	**–**	(3)
Amortisation charge for the year	6	**(32)**	(30)
At 31st December		**1,164**	1,080
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		**20**	21
Held outside Hong Kong:			
On short-term leases (less than 10 years)		**1**	1
On medium-term leases (10 to 50 years)		**1,143**	1,058
		1,164	1,080

Refer to Note 37 for details of the accounting policy.

17. Intangible Assets

Accounting Policy

(a) Goodwill

Goodwill represents the excess of consideration transferred over the fair value of the Group's share of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Goodwill is treated as an asset of the entity acquired and where attributable to a foreign entity will be translated at the closing rate.

Goodwill is stated at cost less accumulated impairment. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing, which is performed annually, or more often if an impairment indicator exists. Impairment losses recognised on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software

Computer software licences acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are amortised over their estimated useful lives (three to five years).

(c) Technical licenses

Technical licences acquired are shown at historical cost. Technical licences acquired in a business combination are recognised at fair value at the acquisition date. Technical licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technical licences over their estimated useful life of twenty two years.

		Group				
	Note	Goodwill HK$M	Computer Software HK$M	Technical Licences HK$M	Others HK$M	Total HK$M
Cost:						
At 1st January 2013						
as originally stated		**3,975**	**231**	**535**	**–**	**4,741**
impact of change in accounting policy		**65**	**96**	**–**	**–**	**161**
as restated		**4,040**	**327**	**535**	**–**	**4,902**
Translation differences		**7**	**3**	**–**	**–**	**10**
Other transfers		**–**	**4**	**–**	**–**	**4**
Additions		**–**	**38**	**–**	**67**	**105**
Disposals		**(7)**	**–**	**–**	**–**	**(7)**
At 31st December 2013		**4,040**	**372**	**535**	**67**	**5,014**
Accumulated amortisation and impairment:						
At 1st January 2013						
as originally stated		**19**	**142**	**71**	**–**	**232**
impact of change in accounting policy		**–**	**58**	**–**	**–**	**58**
as restated		**19**	**200**	**71**	**–**	**290**
Translation differences		**–**	**1**	**–**	**–**	**1**
Amortisation for the year	6	**–**	**42**	**27**	**–**	**69**
Impairment losses	6	**20**	**–**	**–**	**–**	**20**
At 31st December 2013		**39**	**243**	**98**	**–**	**380**
Net book value:						
At 31st December 2013		**4,001**	**129**	**437**	**67**	**4,634**

17. Intangible Assets (continued)

	Note	Group			
		Goodwill HK$M	Computer Software HK$M	Technical Licences HK$M	Total HK$M
Cost:					
At 1st January 2012					
as originally stated		3,696	208	536	4,440
impact of change in accounting policy		65	74	–	139
as restated		3,761	282	536	4,579
Translation differences		2	2	(1)	3
Change in composition of the Group		–	4	–	4
Additions		285	39	–	324
Written-off	6	(8)	–	–	(8)
At 31st December 2012		4,040	327	535	4,902
Accumulated amortisation and impairment:					
At 1st January 2012					
as originally stated		9	117	44	170
impact of change in accounting policy		–	48	–	48
as restated		9	165	44	218
Translation differences		–	2	–	2
Amortisation for the year	6	–	33	27	60
Impairment losses	6	10	–	–	10
At 31st December 2012		19	200	71	290
Net book value:					
At 31st December 2012		4,021	127	464	4,612

Amortisation of HK$69 million (2012: HK$60 million, as restated) is included in administrative expenses in the statement of profit or loss.

Impairment test of goodwill

Critical Accounting Estimates and Judgements

At each reporting date, an assessment is made as to whether there is any indication that goodwill may be impaired. These tests require the use of estimates to calculate recoverable amounts.

The recoverable amount of goodwill attributable to CGUs is determined based on value-in-use calculations. These calculations use financial budgets and plans covering five-year periods. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. The discount rates used at 31st December 2013 were between 7.0% and 12.0% (2012: 7.0% and 12.0%). These discount rates are pre-tax and reflect the specific risks relating to the relevant CGU.

Goodwill is allocated to the Group's cash-generating units identified by divisional business segment and geographic location.

	2013 HK$M	2012 (Restated) HK$M
HAECO – Hong Kong and Mainland China	**3,510**	3,510
Beverages franchises – Hong Kong and Mainland China	**219**	214
Marine Services	**272**	277
Retail franchises – Hong Kong and Mainland China	**–**	19
Others	**–**	1
	4,001	4,021

Goodwill attributable to HAECO arose from its highly skilled workforce in the aircraft engineering and maintenance business. It also represents the premium paid over the traded market price to obtain control of the business.

18. Subsidiary Companies

Accounting Policy

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiary companies in the Company's standalone financial statements are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for on the basis of dividends received and receivable. Long-term loans to subsidiary companies are considered to be quasi-equity in nature where there are no defined repayment terms and no expectation of repayment.

	Company	
	2013 HK$M	2012 HK$M
Shares at cost less provisions		
– Listed in Hong Kong	**16,831**	16,831
– Unlisted	**1,610**	1,657
	18,441	18,488
Loans and other amounts due from subsidiary companies		
– Interest-free	**14,311**	11,241
– Interest-bearing at 0.21% to 4.0% (2012: 0.28% to 4.0%)	**89**	50
	32,841	29,779

Loans and other amounts due from subsidiary companies are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Pacific Limited are shown on pages 224 to 234.

The Group has two subsidiaries with material non-controlling interests; Swire Properties Limited ("Swire Properties") (18%) and Hong Kong Aircraft Engineering Company Limited ("HAECO") (25%). Except for goodwill and other assets of HK$7,461 million included in the Group consolidated statement of financial position (2012: HK$7,513 million) in respect of HAECO, there are no significant differences between the summarised financial information presented in the table below and the amounts in the separate consolidated financial statements of Swire Properties and HAECO.

Summarised Statement of Financial Position

	Swire Properties As at 31st December		HAECO As at 31st December	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Current				
Assets	**13,117**	11,886	**4,872**	3,412
Liabilities	**15,387**	12,380	**2,901**	1,824
Total current net (liabilities)/assets	**(2,270)**	(494)	**1,971**	1,588
Non-current				
Assets	**238,360**	224,345	**7,424**	7,036
Liabilities	**33,332**	31,395	**2,066**	1,816
Total non-current net assets	**205,028**	192,950	**5,358**	5,220
Net assets	**202,758**	192,456	**7,329**	6,808

18. Subsidiary Companies (continued)

Summarised Statement of Profit or Loss

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Revenue	**12,935**	14,052	**7,387**	5,830
Profit for the year attributable to shareholders	**12,448**	18,637	**625**	822
Other comprehensive income	**1,114**	157	**277**	44
Total comprehensive income attributable to shareholders	**13,562**	18,794	**902**	866
Total comprehensive income allocated to non-controlling interests	**2,441**	3,383	**226**	217
Dividends paid to non-controlling interests	**611**	421	**116**	257

Summarised Statement of Cash Flows

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Net cash generated from operating activities	**6,381**	5,845	**505**	684
Net cash (used in)/generated from investing activities	**(5,804)**	(4,371)	**17**	129
Net cash (used in)/generated from financing activities	**(4)**	(716)	**382**	(710)
Net increase in cash and cash equivalents	**573**	758	**904**	103
Cash and cash equivalents at 1st January	**1,936**	1,179	**1,418**	1,320
Currency adjustment	**12**	(1)	**19**	(5)
Cash and cash equivalents at 31st December	**2,521**	1,936	**2,341**	1,418

19. Joint Venture and Associated Companies

Accounting Policy

Joint venture companies are those companies held for the long-term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where the Group has rights to the net assets of those companies.

Associated companies are those companies over which the Group has significant influence, but not control or joint control, over their management including participation in financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

In the Group's consolidated statement of financial position, its investments in joint venture and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in joint venture and associated companies over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition represents goodwill. The Group's investments in joint venture and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

19. Joint Venture and Associated Companies (continued)

Accounting Policy (continued)

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in joint venture and associated companies are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the joint venture and associated companies operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in a joint venture or associate is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

In the Company's statement of financial position, its investments in joint venture and associated companies are stated at cost less provision for any impairment losses. Income from joint venture and associated companies is recognised by the Company on the basis of dividends received and receivable. Long-term loans to joint venture and associated companies are considered to be quasi-equity in nature where there are no defined repayment terms and no historical repayment of the balances.

(a) Joint venture companies

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Unlisted shares at cost			**28**	28
Share of net assets, unlisted	**10,145**	9,014		
Goodwill	**94**	95		
	10,239	9,109		
Loans due from joint venture companies less provisions				
– Interest-free	**10,983**	10,395	**–**	–
– Interest-bearing at 1.71% to 5.00% (2012: 1.71% to 5.00%)	**583**	718	**86**	86
	21,805	20,222	**114**	114

The loans due from joint venture companies are unsecured and have no fixed terms of repayment.

The principal joint venture companies of the Group are shown on pages 224 to 234. There are no joint venture companies that are considered individually material to the Group.

The Group's share of assets and liabilities and results of joint venture companies is summarised below:

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Non-current assets	**25,831**	23,340
Current assets	**7,239**	6,388
Current liabilities	**(8,349)**	(7,478)
Non-current liabilities	**(14,576)**	(13,236)
Net assets	**10,145**	9,014
Revenue	**15,352**	15,179
Expenses	**(13,299)**	(13,414)
Profit before taxation	**2,053**	1,765
Taxation	**(371)**	(246)
Profit for the year	**1,682**	1,519
Other comprehensive income	**282**	66
Total comprehensive income for the year	**1,964**	1,585

Capital commitments and contingencies in respect to joint venture companies are disclosed in Notes 35 and 36.

19. Joint Venture and Associated Companies (continued)

(b) Associated companies

Critical Accounting Estimates and Judgements

Under HKFRS 10, which applies to accounting periods starting on or after 1st January 2013, the Company is required to consolidate as subsidiaries in its accounts, companies which it controls. Under HKFRS 10, the Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company's returns. All three of these requirements must be met. The Company has considered whether to consolidate Cathay Pacific as a subsidiary in its accounts in the light of the provisions of HKFRS 10.

Under HKFRS 10, the Company will be taken to have power over Cathay Pacific if the Company has rights which give the Company the current ability to direct the activities of Cathay Pacific which significantly affect the Company's returns from Cathay Pacific.

As the Company holds less than half (45%) of the voting rights in Cathay Pacific, the Company does not have power over Cathay Pacific by virtue of holding a majority of those voting rights. The Company has accordingly considered other relevant factors in order to determine whether it has such power. The Company is party to a shareholders agreement dated 8th June 2006 (the "Shareholders Agreement") between itself, Air China Limited ("Air China") and others in relation to the affairs of Cathay Pacific, as subsequently amended. The Shareholders Agreement contains provisions relating to the composition of the board of Cathay Pacific (including Air China being obliged to use its votes as a shareholder of Cathay Pacific to support the Company appointing a majority of the board of directors of Cathay Pacific). The Company is of the view, having considered the terms of the Shareholders Agreement, the terms of an operating agreement dated 8th June 2006 between Cathay Pacific and Air China and the way in which the board of Cathay Pacific governs the affairs of Cathay Pacific in practice, that the Company does not have power over Cathay Pacific for the purposes of HKFRS 10. It follows that, as one of the three requirements in HKFRS 10 for consolidation has not been met, the Company should not consolidate Cathay Pacific as a subsidiary in the Company's accounts and should continue to account for its interest in Cathay Pacific as an associated company.

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Shares at cost				
– Listed in Hong Kong			**4,624**	4,624
Share of net assets				
– Listed in Hong Kong	**28,042**	24,950		
– Unlisted	**1,847**	1,530		
	29,889	26,480		
Goodwill	**757**	757		
	30,646	27,237		
Loans due from associated companies				
– Interest-free	**52**	176	**–**	–
– Interest-bearing at 4.0% (2012: 6.0%)	**1**	7	**–**	–
	30,699	27,420	**4,624**	4,624

The loans due from associated companies are unsecured and have no fixed terms of repayment.

The market value of the shares in the listed associated company, Cathay Pacific at 31st December 2013 was HK$29,032 million (2012: HK$25,173 million).

The principal associated companies of the Group are shown on pages 224 to 234. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 220 to 223.

19. Joint Venture and Associated Companies (continued)

(b) Associated companies (continued)

The Group's share of assets and liabilities and results of associated companies is summarised below:

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Non-current assets	**66,552**	61,049
Current assets	**15,269**	13,530
Current liabilities	**(15,248)**	(13,645)
Non-current liabilities	**(36,628)**	(34,402)
Non-controlling interests	**(56)**	(52)
Net assets	**29,889**	26,480
Revenue	**49,936**	48,968
Expenses	**(48,052)**	(48,166)
Profit before taxation	**1,884**	802
Taxation	**(363)**	(220)
Profit for the year	**1,521**	582
Other comprehensive income	**2,299**	825
Total comprehensive income for the year	**3,820**	1,407

Contingencies in respect of associated companies are disclosed in Note 36.

20. Financial Instruments by Category

Accounting Policy

Classification
The Group classifies its financial instruments in the following categories: at fair value through profit or loss, derivatives used for hedging, available-for-sale, loans and receivables and amortised cost. The classification depends on the purpose of the financial instrument. The Group determines the classification of its financial instruments at initial recognition.

(a) At fair value through profit or loss
A financial instrument is classified within this category if the intention is to settle it in the short-term or if it is designated as at fair value through profit or loss by management. Derivatives are included within this category unless they are designated as hedges. Put options over non-controlling interests in subsidiary companies included in trade and other payables are measured at fair value through profit or loss. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the period-end date.

(b) Derivatives used for hedging
Derivative instruments are classified within this category if they qualify for hedge accounting.

(c) Available-for-sale
Available-for-sale assets are non-derivative investments and other assets that are either designated in this category or not classified in any of the other categories. Available-for-sale assets are included in non-current assets unless management intends to dispose of them within 12 months of the period-end date.

20. Financial Instruments by Category (continued)

Accounting Policy (continued)

Classification (continued)

(d) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the period-end date where these are classified as non-current assets.

(e) Amortised cost
The amortised cost category comprises instruments that are non-derivative financial liabilities with fixed or determinable payments and fixed maturities. They are included in non-current liabilities, except for maturities less than 12 months after the period-end date where these are classified as current liabilities.

Recognition and measurement

Purchases and sales of financial instruments are recognised on their trade-date – the date on which the Group contracts with the purchaser or seller. Financial instruments are initially recognised at fair value. Transaction costs are included for all financial instruments not carried at fair value through profit or loss. Financial instruments are derecognised when the rights to receive or obligations to pay cash have expired or have been transferred and the Group has transferred substantially all risks and rewards.

Financial instruments classified as at fair value through profit and loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the statement of profit or loss in the period in which they arise. Derivatives used for hedging are subsequently carried at fair value. Accounting for the realised and unrealised gains and losses arising from changes in the fair value of derivatives are set out in Note 22.

Financial assets classified as available-for-sale are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss as gains and losses from investments.

Financial instruments classified as loans and receivables and amortised cost are subsequently measured using the effective interest method.

The Group assesses at each period-end date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably measured.

20. Financial Instruments by Category (continued)

The accounting policy applied to financial instruments are shown below by line item:

Group	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position								
At 31st December 2013								
Available-for-sale assets	21	**–**	**–**	**713**	**–**	**–**	**713**	**713**
Long-term other receivables		**–**	**–**	**–**	**21**	**–**	**21**	**21**
Derivative financial assets	22	**27**	**588**	**–**	**–**	**–**	**615**	**615**
Trade and other receivables excluding prepayments	25	**–**	**–**	**–**	**8,181**	**–**	**8,181**	**8,181**
Bank balances and short-term deposits	26	**–**	**–**	**–**	**11,288**	**–**	**11,288**	**11,288**
Total		**27**	**588**	**713**	**19,490**	**–**	**20,818**	**20,818**
At 31st December 2012								
Available-for-sale assets	21	–	–	340	–	–	340	340
Long-term other receivables		–	–	–	17	–	17	17
Derivative financial assets	22	9	665	–	–	–	674	674
Trade and other receivables excluding prepayments	25	–	–	–	8,289	–	8,289	8,289
Bank balances and short-term deposits	26	–	–	–	6,091	–	6,091	6,091
Total		9	665	340	14,397	–	15,411	15,411
Liabilities as per consolidated statement of financial position								
At 31st December 2013								
Trade and other payables	27	**1,839**	**–**	**–**	**–**	**15,183**	**17,022**	**17,022**
Derivative financial liabilities	22	**2**	**207**	**–**	**–**	**–**	**209**	**209**
Bank overdrafts and short-term loans	29	**–**	**–**	**–**	**–**	**1,547**	**1,547**	**1,547**
Long-term loans and bonds due within one year	29	**–**	**–**	**–**	**–**	**7,130**	**7,130**	**7,130**
Perpetual capital securities	28	**–**	**–**	**–**	**–**	**2,326**	**2,326**	**2,559**
Long-term loans and bonds due after one year	29	**–**	**–**	**–**	**–**	**50,841**	**50,841**	**52,012**
Total		**1,841**	**207**	**–**	**–**	**77,027**	**79,075**	**80,479**
At 31st December 2012								
Trade and other payables	27	1,327	–	–	–	14,346	15,673	15,673
Derivative financial liabilities	22	11	178	–	–	–	189	189
Bank overdrafts and short-term loans	29	–	–	–	–	1,891	1,891	1,891
Long-term loans and bonds due within one year	29	–	–	–	–	5,322	5,322	5,322
Perpetual capital securities	28	–	–	–	–	2,325	2,325	2,604
Long-term loans and bonds due after one year	29	–	–	–	–	40,859	40,859	43,802
Total		1,338	178	–	–	64,743	66,259	69,481

20. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

Company	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per statement of financial position								
At 31st December 2013								
Available-for-sale assets	21	**–**	**–**	**93**	**–**	**–**	**93**	**93**
Trade and other receivables excluding prepayments	25	**–**	**–**	**–**	**47**	**–**	**47**	**47**
Bank balances and short-term deposits	26	**–**	**–**	**–**	**2,344**	**–**	**2,344**	**2,344**
Total		**–**	**–**	**93**	**2,391**	**–**	**2,484**	**2,484**
At 31st December 2012								
Available-for-sale assets	21	–	–	103	–	–	103	103
Long-term other receivables		–	–	–	1	–	1	1
Trade and other receivables excluding prepayments	25	–	–	–	53	–	53	53
Bank balances and short-term deposits	26	–	–	–	1,256	–	1,256	1,256
Total		–	–	103	1,310	–	1,413	1,413
Liabilities as per statement of financial position								
At 31st December 2013								
Trade and other payables	27	**–**	**–**	**–**	**–**	**29,042**	**29,042**	**29,042**
At 31st December 2012								
Trade and other payables	27	–	–	–	–	22,232	22,232	22,232

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

The fair value of current borrowings equals their carrying value, as the impact of discounting is not significant. The fair value of non-current borrowings is not equal to their carrying value and based on cash flows discounted using assumptions sourced from the relevant financial institutions or quotes from market makers or alternative market participants supported by observable inputs. The fair value of non-current borrowings is categorised within level 2 of the fair value hierarchy.

20. Financial Instruments by Category (continued)

Financial instruments that are measured at fair value are included in the following fair value hierarchy:

Group	Note	Level 1 HK$M	Level 2 (Restated) HK$M	Level 3 (Restated) HK$M	Total carrying amount (Restated) HK$M
Assets as per consolidated statement of financial position					
At 31st December 2013					
Available-for-sale assets	21				
– Shares listed in Hong Kong		**94**	**–**	**–**	**94**
– Shares listed overseas		**486**	**–**	**–**	**486**
– Unlisted investments		**–**	**–**	**133**	**133**
Derivatives used for hedging	22	**–**	**615**	**–**	**615**
Total		**580**	**615**	**133**	**1,328**
At 31st December 2012					
Available-for-sale assets	21				
– Shares listed in Hong Kong		103	–	–	103
– Shares listed overseas		225	–	–	225
– Unlisted investments		–	–	12	12
Derivatives used for hedging	22	–	674	–	674
Total		328	674	12	1,014
Liabilities as per consolidated statement of financial position					
At 31st December 2013					
Derivatives used for hedging	22	**–**	**209**	**–**	**209**
Put option over non-controlling interest in Taikoo Li Sanlitun	27	**–**	**–**	**1,256**	**1,256**
Put option over non-controlling interest in Brickell City Centre	27	**–**	**–**	**367**	**367**
Put options over non-controlling interests in subsidiary companies	27	**–**	**–**	**216**	**216**
Total		**–**	**209**	**1,839**	**2,048**
At 31st December 2012					
Derivatives used for hedging	22	–	189	–	189
Put option over non-controlling interest in Taikoo Li Sanlitun	27	–	–	1,112	1,112
Put options over non-controlling interests in subsidiary companies	27	–	–	215	215
Total		–	189	1,327	1,516

Company	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per statement of financial position					
At 31st December 2013					
Available-for-sale assets	21				
– Shares listed in Hong Kong		**93**	**–**	**–**	**93**
At 31st December 2012					
Available-for-sale assets	21				
– Shares listed in Hong Kong		103	–	–	103

Notes:
The levels in the hierarchy represent the following:
Level 1 – Financial instruments measured at fair value using quoted prices in active markets.
Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

20. Financial Instruments by Category (continued)

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications and there were no transfers into or out of the level 3 fair value hierarchy classification. Following the adoption of HKFRS 13 in January 2013, the fair value of all put options over non-controlling interests in subsidiary companies and unlisted investments are categorised within the level 3 fair value hierarchy classification. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

The following table presents the changes in level 3 financial instruments for the year ended 31st December 2013:

Group	Put options over non-controlling interests HK$M	Unlisted investments HK$M
At 1st January 2013	**1,327**	**12**
Additions	**372**	**121**
Change in fair value recognised in profit or loss during the year	**140**	**–**
At 31st December 2013	**1,839**	**133**
Total losses for the year included in profit or loss in respect of financial liabilities held at 31st December 2013	**140**	**–**
Change in unrealised gains or losses for the year included in profit or loss in respect of financial liabilities and assets held at 31st December 2013	**140**	**–**

There has been no change in the valuation techniques for level 2 and level 3 fair value hierarchy classifications.

The fair value of derivatives used for hedging in level 2 has been determined based on quotes from market makers or alternative market participants supported by observable inputs. The most significant inputs are market interest rates, exchange rates and yields and commodity prices.

The fair value of the put options over non-controlling interests in subsidiary companies classified as level 3 is determined using a discounted cash flow valuation technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing these unobservable inputs to reasonable alternative assumptions would not significantly change the valuation of the put options.

In respect of the put option over the non-controlling interest in Taikoo Li Sanlitun, this is not sensitive to changes in inputs, because the put option was exercised by the holder of the instrument, and the price payable by the Group was agreed as HK$1,256 million, as described in Note 40 'Events After the Reporting Period'.

The fair value estimate of the put option over the non-controlling interest in the retail portion of Brickell City Centre contains a number of unobservable inputs, including the expected fair value of the investment property at the expected exercise date, the expected exercise date itself, and the discount rate used. The expected exercise date is early 2023, and the discount rate used is 4.5%. The investment property's fair value at the expected date is, itself, subject to a number of unobservable inputs which are similar to the inputs for the Group's other already complete investment properties, including expected fair market rent and the capitalisation rate. If the investment property's expected fair value at the exercise date is higher, the fair value of the put option would also be higher at 31st December 2013. If the expected exercise date is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise date or a lower discount rate.

The Group's finance departments perform the valuations of financial instruments required for reporting purposes, including level 3 fair values. The valuations are reviewed and approved by Divisional Finance Directors.

21. Available-for-sale Assets

	Group		Company	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Non-current assets				
Shares listed in Hong Kong	**94**	103	**93**	103
Shares listed overseas	**486**	225	**–**	–
Unlisted investments	**133**	12	**–**	–
	713	340	**93**	103

22. Derivative Financial Instruments

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either: (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (b) hedges of highly probable forecast transactions (cash flow hedges); or (c) hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings and foreign exchange risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of profit or loss within finance income or finance costs. The gain or loss relating to forward foreign exchange contracts, whether effective or ineffective, is recognised in the statement of profit or loss within other net gains.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised through the statement of profit or loss over the period to maturity.

(b) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled in the statement of profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the statement of profit or loss within cost of sales. The gain or loss relating to the ineffective portion of interest rate swaps or forward foreign exchange contracts is recognised in the statement of profit or loss within other net gains. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss.

22. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(c) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Gains and losses accumulated in equity are included in the statement of profit or loss when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

The fair value of interest rate swaps and cross-currency swaps are calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the period-end date.

	Group			
	2013		2012	
	Assets	Liabilities	Assets	Liabilities (Restated)
	HK$M	HK$M	HK$M	HK$M
Cross-currency swaps – cash flow hedges (a)	**562**	**88**	632	83
Interest rate swaps – cash flow hedges (b)	**17**	**11**	–	–
Forward foreign exchange contracts				
– cash flow hedges (c)	**9**	**105**	33	80
– not qualifying as hedges	**27**	**–**	5	9
Commodity swaps				
– cash flow hedges (d)	**–**	**3**	–	15
– not qualifying as hedges	**–**	**2**	4	2
Total	**615**	**209**	674	189
Less non-current portion:				
Cross-currency swaps – cash flow hedges (a)	**562**	**88**	632	83
Interest rate swaps – cash flow hedges (b)	**17**	**11**	–	–
Forward foreign exchange contracts				
– cash flow hedges (c)	**–**	**13**	9	34
– not qualifying as hedges	**11**	**–**	2	8
	590	**112**	643	125
Current portion	**25**	**97**	31	64

(a) The cross-currency swaps hedge the foreign currency risk relating to US$ note issues and US$ perpetual capital securities. Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2013 are expected to affect the statement of profit or loss in the years to redemption of the notes and perpetual capital securities (up to and including 2023).

(b) These interest rate swaps hedge the interest rate risk associated with floating rate loans. Gains and losses recognised in other comprehensive income on interest rate swaps at 31st December 2013 are expected to affect the statement of profit or loss in the years to repayment of the loans (up to and including 2018). At 31st December 2013, the fixed interest rates varied from 0.775% to 3.1% (2012: 0.775% to 0.88%) and the main floating rates were HIBOR three-months (2012: same).

(c) The forward foreign exchange contracts hedge the foreign currency exposure relating to contractual obligations. Gains and losses recognised in other comprehensive income on foreign exchange contracts at 31st December 2013 are expected to affect the statement of profit or loss up to and including 2015.

(d) The commodity swaps hedge the price risk in commodities such as sugar. Gains and losses recognised in other comprehensive income on commodity swaps at 31st December 2013 are expected to affect the statement of profit or loss up to and including 2015.

22. Derivative Financial Instruments (continued)

For the years ended 31st December 2013 and 31st December 2012 all cash flow hedges were effective.

The notional principal amounts of the outstanding derivative financial instruments are as follows:

	2013 HK$M	2012 (Restated) HK$M
Cross currency swaps	**22,461**	17,828
Forward foreign exchange contracts	**2,951**	3,440
Interest rate swaps	**1,650**	150
Commodity swaps	**175**	394

23. Properties Held for Development and Properties for Sale

Accounting Policy

Properties held for development and properties for sale comprise freehold and leasehold land, construction costs and interest costs capitalised, less provisions for possible losses. Properties held for development are not expected to be sold within the Group's normal operating cycle and are classified as non-current assets. Properties for sale are available for immediate sale and are classified as current assets.

Refer to page 34 for details of the Group's properties held for development and properties for sale.

24. Stocks and Work in Progress

Accounting Policy

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of finished goods and work in progress comprise direct material and labour costs and an appropriate proportion of production overhead expenses less provisions for foreseeable losses. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials or stocks.

	Group	
	2013 HK$M	2012 (Restated) HK$M
Goods for sale	**2,095**	2,987
Manufacturing materials	**320**	358
Production supplies	**669**	688
Work in progress	**150**	232
	3,234	4,265

25. Trade and Other Receivables

Accounting Policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the statement of financial position are stated net of such provisions.

Objective evidence of impairment may include indications that a debtor is or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it or they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Trade debtors	**3,845**	3,119	**–**	–
Amounts due from subsidiary companies	**–**	–	**26**	23
Amounts due from joint venture companies	**168**	369	**–**	–
Amounts due from associated companies	**624**	439	**–**	–
Interest-bearing advances to joint venture companies (2012: 3.0%-5.4%)	**–**	190	**–**	–
Prepayments and accrued income	**2,211**	1,867	**1**	2
Other receivables	**2,339**	3,180	**21**	30
	9,187	9,164	**48**	55

The amounts due from subsidiary, joint venture and associated companies are unsecured and interest free. Except for amounts due from subsidiary companies which have no fixed terms of repayment, the balances are on normal trade credit terms.

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

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Up to three months	**3,666**	2,957
Between three and six months	**103**	113
Over six months	**76**	49
	3,845	3,119

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.

25. Trade and Other Receivables (continued)

At 31st December 2013, trade debtors of HK$1,083 million (2012: HK$1,032 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Up to three months	**943**	914
Between three and six months	**93**	77
Over six months	**47**	41
	1,083	1,032

At 31st December 2013, trade debtors of HK$102 million (2012: HK$68 million) were impaired and provided for. The amount of the provision was HK$59 million at 31st December 2013 (2012: HK$21 million). It was assessed that a portion of the trade debtors is expected to be recovered. The analysis of the ageing of these impaired trade debtors is as follows:

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Up to three months	**7**	8
Between three and six months	**6**	1
Over six months	**89**	59
	102	68

The maximum exposure to credit risk at 31st December 2013 and 31st December 2012 is the carrying value of trade debtors, amounts due from related parties and other receivables disclosed above. The value of rental deposits from tenants held as security against trade debtors at 31st December 2013 was HK$2,124 million (2012: HK$1,953 million).

26. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term highly liquid investments which were within three months of maturity when acquired, less bank overdrafts.

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Cash and cash equivalents	**10,950**	6,080	**2,154**	1,256
Short-term deposits maturing after more than three months	**338**	11	**190**	–
	11,288	6,091	**2,344**	1,256

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 10.5% (2012: 0.01% to 8.6%); these deposits have a maturity from 2 to 295 days (2012: 2 to 217 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2013 and 31st December 2012 is the carrying value of the bank balances and short-term deposits disclosed above.

27. Trade and Other Payables

Accounting Policy

Trade and other payables (except put options over non-controlling interests in subsidiary companies) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Trade creditors	**3,418**	3,231	**–**	–
Amounts due to immediate holding company	**213**	253	**17**	30
Amounts due to subsidiary companies	**–**	–	**4,382**	4,229
Amounts due to joint venture companies	**167**	197	**–**	–
Amounts due to associated companies	**227**	134	**–**	–
Interest-bearing advances from a subsidiary company at 0.32% (2012: 0.23%)	**–**	–	**24,554**	17,835
Interest-bearing advances from joint venture companies at 1.55% (2012: 1.58%)	**528**	484	**–**	–
Advances from non-controlling interests	**445**	365	**–**	–
Rental deposits from tenants	**2,124**	1,953	**8**	–
Put option over non-controlling interest in Taikoo Li Sunlitun	**1,256**	1,112	**–**	–
Put option over non-controlling interest in Brickell City Centre	**367**	–	**–**	–
Put options over non-controlling interests in subsidiary companies	**216**	215	**–**	–
Accrued capital expenditure	**988**	1,235	**9**	73
Other accruals	**4,728**	4,058	**21**	25
Other payables	**2,345**	2,436	**51**	40
	17,022	15,673	**29,042**	22,232
Amounts due after one year included under non-current liabilities	**(583)**	(215)	**–**	–
	16,439	15,458	**29,042**	22,232

The amounts due to and advances from immediate holding, subsidiary, joint venture and associated companies, and non-controlling interests are unsecured and have no fixed terms of repayment. Apart from certain amounts due to subsidiary, joint venture and associated companies, which are interest-bearing as specified above, the balances are interest free.

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

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Up to three months	**3,218**	2,995
Between three and six months	**126**	200
Over six months	**74**	36
	3,418	3,231

28. Perpetual Capital Securities

Refer to page 120 for details of the Group's perpetual capital securities.

29. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included for those not held at fair value through profit or loss. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Refer to pages 118 to 126 for details of the Group's borrowings.

30. Deferred Taxation

Accounting Policy

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable nor accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, joint venture and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

30. Deferred Taxation (continued)

The movement on the net deferred tax liabilities account is as follows:

	Note	Group 2013 HK$M	Group 2012 HK$M	Company 2013 HK$M	Company 2012 HK$M
At 1st January					
as originally stated		**5,419**	4,745	**19**	22
impact of change in accounting policy		**(301)**	(299)	**(7)**	(7)
as restated		**5,118**	4,446	**12**	15
Translation differences		**77**	16	**–**	–
Change in composition of the Group		**–**	(21)	**–**	–
Charged to statement of profit or loss	10	**451**	663	**(1)**	(4)
Charged to other comprehensive income		**144**	14	**3**	1
At 31st December		**5,790**	5,118	**14**	12

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$3,621 million (2012: HK$3,024 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group 2013 HK$M	Group 2012 HK$M
No expiry date	**1,814**	1,420
Expiring in 2013	**–**	40
Expiring in 2014	**258**	287
Expiring in 2015	**358**	375
Expiring in 2016	**399**	429
Expiring in 2017	**401**	473
Expiring in 2018 or after	**391**	–
	3,621	3,024

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
At 1st January								
as originally stated	**2,914**	2,517	**2,293**	2,014	**802**	633	**6,009**	5,164
impact of change in accounting policy	**(7)**	(7)	**–**	–	**(58)**	(53)	**(65)**	(60)
as restated	**2,907**	2,510	**2,293**	2,014	**744**	580	**5,944**	5,104
Translation differences	**(1)**	(1)	**72**	21	**(26)**	–	**45**	20
Charged to statement of profit or loss	**290**	398	**208**	249	**99**	171	**597**	818
Charged to other comprehensive income	**–**	–	**15**	9	**66**	(7)	**81**	2
At 31st December	**3,196**	2,907	**2,588**	2,293	**883**	744	**6,667**	5,944

30. Deferred Taxation (continued)

	Company					
	Accelerated tax depreciation		Others		Total	
	2013	2012	2013	2012	2013	2012
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January						
as originally stated	**6**	3	**19**	19	**25**	22
impact of change in accounting policy	**–**	–	**(7)**	(7)	**(7)**	(7)
as restated	**6**	3	**12**	12	**18**	15
Charged to statement of profit or loss	**7**	3	**(1)**	(1)	**6**	2
Charged to other comprehensive income	**–**	–	**3**	1	**3**	1
At 31st December	**13**	6	**14**	12	**27**	18

Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January								
as originally stated	**279**	236	**249**	125	**62**	58	**590**	419
impact of change in accounting policy	**54**	48	**–**	–	**182**	191	**236**	239
as restated	**333**	284	**249**	125	**244**	249	**826**	658
Translation differences	**(8)**	1	**1**	–	**(25)**	3	**(32)**	4
Change in composition of the Group	**–**	21	**–**	–	**–**	–	**–**	21
Credited to statement of profit or loss	**93**	27	**35**	124	**18**	4	**146**	155
Charged to other comprehensive income	**–**	–	**–**	–	**(63)**	(12)	**(63)**	(12)
At 31st December	**418**	333	**285**	249	**174**	244	**877**	826

	Company	
	Tax losses	
	2013	2012
	HK$M	HK$M
At 1st January	**6**	–
Credited to statement of profit or loss	**7**	6
At 31st December	**13**	6

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	HK$M	HK$M	HK$M	HK$M
Deferred tax assets:				
– To be recovered after more than 12 months	**(396)**	(412)	**(13)**	(6)
– To be recovered within 12 months	**(171)**	(143)	**–**	–
	(567)	(555)	**(13)**	(6)
Deferred tax liabilities:				
– To be settled after more than 12 months	**6,253**	5,668	**27**	18
– To be settled within 12 months	**104**	5	**–**	–
	6,357	5,673	**27**	18
	5,790	5,118	**14**	12

31. Retirement Benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are generally held in separate trustee-administered funds.

A defined benefit scheme is a retirement plan that defines the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has an obligation to provide participating employees with these benefits.

A defined contribution scheme is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Accounting Policy

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the statement of profit or loss so as to spread the regular cost over the service lives of employees.

The asset or liability recognised on the statement of financial position is the present value of the cost of providing these benefits (the defined benefit obligation) less the fair value of the plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries and is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds. The plan assets are valued on a bid price basis.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the statement of profit or loss. Any difference between the implicit and actual return on assets are charged as remeasurements to other comprehensive income.

For defined contribution schemes, the Group's contributions are charged to the statement of profit or loss in the period to which the contributions relate.

The majority of the Group's schemes are final salary guaranteed lump sum defined benefit plans.

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued annually by qualified actuaries for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2013, the funding level was 117% (2012: 110%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$202 million to its defined benefit schemes in 2014.

For the year ended 31st December 2012, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012. For the year ended 31st December 2013, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012, which were updated at 31st December 2013 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in the United States and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment health care and life insurance benefit plan for certain retired employees in the United States. The plan is unfunded. The method of accounting and the frequency of valuations are similar to those used for defined benefit schemes.

Most new employees are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$25,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

31. Retirement Benefits (continued)

	2013			
	Group			Company
	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M	Defined benefit plans HK$M
Present value of funded obligations	**4,721**	**–**	**4,721**	**120**
Fair value of plan assets	**(4,648)**	**–**	**(4,648)**	**(206)**
	73	**–**	**73**	**(86)**
Present value of unfunded obligations	**–**	**43**	**43**	**–**
Net retirement benefit liabilities/(assets)	**73**	**43**	**116**	**(86)**
Represented by:				
Retirement benefit assets	**(429)**	**–**	**(429)**	**(86)**
Retirement benefit liabilities	**502**	**43**	**545**	**–**
	73	**43**	**116**	**(86)**

	2012 (Restated)			
	Group			Company
	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M	Defined benefit plans HK$M
Present value of funded obligations	4,997	–	4,997	119
Fair value of plan assets	(4,441)	–	(4,441)	(190)
	556	–	556	(71)
Present value of unfunded obligations	–	50	50	–
Net retirement benefit liabilities/(assets)	556	50	606	(71)
Represented by:				
Retirement benefit assets	(210)	–	(210)	(71)
Retirement benefit liabilities	766	50	816	–
	556	50	606	(71)

Changes in the present value of the defined benefit obligation are as follows:

	Group				Company	
	Defined benefit plans		Other post-employment benefits		Defined benefit plan	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
At 1st January	**4,997**	4,619	**50**	50	**119**	97
Translation differences	**(7)**	9	**–**	–	**–**	–
Transfer of members	**2**	–	**–**	–	**1**	2
Current service cost	**261**	249	**1**	1	**8**	8
Interest expense	**163**	174	**2**	2	**4**	4
Actuarial losses/(gains) from changes in:						
demographic assumptions	**20**	(13)	**–**	–	**–**	–
financial assumptions	**(505)**	279	**(6)**	(2)	**(11)**	8
Experience losses/(gains)	**73**	29	**(2)**	–	**–**	4
Employee contributions	**1**	2	**1**	1	**–**	–
Benefits paid	**(284)**	(351)	**(3)**	(2)	**(1)**	(4)
At 31st December	**4,721**	4,997	**43**	50	**120**	119

The weighted average duration of the defined benefit obligation is 11.4 years (2012: 12.2 years).

31. Retirement Benefits (continued)

Changes in the fair value of plan assets are as follows:

	Group		Company	
	Defined benefit plans		Defined benefit plan	
	2013	2012	2013	2012
	HK$M	HK$M	HK$M	HK$M
At 1st January	**4,441**	4,076	**190**	169
Translation differences	**1**	(1)	**–**	–
Transfer of members	**2**	–	**1**	2
Interest income	**150**	162	**6**	7
Return on plan assets, excluding interest income	**149**	361	**10**	16
Contributions by employer	**188**	192	**–**	–
Employee contributions	**1**	2	**–**	–
Benefits paid	**(284)**	(351)	**(1)**	(4)
At 31st December	**4,648**	4,441	**206**	190

There were no plan amendments, curtailments or settlements during the year.

Net expenses recognised in the statement of profit or loss are as follows:

	Group					
	2013			2012 (Restated)		
	Defined benefit plans	Other post-employment benefits	Total	Defined benefit plans	Other post-employment benefits	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Current service cost	**261**	**1**	**262**	249	1	250
Net interest cost	**13**	**2**	**15**	12	2	14
	274	**3**	**277**	261	3	264

The above net expenses were mainly included in administrative expenses in the statement of profit or loss.

Total retirement benefit costs charged to the statement of profit or loss for the year ended 31st December 2013 amounted to HK$481 million (2012: HK$418 million as restated), including HK$204 million (2012: HK$154 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was HK$299 million (2012: HK$523 million).

The plan assets are invested in the Swire Group Unitised Trust ("the Trust"). The Trust has three sub-funds in which the assets are invested in accordance with separate and distinct investment policies and objectives. The Trust and sub-funds are overseen by an investment committee, which meets four times a year.

The make-up of the Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities, bonds and absolute return funds.

31. Retirement Benefits (continued)

The management of the assets within the sub-funds is delegated by the investment committee to a number of reputable investment managers. The plan assets comprise:

	Group Defined benefit plans 2013 HK$M	 2012 HK$M
Equities		
Asia Pacific	**557**	561
Europe	**316**	301
North America	**779**	708
Emerging markets	**573**	527
Bonds		
Global	**1,648**	1,867
Emerging markets	**466**	236
Absolute return funds	**112**	52
Cash	**197**	189
	4,648	4,441

At 31st December 2013, the prices of 100% of equities and 82% of bonds were quoted on active markets (31st December 2012: 100% and 91% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the group is market risk. This risk embodies the potential for loss and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the investment managers appointed. Investment managers enter into agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark and the predicted tracking error around this benchmark. The Group's investment committee monitors the overall market risk position on a quarterly basis.

The significant actuarial assumptions used are as follows:

	Group					
	Defined benefit plans				Other post-employment benefits	
	2013		2012		2013	2012
	Hong Kong %	Others %	Hong Kong %	Others %	USA %	USA %
Discount rate	**4.27**	**1.75-5.00**	3.32	1.40-4.46	**4.75**	4.46
Expected rate of future salary increases	**4.00**	**2.50-4.12**	3.50-4.61	2.50-4.12	**N/A**	N/A
Expected rate of increase in cost of covered health care benefits	**N/A**	**N/A**	N/A	N/A	**7.50**	7.50

The sensitivity of the defined benefit obligation to changes in actuarial assumptions is:

	Group Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
Discount rate	0.50%	(262)	283
Expected rate of future salary increases	0.50%	235	(221)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the statement of financial position.

32. 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 2013 and 2012	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 31st December 2013 and 2012	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. This has not changed following the abolition of nominal value by the Companies Ordinance (Cap.662), which came into effect on 3rd March 2014. The effect of paragraph 40 of Schedule 11 to that Ordinance is to preserve the rights attaching to the Company's 'A' shares and 'B' shares as if they still had their nominal values.

33. Reserves

Group	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2012									
as originally stated		221,209	342	49	1,650	435	(706)	3,677	226,656
impact of change in accounting policy		(1,181)	–	–	–	–	–	2	(1,179)
as restated		220,028	342	49	1,650	435	(706)	3,679	225,477
Profit for the year		17,410	–	–	–	–	–	–	17,410
Other comprehensive income									
Defined benefit plans									
– remeasurement gains recognised during the year		60	–	–	–	–	–	–	60
– deferred tax		(17)	–	–	–	–	–	–	(17)
Cash flow hedges									
– recognised during the year		–	–	–	–	–	106	–	106
– 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 gains on available-for-sale assets		–	–	–	–	153	–	–	153
Revaluation of property previously occupied by the Group									
– gains recognised during the year		–	–	–	44	–	–	–	44
– deferred tax		–	–	–	(8)	–	–	–	(8)
Share of other comprehensive income of joint venture and associated companies		35	–	–	–	17	737	93	882
Net translation differences on foreign operations		–	–	–	–	–	–	174	174
Total comprehensive income for the year		17,488	–	–	36	170	811	267	18,772
Change in composition of the Group		3	–	–	–	–	–	–	3
Recognition of put options over non-controlling interests in subsidiary companies		(58)	–	–	–	–	–	–	(58)
2011 second interim dividend	12	(3,536)	–	–	–	–	–	–	(3,536)
2012 first interim dividend	12	(1,505)	–	–	–	–	–	–	(1,505)
Special interim dividend by way of a distribution in specie	12	(31,589)	–	–	–	–	–	–	(31,589)
At 31st December 2012		200,831	342	49	1,686	605	105	3,946	207,564

33. Reserves (continued)

Group	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2013									
as originally stated		202,007	342	49	1,686	605	105	3,944	208,738
impact of change in accounting policy		(1,176)	–	–	–	–	–	2	(1,174)
as restated		200,831	342	49	1,686	605	105	3,946	207,564
Profit for the year		13,291	–	–	–	–	–	–	13,291
Other comprehensive income									
Defined benefit plans									
– remeasurement gains recognised during the year		485	–	–	–	–	–	–	485
– deferred tax		(125)	–	–	–	–	–	–	(125)
Cash flow hedges									
– recognised during the year		–	–	–	–	–	2	–	2
– transferred to net finance charges		–	–	–	–	–	(109)	–	(109)
– transferred to operating profit – exchange differences		–	–	–	–	–	(4)	–	(4)
– transferred to initial cost of non-financial assets		–	–	–	–	–	4	–	4
– deferred tax		–	–	–	–	–	10	–	10
Net fair value gains on available-for-sale assets		–	–	–	–	252	–	–	252
Revaluation of property previously occupied by the Group									
– gains recognised during the year		–	–	–	293	–	–	–	293
– deferred tax		–	–	–	(12)	–	–	–	(12)
Share of other comprehensive income of joint venture and associated companies		485	–	–	–	27	1,509	498	2,519
Net translation differences on foreign operations		–	–	–	–	–	–	509	509
Total comprehensive income for the year		14,136	–	–	281	279	1,412	1,007	17,115
Change in composition of the Group		(19)	–	–	–	–	–	–	(19)
2012 second interim dividend	12	(3,761)	–	–	–	–	–	–	(3,761)
2013 first interim dividend	12	(1,505)	–	–	–	–	–	–	(1,505)
At 31st December 2013		209,682	342	49	1,967	884	1,517	4,953	219,394

33. Reserves (continued)

Company	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
At 1st January 2012						
as originally stated		18,399	342	49	(24)	18,766
impact of change in accounting policy		(35)	–	–	–	(35)
as restated		18,364	342	49	(24)	18,731
Profit for the year	11	5,591	–	–	–	5,591
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		4	–	–	–	4
– deferred tax		(1)	–	–	–	(1)
Net fair value gains on available-for-sale assets		–	–	–	40	40
Total comprehensive income for the year		5,594	–	–	40	5,634
2011 second interim dividend	12	(3,536)	–	–	–	(3,536)
2012 first interim dividend	12	(1,505)	–	–	–	(1,505)
Special interim dividend by way of a distribution in specie		(2,050)	–	–	–	(2,050)
At 31st December 2012		16,867	342	49	16	17,274
At 1st January 2013						
as originally stated		**16,902**	**342**	**49**	**16**	**17,309**
impact of change in accounting policy		**(35)**	**–**	**–**	**–**	**(35)**
as restated		**16,867**	**342**	**49**	**16**	**17,274**
Profit for the year	11	**2,296**	**–**	**–**	**–**	**2,296**
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		**21**	**–**	**–**	**–**	**21**
– deferred tax		**(3)**	**–**	**–**	**–**	**(3)**
Net fair value losses on available-for-sale assets		**–**	**–**	**–**	**(10)**	**(10)**
Total comprehensive income for the year		**2,314**	**–**	**–**	**(10)**	**2,304**
2012 second interim dividend	12	**(3,761)**	**–**	**–**	**–**	**(3,761)**
2013 first interim dividend	12	**(1,505)**	**–**	**–**	**–**	**(1,505)**
At 31st December 2013		**13,915**	**342**	**49**	**6**	**14,312**

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$2,319 million (2012: HK$1,416 million, as restated) and retained revenue reserves from associated companies amounting to HK$22,428 million (2012: HK$20,973 million, as restated).

(b) Distributable reserves of the Company at 31st December 2013 amounted to HK$11,012 million (2012: HK$13,668 million).

(c) The Group and Company revenue reserves include HK$3,761 million (2012: HK$3,761 million) representing the declared second interim dividend for the year (note 12).

34. Non-controlling Interests

	Note	Group 2013 HK$M	Group 2012 HK$M
At 1st January			
as originally stated		**39,693**	4,917
impact of change in accounting policy		**222**	221
as restated		**39,915**	5,138
Share of profits less losses for the year		**2,747**	4,034
Defined benefit plans			
– remeasurement gains recognised during the year		**84**	7
– deferred tax		**(14)**	(1)
Share of cash flow hedges			
– recognised during the year		**2**	(14)
– deferred tax		**–**	3
Share of revaluation of property previously occupied by the Group			
– gains recognised during the year		**64**	10
– deferred tax		**(3)**	(1)
Share of other comprehensive income of joint venture and associated companies		**62**	9
Share of translation differences on foreign operations		**166**	41
Share of total comprehensive income		**3,108**	4,088
Dividends paid and payable		**(855)**	(990)
Special interim dividend by way of a distribution in specie	12	**–**	31,589
Acquisition of non-controlling interests in subsidiary companies		**23**	(1)
Disposal of non-controlling interests in subsidiary companies		**–**	12
Capital contribution from non-controlling interests		**20**	97
Recognition of a put option over a non-controlling interest in a subsidiary company		**–**	(18)
At 31st December		**42,211**	39,915

35. Capital Commitments

	Group 2013 HK$M	Group 2012 (Restated) HK$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**9,190**	8,291
Authorised by Directors but not contracted for	**5,097**	3,182
(b) Investment properties		
Contracted for	**2,069**	1,648
Authorised by Directors but not contracted for	**17,712**	7,064
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**3,142**	1,799
Authorised by Directors but not contracted for	**6,395**	4,898
	9,537	6,697

* of which the Group is committed to funding HK$4,383 million (2012: HK$818 million).

The Company had no commitments at 31st December 2013 (2012: HK$48 million in respect of investment properties).

At 31st December 2013, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$214 million (2012: HK$194 million).

36. Provisions and Contingencies

Accounting Policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Financial guarantees are initially recognised in the accounts at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise the fee income earned in the statement of profit or loss on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the statement of profit or loss.

	Group		Company	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
(a) Guarantees provided in respect of bank loans and other liabilities of:				
Subsidiary companies	**–**	–	**37,592**	32,858
Joint venture companies	**1,131**	1,107	**569**	1,039
	1,131	1,107	**38,161**	33,897

The directors have assessed the fair value of the above guarantees and do not consider them to be material. They have therefore not been recognised in the statement of financial position.

(b) Cathay Pacific Airways

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions and continues to defend itself vigorously except as otherwise noted below. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

In 2006 the Competition Bureau of Canada (the "Bureau") commenced a non-public investigation of Cathay Pacific's air cargo operations. On 20th June 2013, pursuant to a plea agreement entered into by Cathay Pacific and the Bureau, the Ontario Superior Court of Justice accepted Cathay Pacific's plea of guilty with respect to certain violations of the Canadian Competition Act relating to a NavCan surcharge. Pursuant to the plea agreement and the Court's judgment, Cathay Pacific agreed to pay a fine of CAD$1.5 million (approximately HK$11.21 million at the exchange rate current when the judgment was entered). Cathay Pacific has satisfied the judgment.

In December 2008, Cathay Pacific received a statement of claim, since amended, from the New Zealand Commerce Commission ("NZCC") with regard to Cathay Pacific's air cargo operations. Agreement was reached between Cathay Pacific and the NZCC to settle the allegations which arose out of the amended statement of claim. Under the settlement, which was approved by the High Court of New Zealand, Cathay Pacific pleaded guilty to certain violations of the Commerce Act 1986 and agreed to make a payment of NZ$4.56 million (approximately HK$29.95 million at the exchange rate current when the judgment was entered), made up of a penalty of NZ$4.30 million and a contribution of NZ$0.26 million to the legal costs of the NZCC. Cathay Pacific satisfied the judgment in April 2013.

36. Provisions and Contingencies (continued)

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of €57.12 million (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on Cathay Pacific. In January 2011, Cathay Pacific filed an appeal with the General Court of the European Union. The appeal is currently pending.

Cathay Pacific has been named as a defendant in a number of civil complaints, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, the United Kingdom, the Netherlands, Norway and Australia alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel and is defending these actions, except as noted below.

Cathay Pacific is a defendant in various putative class action cases filed in the United States, in which the plaintiffs allege Cathay Pacific and other carriers that provide air cargo services fixed the prices of various air cargo charges and surcharges in violation of United States federal and state antitrust laws, and certain foreign competition laws. Those cases have been consolidated into one case for all pre-trial purposes, *In re Air Cargo Shipping Services Antitrust Litigation*, MDL No. 1775, EDNY. Damages are demanded, but the amounts are not specified. Cathay Pacific has reached an agreement to settle this matter in February 2014, by paying the plaintiffs US$65 million (approximately HK$504 million at the exchange rate current at date of payment). The settlement, which is subject to Court approval, will resolve claims against all putative class members who choose not to opt out of the agreement.

The proceedings and civil actions, except as otherwise stated above, are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the accounting policy set out above in this note.

37. Leases

Accounting Policy

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessors) are recognised as income or expenses in the statement of profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

37. Leases (continued)

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out land and buildings and vessels under operating leases. The leases for land and buildings typically run for periods of three to six years. The retail turnover-related rental income received during the year amounted to HK$456 million (2012: HK$523 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew the lease after that date, at which time all terms are renegotiated.

At 31st December, the future aggregate minimum lease receipts under non-cancellable operating leases receivable by the Group and the Company were as follows:

	Group		Company	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Land and buildings:				
Not later than one year	**7,444**	6,776	**24**	–
Later than one year but not later than five years	**15,743**	14,313	**61**	–
Later than five years	**2,574**	2,257	**–**	–
	25,761	23,346	**85**	–
Vessels:				
Not later than one year	**3,610**	3,496		
Later than one year but not later than five years	**6,375**	5,626		
Later than five years	**2,592**	3,625		
	12,577	12,747		
	38,338	36,093		

Assets held for deployment on operating leases at 31st December were as follows:

	Group				Company	
	2013		2012		2013	2012
	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Investment properties HK$M
Cost or fair value	**195,533**	**19,458**	192,991	15,055	**4,100**	4,396
Less: accumulated depreciation	**–**	**(3,697)**	–	(3,074)	**–**	–
	195,533	**15,761**	192,991	11,981	**4,100**	4,396
Depreciation for the year	**–**	**871**	–	539	**–**	–

37. Leases (continued)

(b) Lessee

The Group leases land and buildings, vessels and other equipment under operating leases. These leases typically run for an initial period of one to nine years with an option to renew the lease after that date, at which time all terms are renegotiated. The retail turnover-related rentals paid during the year amounted to HK$38 million (2012: HK$34 million).

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases payable by the Group and the Company were as follows:

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Land and buildings:				
Not later than one year	**725**	629	**12**	6
Later than one year but not later than five years	**1,219**	1,103	**15**	5
Later than five years	**2,750**	2,851	**–**	–
	4,694	4,583	**27**	11
Vessels:				
Not later than one year	**135**	135		
Later than one year but not later than five years	**437**	502		
Later than five years	**201**	272		
	773	909		
Other equipment:				
Not later than one year	**21**	18		
	5,488	5,510		

At 31st December 2013, the Group had no significant plant and equipment under finance leases.

38. Related Party Transactions

Accounting Policy

Related parties are individuals and companies, including subsidiary, fellow subsidiary, joint venture and associated companies and key management (including close members of their families), where the individual, company or Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements, which commenced on 1st January 2011 for a period of three years, expired on 31st December 2013. The Services Agreements were renewed on 14th November 2013 and will last for another three years on the same terms and conditions commencing on 1st January 2014. For the year ended 31st December 2013, service fees payable amounted to HK$287 million (2012: HK$296 million). Expenses of HK$177 million (2012: HK$170 million) were reimbursed at cost; in addition, HK$270 million (2012: HK$293 million) in respect of shared administrative services was reimbursed.

38. Related Party Transactions (continued)

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between the Company and JSSHK dated 5th August 2010, members of the Group will enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the year ended 31st December 2013, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK$86 million (2012: HK$73 million).

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the JSSHK Tenancy Framework Agreement), which were carried out in the normal course of the Group's business, in addition to those transactions disclosed elsewhere in the accounts. Transactions under the Services Agreements and the JSSHK Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
		2013	2012 (Restated)	2013	2012 (Restated)	2013	2012	2013	2012
	Notes	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Revenue from	(a)								
– Sales of beverage drinks		**6**	3	**16**	19	**–**	–	**–**	–
– Rendering of services		**1**	1	**4**	8	**4**	2	**–**	–
– Aircraft and engine maintenance		**42**	54	**2,691**	2,447	**–**	–	**–**	–
Purchase of beverage drinks	(a)	**51**	108	**2,286**	1,794	**–**	–	**–**	–
Purchase of other goods	(a)	**4**	4	**9**	17	**–**	–	**–**	–
Purchase of services	(a)	**27**	22	**12**	19	**47**	35	**–**	–
Rental revenue	(b)	**5**	5	**8**	9	**14**	13	**72**	60
Interest income	(c)	**35**	23	**–**	–	**–**	–	**–**	–
Interest charges	(c)	**9**	4	**–**	–	**–**	–	**–**	–

Notes:
(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.
(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
(c) Loans advanced to joint venture and associated companies at 31st December 2013 are disclosed in note 19. Advances to and from joint venture companies are disclosed in notes 25 and 27.

Amounts due to the immediate holding company at 31st December 2013 are disclosed in note 27. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management is disclosed in note 8.

39. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Operating profit	**16,686**	23,487
Profit on sale of property, plant and equipment	**(95)**	(22)
Profit on sale of investment properties	**–**	(66)
Change in fair value of investment properties	**(5,845)**	(12,147)
Depreciation	**2,294**	1,846
Amortisation	**195**	179
Impairment losses recognised	**45**	64
Other items	**157**	131
Operating profit before working capital changes	**13,437**	13,472
Increase in long-term receivables	**(4)**	(11)
(Increase)/decrease in properties for sale	**(1,314)**	83
Decrease/(increase) in stocks and work in progress	**1,022**	(485)
Increase in trade and other receivables	**(280)**	(1,900)
Increase/(decrease) in trade and other payables	**1,440**	(330)
Cash generated from operations	**14,301**	10,829

(b) Purchase of property, plant and equipment

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Properties	**626**	610
Leasehold land and land use rights	**101**	60
Plant and machinery	**1,464**	1,363
Vessels	**4,194**	5,499
Total	**6,385**	7,532

The above figures do not include interest capitalised on property, plant and equipment.

(c) Analysis of changes in financing during the year

	Group			
	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2013	2012	2013	2012
	HK$M	HK$M	HK$M	HK$M
At 1st January				
as originally stated	**50,664**	39,650	**39,693**	4,917
impact of change in accounting policy	**(294)**	154	**222**	221
as restated	**50,370**	39,804	**39,915**	5,138
Net cash inflow from financing	**11,157**	9,878	**20**	97
Change in composition of the Group	**–**	585	**–**	–
Acquisition of non-controlling interests in subsidiary companies	**–**	–	**23**	(1)
Disposal of non-controlling interests in subsidiary companies	**–**	–	**–**	12
Non-controlling interests' share of total comprehensive income	**–**	–	**3,108**	4,088
Dividends paid to non-controlling interests	**–**	–	**(857)**	(1,023)
Dividends payable to non-controlling interests	**–**	–	**2**	33
Special interim dividend by way of a distribution in specie	**–**	–	**–**	31,589
Recognition of a put option over non-controlling interest in a subsidiary company	**–**	–	**–**	(18)
Other non-cash movements	**317**	103	**–**	–
At 31st December	**61,844**	50,370	**42,211**	39,915

40. Events after the Reporting Period

In October 2013, a wholly owned subsidiary of HAECO entered into a stock purchase agreement (the "Acquisition Agreement") with TAS Management, LLC ("TASM"). Under the Acquisition Agreement, the subsidiary conditionally agreed to acquire and TASM conditionally agreed to sell all the outstanding shares in TIMCO Aviation Services, Inc. ("TIMCO"). TIMCO is a Delaware corporation based in the United States which provides aircraft technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing. The acquisition was completed on 6th February 2014 for a total consideration of HK$2,887 million. If the acquisition had occurred on 1st January 2013, the HAECO group's consolidated revenue and consolidated net profit for the year ended 31st December 2013 would have been, on a pro-forma basis, HK$10,364 million and HK$724 million respectively. TIMCO's identifiable net assets as at 31st December 2013 were HK$1,459 million.

In January 2014, Swire Properties acquired 50% of DCH Commercial Centre, an office building with a gross floor area of approximately 389,000 sq. ft. in Quarry Bay, Hong Kong.

In January 2014, Swire Properties signed a framework agreement with CITIC Real Estate Co., Ltd. and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian, Mainland China through a joint venture in which Swire Properties is expected to hold a 50% interest. The proposed joint venture and development are subject to satisfaction of certain conditions precedent.

In February 2014, Swire Properties' acquisition of a 20% interest in Taikoo Li Sanlitun in Beijing from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, was completed following a notice of intention to exercise a put option as served by GCA in August 2013.

In February 2014, Swire Properties entered into an agreement with the Government of the Hong Kong Special Administrative Region (represented by The Financial Secretary Incorporated) to acquire its interest in Cornwall House in TaiKoo Place. The transaction is to be completed on or before 30th December 2016. The acquisition will allow Swire Properties to proceed with the redevelopment of three existing techno-centres in TaiKoo Place into two Grade-A office buildings.

In February 2014, the company which owns an industrial site at 8-10 Wong Chuk Hang Road in Aberdeen, Hong Kong (in which Swire Properties has a 50% interest) agreed with the Government to proceed with a modification of the Government Leases to permit the site to be used for commercial purposes. The site is intended to be developed into an office building with an aggregate gross floor area of approximately 382,500 square feet.

41. Immediate and Ultimate Holding Company

The immediate holding company is John Swire & Sons (H.K.) Limited, a company incorporated in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in England.

Principal Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the accounts, the other principal accounting policies applied in the preparation of these consolidated accounts are set out below.

1. Basis of Preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated accounts have been prepared under the historical cost convention as modified by the revaluation of certain investment properties, available-for-sale investments and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. Basis of Consolidation

The consolidated accounts incorporate the accounts of Swire Pacific Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in joint venture and associated companies.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary company acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture company or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the statement of other comprehensive income are reclassified to the statement of profit or loss.

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the non-controlling interest, which is not part of a business combination, the Group records a financial liability for the present value of the redemption amount with a corresponding charge directly to equity. Changes to the value of the financial liability are recognised in the statement of profit or loss within net finance charges.

The Group's share of its joint venture and associated companies' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the joint venture or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associated company.

The Group recognises the disposal of an interest in a joint venture company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint venture and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its joint venture and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of joint venture and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated statement of profit and loss.

3. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any associated translation difference is also recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the statement of profit or loss, any associated translation difference is also recognised in the statement of profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated statement of profit or loss and consolidated statement of other comprehensive income for the year ended 31st December 2013 and consolidated statement of financial position as at 31st December 2013, modified to conform to the Group's accounts presentation.

Audit Qualification:

The report of the auditor of Cathay Pacific Airways Limited (the "Cathay Pacific Auditor") on the consolidated financial statements for the year ended 31st December 2012 was qualified due to its inability to obtain sufficient appropriate audit evidence as to whether the carrying amount of the Cathay Pacific group's investments in Air China Limited ("Air China") and Air China Cargo Co., Ltd. ("Air China Cargo") and the Cathay Pacific group's share of results of these investees included in the Cathay Pacific group's consolidated financial statements for the year ended 31st December 2012 were fairly stated. Air China and Air China Cargo are associates of the Cathay Pacific group accounted for under the equity method. As this limitation in the scope of the audit of the Cathay Pacific Auditor with respect to the Cathay Pacific group's share of the results of Air China and Air China Cargo for the year ended 31st December 2012 still exists, the opinion of the Cathay Pacific Auditor on the current year's consolidated financial statements is also qualified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures in the consolidated statement of profit or loss and other comprehensive income.

Impact on Swire Pacific Limited:

Air China and Air China Cargo are not considered significant components of the Swire Pacific Group. The auditors of Swire Pacific Limited have issued an unqualified opinion in relation to the consolidated financial statements of Swire Pacific Limited.

Consolidated Statement of Profit or Loss
For the year ended 31st December 2013

	2013	2012 (Restated)
	HK$M	HK$M
Turnover	**100,484**	99,376
Operating expenses	**(96,724)**	(97,763)
Operating profit	**3,760**	1,613
Finance charges	**(1,370)**	(1,629)
Finance income	**351**	745
Net finance charges	**(1,019)**	(884)
Share of profits less losses of associated companies	**838**	754
Profit before taxation	**3,579**	1,483
Taxation	**(675)**	(409)
Profit for the year	**2,904**	1,074
Profit for the year attributable to:		
– Cathay Pacific's shareholders	**2,620**	862
– Non-controlling interests	**284**	212
	2,904	1,074
Dividends		
Interim – paid	**236**	–
Second interim – declared/paid	**629**	315
	865	315
	HK¢	HK¢
Earnings per share for profit attributable to Cathay Pacific's shareholders (basic and diluted)	**66.6**	21.9

Consolidated Statement of Other Comprehensive Income
For the year ended 31st December 2013

	2013	2012 (Restated)
	HK$M	HK$M
Profit for the year	**2,904**	1,074
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans	**997**	142
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	**3,170**	1,587
Net fair value gains on available-for-sale assets	**53**	46
Share of other comprehensive income of associated companies	**89**	3
Net translation differences on foreign operations	**491**	83
Other comprehensive income for the year, net of tax	**4,800**	1,861
Total comprehensive income for the year	**7,704**	2,935
Total comprehensive income attributable to:		
Cathay Pacific's shareholders	**7,418**	2,726
Non-controlling interests	**286**	209
	7,704	2,935

Consolidated Statement of Financial Position

At 31st December 2013

	2013 HK$M	2012 (Restated) HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Fixed assets	**94,935**	84,278
Intangible assets	**9,802**	9,425
Investments in associates	**20,314**	18,522
Other long-term receivables and investments	**7,135**	6,254
Deferred tax assets	**204**	95
	132,390	118,574
Current assets		
Stock	**1,511**	1,194
Trade, other receivables and other assets	**9,938**	10,833
Liquid funds	**27,736**	24,182
	39,185	36,209
Current liabilities		
Current portion of long-term liabilities	**11,179**	10,758
Related pledged security deposits	**(961)**	(2,601)
Net current portion of long-term liabilities	**10,218**	8,157
Trade and other payables	**18,206**	17,470
Unearned transportation revenue	**11,237**	9,581
Taxation	**1,116**	687
	40,777	35,895
Net current assets/(liabilities)	**(1,592)**	314
Total assets less current liabilities	**130,798**	118,888
Non-current liabilities		
Long-term liabilities	**57,460**	52,753
Related pledged security deposits	**(626)**	(1,364)
Net long-term liabilities	**56,834**	51,389
Other long-term payables	**1,318**	3,205
Deferred taxation	**9,633**	8,156
	67,785	62,750
NET ASSETS	**63,013**	56,138
EQUITY		
Share capital	**787**	787
Reserves	**62,101**	55,234
Equity attributable to Cathay Pacific's shareholders	**62,888**	56,021
Non-controlling interests	**125**	117
TOTAL EQUITY	**63,013**	56,138

Notes to the Accounts
At 31st December 2013

Contingencies

(a) Cathay Pacific Airways ("Cathay Pacific") has under certain circumstances undertaken to maintain specified rates of return within the Cathay Pacific group's leasing arrangements. The Directors of Cathay Pacific do not consider that an estimate of the potential financial effect of these contingencies can practically be made.

(b) At 31st December 2013, contingent liabilities existed in respect of guarantees given by the Cathay Pacific group on behalf of associated companies and staff relating to lease obligations, bank loans and other liabilities of up to HK$2,017 million (2012: HK$1,341 million).

(c) Cathay Pacific operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcome of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

(d) Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions and continues to defend itself vigorously except as otherwise noted below. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

In 2006 the Competition Bureau of Canada (the "Bureau") commenced a non-public investigation of Cathay Pacific's air cargo operations. On 20th June 2013, pursuant to a plea agreement entered into by Cathay Pacific and the Bureau, the Ontario Superior Court of Justice accepted Cathay Pacific's plea of guilty with respect to certain violations of the Canadian Competition Act relating to a NavCan surcharge. Pursuant to the plea agreement and the Court's judgment, Cathay Pacific agreed to pay a fine of CAD$1.5 million (approximately HK$11.21 million at the exchange rate current when the judgment was entered). Cathay Pacific has satisfied the judgment.

In December 2008, Cathay Pacific received a statement of claim, since amended, from the New Zealand Commerce Commission ("NZCC") with regard to Cathay Pacific's air cargo operations. Agreement was reached between Cathay Pacific and the NZCC to settle the allegations which arose out of the amended statement of claim. Under the settlement, which was approved by the High Court of New Zealand, Cathay Pacific pleaded guilty to certain violations of the Commerce Act 1986 and agreed to make a payment of NZ$4.56 million (approximately HK$29.95 million at the exchange rate current when the judgment was entered), made up of a penalty of NZ$4.30 million and a contribution of NZ$0.26 million to the legal costs of the NZCC. Cathay Pacific satisfied the judgment in April 2013.

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of €57.12 million (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on Cathay Pacific. In January 2011, Cathay Pacific filed an appeal with the General Court of the European Union. The appeal is currently pending.

Cathay Pacific has been named as a defendant in a number of civil complaints, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, the United Kingdom, the Netherlands, Norway and Australia alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel and is defending these actions, except as noted below.

Cathay Pacific is a defendant in various putative class action cases filed in the United States, in which the plaintiffs allege Cathay Pacific and other carriers that provide air cargo services fixed the prices of various air cargo charges and surcharges in violation of United States federal and state antitrust laws, and certain foreign competition laws. Those cases have been consolidated into one case for all pre-trial purposes, *In re Air Cargo Shipping Services Antitrust Litigation*, MDL No. 1775, EDNY. Damages are demanded, but the amounts are not specified. Cathay Pacific has reached an agreement to settle this matter in February 2014, by paying the plaintiffs US$65 million (approximately HK$504 million at the exchange rate current at date of payment). The settlement, which is subject to Court approval, will resolve claims against all putative class members who choose not to opt out of the agreement.

The proceedings and civil actions, except as otherwise stated above, are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the relevant accounting policy.

Principal Subsidiary, Joint Venture and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2013

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION					
Subsidiary companies					
Incorporated in Hong Kong					
53 Stubbs Road Development Co. Limited	82	–	100	5,000,000 shares of HK$1 each	Property development
Cathay Limited	82	–	100	807 shares of HK$10 each	Property investment
Citiluck Development Limited	82	–	100	1,000 shares of HK$1 each	Property investment
Cityplaza Holdings Limited	82	–	100	100 shares of HK$10 each	Property investment
Coventry Estates Limited	82	–	100	4 shares of HK$10 each	Property investment
Golden Tent Limited	82	–	100	1 share of HK$1	Hotel investment
Island Delight Limited	71.75	–	100	1 share of HK$1	Property trading
Keen Well Holdings Limited	65.6	–	100	1 share of HK$1	Property trading
One Island East Limited	82	–	100	2 shares of HK$1 each	Property investment
One Queen's Road East Limited	82	–	100	2 shares of HK$1 each	Property investment
Oriental Landscapes Limited	82	–	100	60,000 shares of HK$10 each	Landscaping services
Pacific Place Holdings Limited	82	–	100	2 shares of HK$1 each	Property investment
Redhill Properties Limited	82	–	100	250,000 shares of HK$1 each	Property investment
Super Gear Investment Limited	82	–	100	2 shares of HK$1 each	Property investment
Swire Properties (Finance) Limited	82	–	100	1,000,000 shares of HK$1 each	Provision of financial services
Swire Properties Limited	82	82	–	5,850,000,000 shares of HK$1 each	Holding company
Swire Properties Management Limited	82	–	100	2 shares of HK$10 each	Property management
Swire Properties MTN Financing Limited	82	–	100	1 share of HK$1	Provision of financial services
Swire Properties Projects Limited	82	–	100	2 shares of HK$1 each	Project management
Swire Properties Real Estate Agency Limited	82	–	100	2 shares of HK$10 each	Real estate agency
Taikoo Place Holdings Limited	82	–	100	2 shares of HK$1 each	Property investment
Incorporated in Mainland China					
(Domestic Company)					
Beijing Tianlian Real Estate Company Limited ^ •	82	–	100	Registered capital of RMB865,000,000	Holding company
(Sino-foreign joint venture)					
TaiKoo Hui (Guangzhou) Development Company Limited ^	79.54	–	97	Registered capital of RMB3,050,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Sanlitun Hotel Management Company Limited ^	82	–	100	Registered capital of RMB800,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited ^	65.6	–	100	Registered capital of RMB1,392,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited ^	65.6	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	82	–	100	Registered capital of RMB195,000,000	Property investment
Swire Properties (China) Investment Company Limited ^	82	–	100	Registered capital of US$30,000,000	Holding company
Incorporated in the United States					
700 Brickell City Centre LLC	82	–	100	Limited Liability Company	Property trading
Brickell City Centre Plaza LLC	82	–	100	Limited Liability Company	Property investment
Brickell City Centre Project LLC	82	–	100	Limited Liability Company	Property trading and investment
Brickell City Centre Retail LLC	71.75	–	87.5	Limited Liability Company	Property investment
FTL/AD LTD	61.5	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	82	–	100	Limited Liability Company	Property trading
Swire Pacific Holdings Asia LLC	82	–	100	Limited Liability Company	Property trading
Swire Properties Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	82	–	100	Limited Liability Company	Property trading and investment
Swire Properties US Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	82	–	100	Limited Liability Company	Real estate agency

Notes:
1) This table lists the principal subsidiary, joint venture and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.
2) Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of ship owning and operating are international, and are not attributable to a principal country of operation.
3) * Group interest held through joint venture or associated companies.
4) • Companies not audited by PricewaterhouseCoopers. These companies account for approximately 12.4% of attributable net assets at 31st December 2013.
5) ^ Translated name.

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION (continued)					
Subsidiary companies (continued)					
Incorporated in the British Virgin Islands and operate in Hong Kong					
Bao Wei Enterprises Limited	82	–	100	1 share of US$1	Property trading
Boom View Holdings Limited	82	–	100	2 shares of US$1 each	Property investment
Charming Grace Limited	82	–	100	1 share of US$1	Property development
Endeavour Technology Limited	71.75	–	87.5	1,000 shares of US$1 each	Holding company
Excel Free Ltd.	82	–	100	1 share of US$1	Property trading
Fine Grace International Limited	82	–	100	1 share of US$1	Property trading
Novel Ray Limited	82	–	100	1 share of US$1	Property investment
Peragore Limited	65.6	–	80	1,000 shares of US$1 each	Holding company
Sino Flagship Investments Limited	82	–	100	1 share of US$1	Property investment
Swire and Island Communication Developments Limited	49.2	–	60	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	82	–	100	1 share of US$1	Holding company
Wonder Cruise Group Limited	82	–	100	1 share of US$1	Property trading
Incorporated in the United Kingdom					
New Light Hotels Limited	82	–	100	17,000,100 shares of GBP1 each	Hotel developer and operator
Joint venture companies					
Incorporated in Hong Kong					
Hareton Limited	41	–	50	100 shares of HK$10 each	Property trading
Richly Leader Limited	41	–	50	1,000,000,000 shares of HK$1 each	Property investment
Sky Treasure Limited	41	–	50	2 shares of HK$1 each	Property investment
Incorporated in the United States					
Swire Brickell Key Hotel, Ltd.	61.5	–	75	Florida Partnership	Hotel investment
Incorporated in the British Virgin Islands					
Dazhongli Properties Limited (operates in Mainland China)	41	–	50	1,000 shares of US$1 each	Holding company
Great City China Holdings Limited (operates in Mainland China)	41	–	50	100 shares of US$1 each	Holding company
Island Land Development Limited (operates in Hong Kong)	41	–	50	100 shares of HK$10 each	Property investment
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	16.4	–	20	5 shares of US$1 each	Holding company
Incorporated in Mainland China					
(Domestic Company)					
Beijing Linlian Real Estate Company Limited ^	41	–	50	Registered capital of RMB400,000,000	Property investment
(Sino-foreign joint venture)					
Chengdu Qianhao Real Estate Company Limited	41	–	*	Registered capital of US$329,000,000	Property investment
(Wholly foreign owned enterprises)					
Guan Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$500,000,000	Property investment
Pei Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$60,000,000	Property investment
Ying Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$336,500,000	Property investment
Associated companies					
Incorporated in Hong Kong					
Greenroll Limited •	16.4	–	20	45,441,000 shares of HK$10 each	Hotel investment
Queensway Hotel Limited •	16.4	–	*	100,000 shares of HK$10 each	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	16.4	–	20	5,000 shares of HK$1 each and 10,000,000 non-voting deferred shares of HK$1 each	Hotel investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION					
Subsidiary companies					
Incorporated in Hong Kong					
HAECO ITM Limited	65.99	–	70 &*	100 shares of HK$1 each	Aircraft inventory technical management
Hong Kong Aircraft Engineering Company Limited	74.99	74.99	*	166,324,850 shares of HK$1 each	Aircraft overhaul and maintenance
Incorporated in Mainland China					
(Sino-foreign joint ventures)					
Shanghai Taikoo Aircraft Engineering Services Company Limited • ^	52.19	–	75	Registered capital of US$3,700,000	Line maintenance
Taikoo Engine Services (Xiamen) Company Limited	65.55	–	85.01 &*	Registered capital of US$113,000,000	Commercial aero engine overhaul services
Taikoo (Xiamen) Aircraft Engineering Company Limited	48	–	58.55 &*	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	55.27	–	73.80 &*	Registered capital of US$36,890,000	Landing gear repair and overhaul
(Wholly foreign owned enterprise)					
HAECO Component Overhaul (Xiamen) Limited •	74.99	–	100	Registered capital of US$18,600,000	Aircraft component overhaul
Incorporated in Singapore					
Singapore HAECO Pte. Limited	74.99	–	100	Registered capital of SGD1	Line maintenance
Incorporated in the United States					
HAECO Cabin Solutions, LLC •	67.50	–	90.01	Registered capital of US$10,000	Certification, engineering design and programme management for cabin completion and reconfiguration
Joint venture companies					
Incorporated in Hong Kong					
Goodrich Asia-Pacific Limited	36.75	–	49	9,200,000 shares of HK$1 each	Carbon brake machining and wheel hub overhaul
Hong Kong Aero Engine Services Limited	33.75	–	45	20 shares of HK$10 each	Commercial aero engine overhaul services
Incorporated in Mainland China					
(Sino-foreign joint ventures)					
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	25.32	–	37	Registered capital of US$7,500,000	Tyre services for commercial aircraft
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited •	16.80	–	35	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs
Honeywell TAECO Aerospace (Xiamen) Company Limited	23.55	–	35	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Taikoo (Shandong) Aircraft Engineering Company Limited •	27.30	–	40	Registered capital of RMB200,000,000	Airframe maintenance services for narrow-body aircraft
Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited	38.96	–	52.56 &*	Registered capital of US$11,663,163	Composite material aeronautic parts/systems repair, manufacturing and sales

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Joint venture companies (continued)					
Incorporated in Singapore					
Singapore Aero Engine Services Pte. Limited •	6.75	–	*	54,000,000 shares of US$1 each	Commercial aero engine overhaul services
Associated companies					
Incorporated in Hong Kong					
Abacus Distribution Systems (Hong Kong) Limited •	24.07	–	*	15,600,000 shares of HK$1 each	Computerised reservation systems and related services
AHK Air Hong Kong Limited •	27	–	*	54,402,000 'A' shares of HK$1 each 36,268,000 'B' shares of HK$1 each	Cargo airline
Airline Property Limited •	45	–	*	2 shares of HK$10 each	Property investment
Airline Stores Property Limited •	45	–	*	2 shares of HK$10 each	Property investment
Airline Training Property Limited •	45	–	*	2 shares of HK$10 each	Property investment
Asia Miles Limited •	45	–	*	2 shares of HK$1 each	Travel reward programme
Cathay Holidays Limited •	45	–	*	40,000 shares of HK$100 each	Travel tour operator
Cathay Pacific Aero Limited •	45	–	*	1 share of HK$10	Financial services
Cathay Pacific Aircraft Lease Finance Limited •	45	–	*	1 share of HK$1	Aircraft leasing facilitator
Cathay Pacific Airways Limited •	45	45	–	3,933,844,572 shares of HK$0.20 each	Operation of scheduled airline services
Cathay Pacific Catering Services (H.K.) Limited •	45	–	*	600 shares of HK$1,000 each	Airline catering
Cathay Pacific Services Limited •	45	–	*	1 share of HK$1	Operation of cargo terminal
Global Logistics System (HK) Company Limited •	43.49	–	*	100 shares of HK$10 each	Computer network for interchange of air cargo related information
Ground Support Engineering Limited	22.5	–	*	2 shares of HK$1 each	Airport ground engineering support & equipment maintenance
Hong Kong Airport Services Limited •	45	–	*	100 shares of HK$1 each	Provision of aircraft ramp handling services
Hong Kong Aviation and Airport Services Limited •	45	–	*	2 shares of HK$1 each	Property investment
Hong Kong Dragon Airlines Limited •	45	–	*	500,000,000 shares of HK$1 each	Operation of scheduled airline services
LSG Lufthansa Service Hong Kong Limited	14.37	–	*	501 shares of HK$1 each	Airline catering
Vehicle Engineering Services Limited	22.5	–	*	2 shares of HK$1 each	Provision of repair and maintenance services for transportation companies
Vogue Laundry Service Limited •	45	–	*	3,700 shares of HK$500 each	Laundry and dry cleaning
Incorporated in Mainland China					
Air China Cargo Co., Ltd. •	11.25	–	*	Registered capital of RMB3,235,294,118	Cargo carriage service
Air China Limited •	9.06	–	*	4,562,683,364 'H' shares of RMB1 each 8,522,067,640 'A' shares of RMB1 each	Operation of scheduled airline services
Shanghai International Airport Services Co., Ltd. ^ •	13.42	–	*	Registered capital of RMB360,000,000	Ground handling
(Wholly foreign owned enterprise)					
Guangzhou Guo Tai Information Processing Company Limited •	45	–	*	Registered capital of HK$8,000,000	Information processing

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies (continued)					
Incorporated in Canada					
CLS Catering Services Limited •	13.5	–	*	330,081 shares of no par value	Airline catering
Incorporated in Cayman Islands					
Cathay Pacific MTN Financing Limited •	45	–	*	1 share of US$1	Financial services
Incorporated in Bermuda					
Troon Limited •	45	–	*	12,000 shares of US$1 each	Financial services
Incorporated in the Isle of Man					
Cathay Pacific Aircraft Acquisition Limited •	45	–	*	2,000 shares of US$1 each	Aircraft acquisition facilitator
Cathay Pacific Aircraft Services Limited •	45	–	*	10,000 shares of US$1 each	Aircraft acquisition facilitator
Snowdon Limited •	45	–	*	2 shares of GBP1 each	Financial services
Incorporated in the Philippines					
Cebu Pacific Catering Services Inc. •	18	–	*	37,500,000 shares of PHP1 each	Airline catering
Incorporated in Taiwan					
China Pacific Catering Services Limited •	22.05	–	*	86,100,000 shares of NTD10 each	Airline catering
BEVERAGES DIVISION					
Subsidiary companies					
Incorporated in Hong Kong					
Mount Limited	87.50	–	100	1 share of HK$1	Holding company
Swire Beverages Holdings Limited	100	100	–	10,002 shares of HK$100 each	Holding company
Swire Beverages Limited	87.50	–	87.50	14,194 'A' shares of US$500 each 406 'B' shares of US$500 each	Holding company and sale of non-alcoholic beverages
Swire Coca-Cola HK Limited	87.50	–	100	2,400,000 shares of HK$10 each	Manufacture of non-alcoholic beverages
Top Noble Limited	100	–	100	1 share of HK$1	Holding company
Incorporated in Mainland China					
(Sino-foreign joint ventures)					
Swire BCD Co., Ltd.	74.38	–	85	Registered capital of US$60,000,000	Holding company
Swire Coca-Cola Beverages Hefei Ltd.	59.50	–	80	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Xiamen Ltd.	93.63	–	100	Registered capital of US$52,737,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Ltd.	60.68	–	81.58	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Swire Coca-Cola Beverages Luohe Limited	60.68	–	100	Registered capital of RMB115,180,000	Manufacture and sale of non-alcoholic beverages
Xiamen Luquan Industries Company Limited	100	–	100	Registered capital of RMB63,370,000	Manufacture and sale of non-alcoholic beverages
Xian BC Coca-Cola Beverages Limited ^	74.38	–	100	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
BEVERAGES DIVISION (continued)					
Subsidiary companies (continued)					
Incorporated in Bermuda					
Swire Pacific Industries Limited (operates principally in Taiwan)	100	–	100	12,000 shares of US$1 each	Holding company
Incorporated in the British Virgin Islands					
SPHI Holdings Limited	100	–	100	2 shares of US$1 each	Holding company
Swire Coca-Cola Beverages Limited (operates principally in Taiwan)	100	–	100	1,599,840,000 'A' shares of US$0.01 each 200,160,000 'B' shares of US$0.01 each	Manufacture of non-alcoholic beverages
Swire Coca-Cola (S&D) Limited (operates principally in Taiwan)	100	–	100	20,100 shares of US$1 each	Sale of non-alcoholic beverages
Incorporated in the United States					
Swire Pacific Holdings Inc.	100	–	100	8,950.28 shares of US$1 each	Manufacture and sale of non-alcoholic beverages
Joint venture companies					
Incorporated in Mainland China					
(Sino-foreign joint ventures)					
Hangzhou BC Foods Co., Ltd.	44.63	–	60	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Nanjing BC Foods Co., Ltd.	44.63	–	60	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited ^	44.63	–	21.46 &*	Registered capital of RMB53,300,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	44.63	–	20.4 &*	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	44.63	–	51	Registered capital of RMB510,669,100	Manufacture and sale of non-alcoholic beverages
Associated companies					
Incorporated in Hong Kong					
Coca-Cola Bottlers Manufacturing Holdings Limited	35.88	–	41	29,000 shares of HK$1 each	Holding company
Incorporated in Mainland China					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited	35.88	–	*	Registered capital of US$26,661,450	Manufacture and sale of non-carbonated beverages
(Wholly foreign owned enterprises)					
Coca-Cola Bottlers Management Service (Shanghai) Company Limited ^	35.88	–	*	Registered capital of US$5,000,000	Management services
Coca-Cola Bottlers Manufacturing (Dongguan) Company Limited ^	35.88	–	*	Registered capital of US$134,618,820	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Foshan) Company Limited ^	35.88	–	*	Registered capital of US$31,496,700	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Hangzhou) Company Limited ^	35.88	–	*	Registered capital of US$14,272,000	Manufacture and sale of non-carbonated beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
BEVERAGES DIVISION (continued)					
Associated companies (continued)					
Incorporated in Mainland China (continued)					
(Wholly foreign owned enterprises) (continued)					
Coca-Cola Bottlers Manufacturing (Jinan) Company Limited	35.88	–	*	Registered capital of US$5,720,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Nanning) Company Limited	35.88	–	*	Registered capital of US$9,600,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Shijiazhuang) Company Limited	35.88	–	*	Registered capital of US$11,460,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Suzhou) Company Limited	35.88	–	*	Registered capital of US$2,566,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Yingkou) Company Limited	35.88	–	*	Registered capital of US$12,667,000	Manufacture and sale of non-carbonated beverages
MARINE SERVICES DIVISION					
Subsidiary companies					
Incorporated in Hong Kong					
Swire Pacific Ship Management Limited	100	–	100	1,000 shares of HK$100 each	Ship personnel management
Incorporated in Australia					
Swire Pacific Offshore Pty. Limited •	100	–	100	40,000 shares of AUD1 each	Ship chartering and operating
Swire Pacific Ship Management (Australia) Pty. Limited •	100	–	100	20,000 shares of AUD1 each	Ship personnel management
Incorporated in Bermuda					
Swire Pacific Offshore Holdings Limited	100	–	100	500,000 shares of US$100 each	Holding company
Swire Pacific Offshore Limited	100	–	100	120 shares of US$100 each	Management services
Incorporated in the United Kingdom					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of GBP1 each	Ship chartering and operating
Incorporated in Singapore					
Altus Logistics Pte. Ltd.	70	–	70	1,223,340 shares of nil par value each	Marine logistics services
SCF Swire Offshore Pte. Ltd. •	50.01	–	50.01	10,001 shares of SGD1 each	Ship management services and other related activities
Swire Emergency Response Services Pte. Ltd.	100	–	100	10,000 shares of SGD1 each	Emergency response services
Swire Pacific Offshore Operations (Pte) Ltd	100	–	100	500,000 shares of SGD1 each	Ship owning and operating
Swire Pacific Offshore Services (Pte.) Limited	100	–	100	500,000 shares of SGD1 each	Ship operating
Swire Salvage Pte. Ltd.	100	–	100	2 shares of SGD1 each	Salvage and maritime emergency response services
Swire Production Solutions Pte. Ltd.	100	–	100	100,000 shares of US$1 each 2 shares of SGD1 each	Owning, chartering and operating vessels servicing the offshore marine industry

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Subsidiary companies (continued)					
Incorporated in Norway					
Swire Seabed AS •	100	–	100	126,000 shares of NOK1,400 each	Ship owning and operating
Incorporated in New Zealand					
Swire Pacific Offshore NZ Limited •	100	–	100	1 share of NZD100	Supply services to offshore oil and gas exploration and development activities
Incorporated in Cameroon					
Swire Pacific Offshore Africa •	100	–	100	1,000 shares of XAF10,000 each	Ship operator
Incorporated in Denmark					
Swire Blue Ocean A/S	100	–	100	780,000 shares of DKK1 each	Ship operator
Incorporated in Cyprus					
Swire Pacific Offshore (Cyprus) Limited •	100	–	100	1,000 shares of EUR1.71 each	Owning, chartering and operating vessels servicing the offshore marine industry
Meritocean Crewing Company Limited •	100	–	100	1,000 shares of EUR1.71 each	Ship personnel services
Incorporated in Dubai					
Swire Pacific Offshore (Dubai) (L.L.C) •	49	–	49	300 shares of AED1,000 each	Management services
Incorporated in Philippines					
Anscor Swire Ship Management Corporation	25	–	25	20,000 shares of PHP100 each	Ship personnel services
Joint venture companies					
Incorporated in Hong Kong					
Hongkong United Dockyards Limited	50	50	–	7,600,000 shares of HK$10 each	Ship repairing, general engineering, marine towage, salvage, time/bareboat chartering and management of container vessels for waste disposal
HUD General Engineering Services Limited	50	–	*	4,120,000 shares of HK$10 each	General engineering services

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL					
Subsidiary companies					
Incorporated in Hong Kong					
Swire Foods Holdings Limited	100	100	–	1 share of HK$1	Holding company
Swire Industrial Limited	100	100	–	2 shares of HK$1 each	Holding company
Swire Pacific Cold Storage Limited	100	–	100	1 share of HK$1	Holding company
Taikoo Sugar Limited	100	–	100	300,000 shares of HK$10 each	Packing and trading of branded food products
Incorporated in the British Virgin Islands					
Sustainable Capital Holdings Limited	100	100	–	1 share of US$1	Holding company
Incorporated in the Cayman Islands					
Aqua Blue Limited	100	–	100	1 share of US$1	Sustainable development businesses investment
Cell Energy Limited	100	–	100	1 share of US$1	Sustainable development businesses investment
Joint venture companies					
Incorporated in Hong Kong					
Akzo Nobel Swire Paints Limited •	40	–	40	10,000 shares of HK$1 each	Sale of paints and provision of related services
Campbell Swire Equipment Leasing Limited	40	–	40	37,300,000 shares of HK$1 each	Production lines leasing
Campbell Swire (HK) Limited	40	–	40	30 shares of HK$1 each	Holding company
STS Sugar Company Limited	34	–	34	30,000 shares of US$1 each	Holding company
Swire Waste Management Limited •	50	–	50	1 'A' share of HK$1 1 'B' share of HK$1	Provision of waste management services
Incorporated in Mainland China					
(Sino-foreign joint venture)					
Akzo Nobel Swire Paints (Guangzhou) Limited •	36	–	36	Registered capital of HK$180,000,000	Manufacturing and distribution of paints
Guangdong Swire Cold Chain Logistics Co. Ltd. ^ •	60	–	60	Registered capital of RMB144,600,000	Provision of cold storage facilities
(Wholly foreign owned enterprises)					
Akzo Nobel Decorative Coatings (Langfang) Co. Ltd. •	30	–	30	Registered capital of US$7,200,000	Manufacturing and distribution of paints
Akzo Nobel Swire Paints (Shanghai) Limited ^ •	30	–	30	Registered capital of US$25,640,000	Manufacturing and distribution of paints
Campbell Swire (Xiamen) Co., Limited	40	–	*	Registered capital of RMB242,000,000	Manufacturing and distribution of soup and broth products
Swire Cold Chain Logistics (Shanghai) Company Limited ^ •	100	–	100	Registered capital of RMB220,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Langfang) Company Limited •	100	–	100	Registered capital of RMB165,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Nanjing) Company Limited •	100	–	100	Registered capital of USD30,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Ningbo) Company Limited •	100	–	100	Registered capital of USD30,000,000	Provision of cold storage facilities
Swire Foods Trading (China) Limited ^ •	100	–	100	Registered capital of HK$63,500,000	Trading of branded food products
Taikoo Sugar (China) Limited ^ •	100	–	100	Registered capital of HK$61,350,000	Packing and trading of branded food products

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – TRADING					
Subsidiary companies					
Incorporated in Hong Kong					
Bel Air Motors Limited	100	–	100	1 share of HK$1	Automobile distribution in Taiwan
Beldare Motors Limited	100	–	100	10,000 shares of HK$100 each	Automobile distribution in Taiwan
Chevon Holdings Limited	85	–	85	160,000,000 shares of HK$1 each	Holding company
Chevon (Hong Kong) Limited	85	–	100	1,000,000 shares of HK$1 each	Marketing, distribution and retailing of branded casual apparel and accessories
Excel Marketing Limited	100	–	100	2 shares of HK$1 each	Marketing, distribution and retailing of branded casual apparel and accessories
International Automobiles Limited	100	–	100	10,000 shares of US$1 each	Automobile distribution in Hong Kong
Liberty Motors Limited	100	–	100	2 shares of HK$10 each	Automobile distribution in Taiwan
Swire Brands Limited	100	–	100	1 share of HK$1	Investment holding
Swire Resources Limited	100	–	100	4,010,000 shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Taikoo Commercial Vehicles Limited	100	–	100	2,000 shares of HK$1 each	Automobile distribution in Taiwan
Yuntung Motors Limited	100	–	100	2 shares of HK$1 each	Automobile distribution in Taiwan
Incorporated in Mainland China					
(Wholly foreign owned enterprises)					
Chevon (Shanghai) Trading Company Limited ^	85	–	100	Registered capital of US$4,000,000	Marketing, distribution and retailing of branded casual apparel and accessories
Swire Resources (Shanghai) Trading Company Limited ^	100	–	100	Registered capital of US$6,040,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Malaysia					
Swire Motors Sales and Services Sdn. Bhd. •	100	–	100	5,000,000 shares of RM1 each	Automobile distribution in Malaysia

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – TRADING (continued)					
Subsidiary companies (continued)					
Incorporated in the British Virgin Islands					
Supreme Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Joint venture companies					
Incorporated in Hong Kong					
Intermarket Agencies (Far East) Limited	70	–	70	7 ‘A’ shares of HK$10 each 3 ‘B’ shares of HK$10 each	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Mainland China					
(Wholly foreign owned enterprise)					
Columbia Sportswear Commercial (Shanghai) Co., Ltd. ^	40	–	40	Registered capital of US$20,000,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Swire Motors Sales and Services (Fuzhou) Limited •	100	–	100	Registered capital of RMB30,000,000	Automobile distribution in Fuzhou
Swire Motors Sales and Services (Shanghai) Limited ^ •	100	–	100	Registered capital of RMB40,000,000	Automobile distribution in Shanghai
OTHERS					
Subsidiary companies					
Incorporated in Hong Kong					
Swire Finance Limited	100	100	–	1,000 shares of HK$10 each	Financial services
Incorporated in the Cayman Islands					
Swire Pacific Capital Limited	100	100	–	10 shares of US$1 each	Financial services
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services
Incorporated in the Isle of Man					
Spaciom Limited	100	100	–	650,000 shares of HK$1 each and 3,800,000 redeemable preference shares of HK$0.01 each	Insurance underwriting
Joint venture company					
Incorporated in Taiwan					
China Pacific Laundry Services Limited •	45	–	45	25,000,000 shares of NTD10	Laundry services

Sustainable Development Statistics

Introduction

Reader's Guide

This report covers the calendar year 2013. Our 2012 Annual Report (dated April 2013) covered the calendar year 2012. Some data reported in 2012 has been restated to reflect revised consumption figures.

The operating companies not covered by this report include:

Property Division	USA and UK
Aviation Division	Catering and laundry service companies outside Hong Kong and Cathay Pacific Services Limited (a wholly-owned subsidiary of Cathay Pacific, established to design, build and operate the new Cathay Pacific cargo terminal, which commenced operations in February 2013)
Beverages Division	Coca-Cola Bottlers Manufacturing Holdings Limited and Xiamen Luquan Industries Company Limited
Trading & Industrial Division	Campbell Swire, Akzo Nobel Swire Paints Limited, Taikoo Motors Hong Kong and Mainland China

In 2013 we have expanded the scope of reporting to include the following operations:

Property Division	Taikoo Hui investment property in Guangzhou, Mainland China
Aviation Division	Taikoo Engine Services (Xiamen) Company Limited, Taikoo Spirit AeroSystem (Jinjiang) Composite Company Limited, Taikoo (Xiamen) Landing Gear Services Company Limited
Trading & Industrial Division	Swire Waste Management Limited, Swire Pacific Cold Storage Limited

This report uses a framework which follows the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. Using this framework makes it easy for readers to compare this report with those prepared by others using the same framework. We report on the ten GRI performance indicators which are most relevant to the Swire Pacific Group. Performance indicators are reported on a 100% basis and therefore do not make reference to the Swire Pacific Group's shareholding in operating companies. Our major operating companies report on additional indicators in their own reports, which can be found at http://www.swirepacific.com/en/sd/sd_reports.php.

The information in this report has been prepared having regard to the GRI G3.1 Guidelines. The Report Application Level is C+, as reported on by PricewaterhouseCoopers. The table on page 236 shows the GRI G3.1 references in abbreviated form. For full disclosure of the references from the Guidelines, please refer to the complete G3.1 Guidelines which can be found at www.globalreporting.org.

GRI Content Index

Sustainable Development Independent Assurance Report

To the Board of Directors of Swire Pacific Limited

We have been engaged to perform a limited assurance engagement on the selected information described below and set out in the Swire Pacific Limited (the "Company") Sustainable Development Statistics report of the Company's 2013 Annual Report (the "SR") for the year ended 31 December 2013.

Selected Subject Matter ("Selected Information")

- The selected sustainability data for the year ended 31 December 2013 marked with the symbol [R] presented in the SR ("SR data"):

  - Total energy consumption
  - Total Greenhouse Gas emissions by weight
  - Total water used
  - Total employee fatalities
  - Total employee lost time injuries

- The Company's declared Global Reporting Initiative (GRI) application level of C+ of the GRI "G3.1" Guidelines as stated on the opening page of the SR

The scope of our work was restricted to the Selected Information for the year ended 31 December 2013 and does not extend to information in respect of earlier periods or to any other information in the SR.

Reporting Criteria and GRI G3.1 Guidelines

We assessed the SR data using definitions and approaches presented under the heading Reporting Methodology in the appendix of the 2013 Online Sustainability Report at http://www.swirepacific.com/en/sd/sd/gri_report2014.pdf (the "Reporting Criteria") and the GRI application level according to GRI G3.1 Guidelines at https://www.globalreporting.org/resourcelibrary/G3.1-Guidelines-Incl-Technical-Protocol.pdf as at 13 March 2014 ("GRI G3.1 Guidelines").

Responsibilities

The Company's responsibilities for the Selected Information

The Board of Directors of the Company is responsible for the preparation and presentation of the Selected Information in accordance with the Reporting Criteria and GRI G3.1 Guidelines. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and presentation of the Selected Information in accordance with the Reporting Criteria and GRI G3.1 Guidelines and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances;
- establishing objective Reporting Criteria for preparing the SR data;
- measuring the Company's performance based on the Reporting Criteria; and
- retention of sufficient, appropriate evidence to support the aforementioned; and
- determining the Company's declared GRI application level in accordance with the GRI G3.1 Guidelines; and
- responsibility for the content of the SR.

Auditor's Responsibilities

It is our responsibility to express a conclusion on the Selected Information based on our work performed.

What Our Work Involved

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance as to whether the SR data has been prepared in all material respects with the Reporting Criteria and the Company's declared GRI application level of C+ has been declared in accordance with the GRI G3.1 Guidelines.

Main Procedures Performed

The procedures selected depend on the auditor's judgment. Within the scope of our work we performed amongst others the following procedures:

- made enquiries of relevant management of the Company and its subsidiaries as appropriate;
- evaluated the design of the key processes and controls for managing and reporting the Selected Information;
- undertook analytical procedures in relation to the Selected Information;
- reviewed a sample of relevant management information and documentation supporting assertions made in the Selected Information;
- compared the disclosures in the SR with the related disclosures as set out in the GRI Index for the GRI application level of C+.

What We Found

Based on the work described above, nothing has come to our attention that causes us to believe that:

- the SR data of the Company for the year ended 31 December 2013 has not been prepared, in all material respects, in accordance with the Reporting Criteria; or
- the Company's declared GRI application level of C+ on the opening page of the SR has not been declared in accordance with the GRI G3.1 Guidelines.

Inherent Limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Reporting Criteria used as the basis of the Company's reporting should therefore be read in conjunction with the Selected Information and associated statements reported in the SR.

Restriction on Use

Our report has been prepared for and only for the Board of Directors of the Company and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Limited Assurance

Our engagement is aimed at obtaining limited assurance for our conclusions. As a limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than that undertaken for a reasonable assurance engagement, the level of assurance is lower than would be obtained in a reasonable assurance engagement.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
13 March 2014

Sustainable Development Statistics

Direct Economic Value Generated, Distributed and Retained (EC1)

	2013 HK$M	2012 (Restated) HK$M	Change %
Direct economic value generated			
Turnover	**51,437**	49,040	+4.9%
Valuation gains on investment properties	**5,845**	12,147	-51.9%
Finance income	**160**	192	-16.7%
Share of profits less losses of joint venture companies	**1,682**	1,519	+10.7%
Share of profits less losses of associated companies	**1,521**	582	+161.3%
	60,645	63,480	-4.5%
Economic value distributed			
Purchases of goods and services	**29,399**	27,828	+5.6%
Employee compensation	**8,667**	7,807	+11.0%
Payments to providers of capital	**10,172**	11,293	-9.9%
Payments to government	**1,852**	2,343	-21.0%
Community investments including charitable donations*	**41**	40	+2.5%
	50,131	49,311	+1.7%
Economic value retained			
Depreciation/Amortisation	**2,489**	2,025	+22.9%
Profit after dividends	**8,025**	12,144	-33.9%
	10,514	14,169	-25.8%

* Excludes donations from joint venture and associated companies.

Total Energy Consumption (EN3+EN4)

	Energy consumption in GJ Note 1						
	Direct energy consumption (EN3)		Indirect energy consumption (EN4)		Total		Change
Company	2013	2012	2013	2012	2013	2012	%
Property							
Swire Properties Note 2	**35,854**	33,571	**857,933**	792,227	**893,786**	825,798	8%
Aviation							
Cathay Pacific group	**221,816,121**	224,481,119	**338,048**	345,802	**222,154,170**	224,826,921	-1%
HAECO group	**312,647**	257,578	**346,959**	317,422	**659,606**	575,000	15%
Beverages							
Swire Beverages	**666,600**	672,369	**791,354**	708,755	**1,457,954**	1,381,124	6%
Marine Services							
Swire Pacific Offshore Note 3	**689,204**	587,291	**4,668**	4,031	**693,872**	591,323	17%
HUD group	**375,918**	385,844	**24,159**	31,259	**400,077**	417,104	-4%
Trading & Industrial	**22,924**	19,818	**99,406**	52,487	**122,331**	72,305	69%
Total Note 4	**223,919,269**	226,437,590	**2,462,528**	2,251,984	**226,381,796**R	228,689,575	-1%

Direct Energy Consumption (EN3) Breakdown by Fuel Type in GJ

	2013	2012	Change %
Stationary combustion sources			
Gas	**513,079**	501,182	2%
Other oil derivatives	**140,527**	161,967	-13%
Mobile combustion sources			
Jet kerosene	**221,528,191**	224,102,132	-1%
Marine gasoil	**1,052,768**	955,990	10%
Other oil derivatives	**684,704**	716,318	-4%
Total Note 4	**223,919,269**	226,437,590	-1%

Notes:
1. We adopted the Lower Heating Value (LHV) coefficients to convert fuel quantities into energy consumed.
2. Swire Properties has revised its 2012 indirect energy consumption due to updated consumption figures.
3. This excludes on-hire vessel fuel consumption.
4. Totals may not be the exact sum of numbers shown here due to rounding.

R Denotes sustainability data that has been reported on by PricewaterhouseCoopers. Please refer to the Sustainable Development Independent Assurance Report for further details.

Total Direct and Indirect Greenhouse Gas Emissions by Weight (EN16)

	Emission in tonnes CO2e						
	Direct (Scope 1)		Indirect (Scope 2)		Total		
Company	2013	2012	2013	2012	2013	2012	Change %
Property							
Swire Properties [Note 1]	**3,025**	2,703	**184,376**	171,216	**187,400**	173,919	8%
Aviation							
Cathay Pacific group [Note 2]	**15,912,662**	16,121,548	**58,177**	60,172	**15,970,839**	16,181,719	-1%
HAECO group	**24,281**	20,820	**61,515**	56,702	**85,796**	77,522	11%
Beverages							
Swire Beverages	**49,168**	50,021	**164,082**	148,748	**213,250**	198,769	7%
Marine Services							
Swire Pacific Offshore [Note 3]	**58,295**	52,651	**631**	740	**58,926**	53,391	10%
HUD group	**30,690**	31,281	**3,961**	5,211	**34,651**	36,492	-5%
Trading & Industrial	**1,673**	1,442	**19,094**	9,766	**20,767**	11,207	85%
Total [Note 4]	**16,079,793**	16,280,465	**491,835**	452,554	**16,571,628**[R]	16,733,019	-1%

Notes:
1. Swire Properties has revised its 2012 indirect greenhouse gas emissions due to updated consumption figures.
2. Only CO_2 emissions for aviation turbine fuel are reported as there is no scientific consensus on the global warming effect of the other emissions. The Group's airlines continue to monitor developments in these areas of atmospheric science, including studies from the UK's OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre (DLR).
3. This excludes on-hire vessel fuel consumption as these belong to scope 3 as defined by the Greenhouse Gas Protocol.
4. Totals may not be the exact sum of numbers shown here due to rounding.

R Denotes sustainability data that has been reported on by PricewaterhouseCoopers. Please refer to the Sustainable Development Independent Assurance Report for further details.

Ozone Depleting Substances Emitted (EN19)

	Total (kg CFC-11 equivalent)	
Company	2013	2012
Property		
Swire Properties	**66**	1,208
Aviation		
Cathay Pacific group	**15,343**	694
HAECO group	**25**	46
Beverages		
Swire Beverages	**79**	57
Marine Services		
Swire Pacific Offshore	**159**	154
HUD group	**–**	1
Trading & Industrial	**–**	–
Total [Note1]	**15,673**	2,160

Note:
1. Totals may not be the exact sum of numbers shown here due to rounding.

Total Water Withdrawal by Source (EN8)
Percentage and Total Volume of Non-sea Water Reused (EN10)
Total Water Discharged by Quality and Destination (EN21)

	Water Used (cbm) Note 1			Water recycled (as % of total)				Water discharged (as % of input) Note 2			
	Total			Treated		Untreated		To Sea		To Sewer	
Company	2013	2012	Change %	2013	2012	2013	2012	2013	2012	2013	2012
Property											
Swire Properties	**960,874**	656,958	46%	**1%**	2%	**–**	–	**–**	–	**50%**	50%
Aviation											
Cathay Pacific group	**782,216**	798,628	-2%	**–**	–	**–**	–	**–**	–	**100%**	100%
HAECO group	**636,915**	502,002	26%	**22%**	21%	**0.2%**	0.5%	**–**	–	**79%**	54%
Beverages											
Swire Beverages	**6,076,755**	5,497,257	11%	**5%**	5%	**6%**	12%	**–**	–	**44%**	41%
Marine Services											
Swire Pacific Offshore	**–**	–	–	**–**	–	**–**	–	**–**	–	**–**	–
HUD group	**52,307**	66,836	-22%	**–**	–	**–**	–	**64%**	73%	**–**	–
Trading & Industrial	**116,363**	81,705	42%	**–**	–	**–**	–	**–**	–	**100%**	100%
Total	**8,625,429**R	7,603,386	13%	**–**	–	**–**	–	**–**	–	**–**	–

Notes:
1. Virtually all water consumption by the Group is withdrawn from municipal water supplies provided by local water supply authorities. Swire Properties' buildings have installed rainwater catching facilities but the amount of rainwater caught is insignificant in relation to the Group's total water consumption.
2. We received no non-compliance reports in relation to water discharge in 2013. This indicated that all of our wastewater met relevant legal requirements prior to discharge.
R Denotes sustainability data that has been reported on by PricewaterhouseCoopers. Please refer to the Sustainable Development Independent Assurance Report for further details.

Swire Pacific Group Workforce Data as at 31st December 2013 (LA1)

	Total Workforce					Employees who are on Permanent Terms (%)	Permanent employees who work Full-time (%)	Total workforce by region (%)				
Company	Employees 2013	Supervised Workers 2013	Total 2013	Total 2012	Change %			Hong Kong and Macau	Mainland China	Taiwan	USA	Others
Swire Pacific (Head Office)	**35**	**–**	**35**	37	-5%	**100%**	**100%**	**94%**	**6%**	**0%**	**0%**	**0%**
Property												
Swire Properties	**4,932**	**70**	**5,002**	4,924	2%	**60%**	**95%**	**56%**	**37%**	**0%**	**0%**	**7%**
Aviation												
Cathay Pacific group	**29,682**	**–**	**29,682**	28,681	3%	**95%**	**98%**	**79%**	**3%**	**2%**	**2%**	**13%**
HAECO group	**12,201**	**281**	**12,482**	11,827	6%	**95%**	**99%**	**55%**	**45%**	**0%**	**0%**	**0%**
Beverages												
Swire Beverages	**17,456**	**2,222**	**19,678**	20,955	-6%	**88%**	**100%**	**7%**	**80%**	**4%**	**9%**	**0%**
Marine Services												
Swire Pacific Offshore	**2,362**	**–**	**2,362**	2,227	6%	**63%**	**100%**	**0%**	**0%**	**0%**	**0%**	**100%**
HUD group	**443**	**–**	**443**	664	-33%	**90%**	**100%**	**100%**	**0%**	**0%**	**0%**	**0%**
Trading & Industrial	**5,332**	**–**	**5,332**	4,877	9%	**72%**	**84%**	**53%**	**28%**	**19%**	**0%**	**0%**
Total Note 1	**72,443**	**2,573**	**75,016**	74,192	1%	**73%**	**97%**	**50%**	**34%**	**3%**	**3%**	**9%**

Note:
1. Totals may not be the exact sum of numbers shown here due to rounding.

Swire Pacific Group Employee Turnover Rate as at 31st December 2013 (LA2)

	By age group				By gender		By region					
Company	Under 30 years old	30 and under 40 years old	40 and under 50 years old	50 and over years old	Male	Female	Hong Kong and Macau	Mainland China	Taiwan	USA	Others	Overall
Swire Pacific (Head Office)	**0%**	**17%**	**0%**	**0%**	**17%**	**0%**	**6%**	**0%**	**–**	**–**	**–**	**6%**
Property												
Swire Properties	**41%**	**21%**	**15%**	**15%**	**23%**	**29%**	**20%**	**34%**	**–**	**–**	**50%**	**25%**
Aviation												
Cathay Pacific group	**21%**	**7%**	**5%**	**12%**	**12%**	**11%**	**12%**	**10%**	**4%**	**3%**	**7%**	**11%**
HAECO group	**12%**	**6%**	**5%**	**13%**	**9%**	**13%**	**13%**	**5%**	**0%**	**0%**	**10%**	**9%**
Beverages												
Swire Beverages	**34%**	**16%**	**11%**	**20%**	**24%**	**19%**	**40%**	**21%**	**15%**	**28%**	**–**	**23%**
Marine Services												
Swire Pacific Offshore	**7%**	**6%**	**3%**	**6%**	**5%**	**12%**	**0%**	**0%**	**0%**	**0%**	**5%**	**5%**
HUD group	**57%**	**59%**	**46%**	**74%**	**63%**	**61%**	**63%**	**–**	**–**	**–**	**–**	**63%**
Trading & Industrial	**117%**	**32%**	**16%**	**19%**	**71%**	**77%**	**103%**	**52%**	**27%**	**–**	**–**	**74%**

Rates of Injury, Lost Days and Work-related Fatalities (LA7)

	Injuries (including fatalities) [Note 1]														
	Thousand hours worked (employees)		Total fatalities (employees)		Total lost time injuries (employees)		Lost time injury rate		Change	Lost days due to injuries		Lost day rate		Change
Company	2013	2012	2013	2012	2013	2012	2013	2012	%	2013	2012	2013	2012	%
Property														
Swire Properties [Note 2]	**8,390**	8,403	**–**	–	**96**	104	**2.29**	2.48	-8%	**2,166**	2,969	**51.62**	70.66	-27%
Aviation														
Cathay Pacific group	**61,838**	60,014	**1**	–	**1,497**	1,521	**4.84**	5.07	-4%	**35,843**	33,783	**115.93**	112.58	3%
HAECO group	**28,525**	27,008	**–**	–	**240**	237	**1.68**	1.76	-5%	**7,349**	6,137	**51.53**	45.45	13%
Beverages														
Swire Beverages	**41,533**	44,289	**–**	–	**176**	220	**0.85**	0.99	-14%	**5,621**	5,672	**27.07**	25.62	6%
Marine Services														
Swire Pacific Offshore	**11,021**	9,913	**–**	1	**10**	8	**0.18**	0.16	12%	**373**	229	**6.77**	4.62	46%
HUD group	**1,972**	2,589	**–**	–	**29**	28	**2.94**	2.16	36%	**953**	855	**96.67**	66.06	46%
Trading & Industrial	**9,316**	8,131	**–**	–	**46**	70	**0.99**	1.72	-42%	**1,238**	1,167	**26.57**	28.70	-7%
Total	**162,595**	160,347	**1[R]**	1	**2,094[R]**	2,188	**2.58**	2.73	-6%	**53,542**	50,812	**65.86**	63.38	4%

Notes:
1. Please refer to glossary for definitions.
2. This company has revised its 2012 injury data due to updated numbers of work injuries.

R Denotes sustainability data that has been reported on by PricewaterhouseCoopers. Please refer to the Sustainable Development Independent Assurance Report for further details.

Swire Pacific Group Average Hours of Training Per Employee for 2013 (LA10)

	Top/Senior Management	Middle/Junior management & supervisory	Customer facing staff	Non-customer facing operational/ technical staff	Others	Total
Company	Average hours of training in 2013	Average hours of training in 2013	Average hours of training in 2013	Average hours of training in 2013	Average hours of training in 2013	Average hours of training in 2013
Swire Pacific (Head Office)	**29.36**	**31.45**	**–**	**–**	**5.81**	**25.17**
Property						
Swire Properties	**29.07**	**20.30**	**10.03**	**–**	**7.90**	**12.70**
Aviation						
Cathay Pacific group	**1.95**	**10.27**	**32.70**	**16.97**	**0.15**	**23.42**
HAECO group	**93.36**	**55.86**	**88.51**	**68.29**	**17.18**	**65.33**
Beverages						
Swire Beverages	**23.62**	**20.23**	**16.98**	**31.27**	**7.91**	**21.98**
Marine Services						
Swire Pacific Offshore	**12.73**	**12.73**	**–**	**–**	**63.10**	**57.17**
HUD group	**21.93**	**22.29**	**–**	**11.53**	**–**	**14.33**
Trading & Industrial	**39.06**	**11.90**	**20.18**	**12.84**	**5.19**	**15.56**

Schedule of Principal Group Properties

As 31st December 2013

	Gross floor area in square feet								
	Hong Kong		Mainland China		USA		UK	Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment									
Retail	2,324,862	99,696	2,859,885	469,747	–	–	–	5,184,747	5,754,190
Office	8,099,503	492,711	1,731,766	297,732	–	–	–	9,831,269	10,621,712
Techno-centre	893,516	–	–	–	–	–	–	893,516	893,516
Residential and Serviced Apartments	540,466	–	51,517	–	–	–	–	591,983	591,983
Hotel	358,371	384,796	753,647	179,135	–	258,750	208,687	1,320,705	2,143,386
	12,216,718	977,203	5,396,815	946,614	–	258,750	208,687	17,822,220	20,004,787
Property developments for investment									
Retail	12,349	–	–	1,141,264	565,000	–	–	577,349	1,718,613
Office	1,555,035	–	–	925,704	260,000	–	–	1,815,035	2,740,739
Hotel	–	–	–	345,568	218,000	–	–	218,000	563,568
Residential and Serviced Apartments	62,741	–	–	41,038	109,000	–	–	171,741	212,779
Under Planning	–	92,000	–	–	1,300,000*	–	–	1,300,000	1,392,000
	1,630,125	92,000	–	2,453,574	2,452,000	–	–	4,082,125	6,627,699
Completed properties for sale									
Retail	–	3,820	–	–	–	–	–	–	3,820
Residential	211,273	44,278	–	–	5,359	–	–	216,632	260,910
Under Planning	–	–	–	–	12,586	–	–	12,586	12,586
	211,273	48,098	–	–	17,945	–	–	229,218	277,316
Property developments for sale									
Office	–	–	–	649,941	–	–	–	–	649,941
Industrial	–	191,250	–	–	–	–	–	–	191,250
Residential	425,732	–	–	–	1,985,800	–	–	2,411,532	2,411,532
Under Planning	–	–	–	–	787,414	–	–	787,414	787,414
	425,732	191,250	–	649,941	2,773,214	–	–	3,198,946	4,040,137
	14,483,848	1,308,551	5,396,815	4,050,129	5,243,159	258,750	208,687	25,332,509	30,949,939

* Phase II of the development at Brickell City Centre is currently in the planning process following the acquisition of the site at 700 Brickell Avenue in July 2013. A newly acquired site is included under "Land held for development" in the accounts.

Notes:
1. The gross floor area represents 100% of the space owned by the Group's subsidiaries and Swire Properties' attributable share of space owned by joint venture and associated companies.
2. Gross floor area excludes car parking spaces; there are over 9,800 completed car parking spaces which are held by subsidiaries and other companies for investment.
3. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
4. All properties in the USA are freehold.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building.
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building.
The Mall at Pacific Place	IL 8571 (part)/ IL 8582 & Ext. (part)	2135/ 2047	318,289 (part)	711,182	430	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050-2852	40,236	627,657	111	2004/07	Office building linked to The Mall and Admiralty MTR station.
3. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,227	834	1983/87/ 97/2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
4. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Office building over part of Cityplaza shopping centre.
5. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK ss18	2899	33,730	447,714	10	1992	Office building linked by a footbridge to Cityplaza.
6. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,431	–	1991	Office building linked by a footbridge to Cityplaza.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
7. Commercial areas in Stages I - X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2889/ 2899	–	331,079	3,826	1977-85	Neighbourhood shops, schools and car parking spaces.
8. Devon House, TaiKoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Office building linked to Dorset House and Cambridge House.
9. Dorset House, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Office building linked to Devon House.
10. Lincoln House, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,353	164	1998	Office building linked to PCCW Tower.
11. Oxford House, TaiKoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/ 2899	33,434	501,253	182	1999	Office building linked to Cornwall House.
12. Cambridge House, TaiKoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Office building linked to Devon House.
13. One Island East, TaiKoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/ 2899	109,929	1,537,011	–	2008	Office building linked to Cornwall House.
14. Island Place, 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, of which the Swire Properties group owns 60%.
15. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail area.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
16. 21 - 29 Wing Fung Street, Wanchai	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3	2856	2,967	14,039	–	1992/2006	Floor area shown represents the existing buildings.
17. Generali Tower, Wanchai (Formerly called 8 Queen's Road East)	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	2013 (Refurbishment)	Office building with ground floor retail.
18. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	Office building.
	Total held through subsidiaries			10,424,365	6,454		
19. PCCW Tower, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Office building linked to Dorset House. Floor area shown represents the whole development, of which the Swire Properties group owns 50%.
20. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Office building. Floor area shown represents the whole development, of which the Swire Properties group owns 50%.
21. Tung Chung Crescent (Site 1), Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	–	1998/99	Floor area shown represents the retail space, of which the Swire Properties group owns 20%.
22. Citygate (Site 2), Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	Retail: 462,428 Office: 160,522	1,156	1999/2000	A 160,522 square foot office tower above a 462,428 square foot shopping centre of which the Swire Properties group owns 20%. (Part of Site 1 and Site 2 North included on pages 246 and 247 respectively)
	Held through joint venture companies			1,580,216	1,457		
	– of which attributable to the Swire Properties group			592,407			
Techno-centre							
1. TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)				Data centres/offices/logistics warehousing.
Warwick House				554,934	78	1979	
Cornwall House				338,582	85	1984	Floor area excludes eight floors owned by Government.
	Total held through subsidiaries			893,516	163		
Residential							
1. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi-detached houses.
3. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
4. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)	23,224	7	1965	7 apartment units.
5. OPUS HONG KONG, 53 Stubbs Road, The Peak	RBL 224	2074	32,496 (part)	56,755	20	2011	10 apartment units.
	Total held through subsidiaries			540,466	27		

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel							
1. EAST, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009	117-room hotel above the JW Marriott Hotel
	Total held through subsidiaries			358,371			
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	602-room hotel, in which the Swire Properties group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Swire Properties group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through associated companies			1,687,222			
	– of which attributable to the Swire Properties group			337,444			
6. Novotel Citygate Hong Kong Hotel, Citygate (Site 2 North)	TCTL 2 (part)	2047	358,557 (part)	236,758	7	2005	440-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through joint venture companies			236,758	7		
	– of which attributable to the Swire Properties group			47,352			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun South)	19 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (Part)	776,909	451	2007	Shopping centre with restaurants and cinema. Floor area shown represents the whole development, of which the Swire Properties group owns 80%.
2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North)	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (Part)	519,399	410	2007	Shopping centre with restaurants. Floor area shown represents the whole development, of which the Swire Properties group owns 80%.
3. Hui Fang (Beaumonde Retail Podium)	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,377 (Part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
4. TaiKoo Hui	383 Tianhe Road, Tianhe District, Guangzhou	2051	526,941 (Part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, of which the Swire Properties group owns 97%.
	Total held through subsidiaries			2,859,885	1,679		
5. INDIGO	18 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	631,072 (Part)	939,493	617	2012	Shopping centre with restaurants and cinema. Floor areas shown represent the retail portion, of which the Swire Properties group owns 50%.
	Total held through joint venture companies			939,493	617		
	– of which attributable to the Swire Properties group			469,747			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office								
1. TaiKoo Hui	381 & 385 Tianhe Road, Tianhe District, Guangzhou	2051	526,941 (Part)		1,731,766	–	2011	Floor area shown represents the office portion, of which the Swire Properties group owns 97%.
	Total held through subsidiaries				1,731,766	–		
2. INDIGO	20 Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (Part)		595,464	392	2011	Floor area shown represents the office portion, of which the Swire Properties group owns 50%.
	Total held through joint venture companies				595,464	392		
	– of which attributable to the Swire Properties group				297,732			
Hotel								
1. The Opposite House	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (Part)		169,463	32	2007	99-room hotel.
2. TaiKoo Hui Mandarin Oriental	389 Tianhe Road, Tianhe District, Guangzhou	2051	526,941 (Part)	Hotel Serviced Apartment	584,184 51,517	– –	2012	263-room hotel and 24 serviced apartments. The bare-shell and exterior facade of cultural centre with 629,414 square feet is built according to the agreements with Cultural Bureau and awaiting hand over to the Guangzhou Government. Floor area shown represents the hotel and serviced apartment portion, of which the Swire Properties group owns 97%.
	Total held through subsidiaries				805,164	32		
3. EAST Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Office and Carpark)	631,072 (Part)		358,269	236	2012	369-room hotel. Floor area shown represents the hotel portion, of which the Swire Properties group owns 50%. Open as of Q3 2012.
	Total held through joint venture companies				358,269	236		
	– of which attributable to the Swire Properties group				179,135			

Completed properties for investment in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel						
1. Mandarin Oriental	South Brickell Key,Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Swire Properties group has a 75% interest.
	Total held through joint venture company		345,000	600		
	– of which attributable to the Swire Properties group		258,750			

Completed properties for investment in the United Kingdom	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel					
1. The Montpellier Chapter, Cheltenham (formerly called Hotel Kandinsky, Cheltenham)	34,875	36,662	24	2000	61-room freehold hotel in Cheltenham. Re-opened in December 2010 after refurbishment.
2. The Magdalen Chapter, Exeter (formerly called Hotel Barcelona, Exeter)	46,888	36,001	10	2001	59-room freehold hotel in Exeter. Re-opened in June 2012 after refurbishment.
3. Hotel Seattle, Brighton	22,755	48,416	–	2003	71-room hotel in Brighton. 35-year leasehold commenced in September 2002.
4. Avon Gorge Hotel, Bristol	71,547	87,608	20	1855	75-room freehold hotel in Bristol. Floor area includes an external terrace.
Total held through subsidiaries		208,687	54		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 23 Tong Chong Street, (formerly called Wah Yuen Building), Quarry Bay	ML 703 sI	2881	8,664	Residential Retail	62,741 12,349 75,090	–	Superstructure in progress	2014	Floor area shown represents a serviced apartment building above a retail podium.
2. New Kowloon Inland Lot No. 6312, Kowloon Bay	NKIL 6312	2063	46,253	Office	555,035	223	Design in progress	2017	Proposed scheme is under development. Floor area shown represents the total gross floor area permitted under the Conditions of Sale.
3. Somerset House Redevelopment	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	Office	1,000,000	92	Design in progress	2017	Demolition will commence in 2014. Proposed scheme is under development and is subject to Government agreement. Floor area shown is an approximation.
	Total held through subsidiaries				1,630,125	315			
4. Tung Chung Town Lot No. 11 Tung Chung, Lantau	TCTL 11	2063	107,919	Under Planning	460,000	127	Design in progress	2017	Proposed scheme is under development. Floor area shown, which excludes the area of a public transport terminus, is an approximation and is subject to change. An additional public transport terminus of approximately 74,000 square feet is to be built and handed over to the Government upon completion. Floor area shown represents the whole development, of which the Swire Properties group owns 20%.
	Held through joint venture companies				460,000	127			
	– of which attributable to the Swire Properties group				92,000				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Dazhongli Project	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	(2049 for Retail/ Hotel; 2059 for Office)	676,091	Retail Office Hotel	1,078,660 1,851,408 527,307	1,200	Piling & excavation works in progress	2016	Floor areas shown represent the whole development, of which the Swire Properties group owns 50%.
					3,457,375	1,200			
2. Daci Temple Project (Retail: Sino-Ocean Taikoo Li Chengdu; Hotel & Serviced Apartment: The Temple House)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (Part)	Retail Hotel Serviced Apartment	1,203,867 163,828 82,076	1,000	Superstructure in progress	2014	Floor areas shown represent the retail, hotel and serviced apartment portions of the development, of which the Swire Properties group owns 50%.
					1,449,771	1,000			
	Total held through joint venture companies				4,907,146	2,200			
	– of which attributable to the Swire Properties group				2,453,573				

Property developments for investment in the United States	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. Brickell City Centre, Miami, Florida	380,670 (part)	Phase I Retail Office Wellness Office Hotel Serviced Apartment	 565,000 128,000 132,000 218,000 109,000	 1,235 144 145 100 –	2015	Brickell City Centre is an urban mixed-use development located in the Brickell financial district, comprising retail space, offices, a hotel, serviced apartments and residential condominiums. Construction commenced in July 2012 and the project is scheduled to open by the end of 2015. The Swire Properties group owns 87.5% of the retail portion.
	123,347	Phase II Under Planning	 1,300,000	To be determined	2019	Phase II - One Brickell City Centre, is being planned as a future mixed-use development, Class-A office space, condominiums and a hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre, expected to contain approximately 1.3 million square feet, is planned as an 80-storey luxury high rise tower.
			2,452,000	1,624		
	Total held through subsidiaries		2,452,000	1,624		

Completed properties for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. AZURA, Mid Levels West	IL 577 sC (part) IL 577 sD (part) IL 577 sE (part) IL 577 sF (part) IL 577 sG (part) IL 577 sH (part) IL 577 sI (part) IL 577 sJ (part) IL 577 sL ss1 (part) IL 577 sL ss2 (part) IL 577 sL ss3 (part) IL 577 sL RP (part) IL 577 sM (part)	2857	22,957 (part)	13,164	41	2012	As at 31 December 2013, 119 units were closed and/or sold after the issuance of occupation permit. Floor area shown represents the remaining 7 residential units and 41 unsold car parking spaces, of which the Swire Properties group owns 87.5%.
2. ARGENTA, Mid Levels West	IL 2300	2856	7,975 (part)	46,155	17	2013	As at 31 December 2013, 12 units and 11 car parking spaces were closed and/or sold after the issuance of occupation permit. Floor area shown represents the remaining 18 residential units and 17 unsold car parking spaces.
3. MOUNT PARKER RESIDENCES, Taikoo Shing	SIL 761 RP SIL 761 sA	2057	28,490	151,954	68	2013	Floor area shown represents the whole development, of which the Swire Properties group owns 80%. The development comprises 92 residential units with 19 storeys above podium and 68 car parking spaces, of which the Swire Properties group owns 80%.
	Total held through subsidiaries			211,273	126		
4. DUNBAR PLACE, Ho Man Tin	KIL 3303 sA	2083	17,712	88,555	57	2013	Floor area shown represents the whole development, of which the Swire Properties group owns 50%. The development comprises of 53 residential units with 19 storeys above podium and 57 car parking spaces, of which the Swire Properties group owns 50%. As at 31 December 2013, 25 units were pre-sold.
5. Tung Chung Crescent (Site 1)	TCTL 1 (part)	2047	331,658 (part)	–	75	1998/99	75 unsold car parking spaces, of which the Swire Properties group owns 20%.
	Total held through joint venture companies			88,555	132		
	– of which attributable to the Swire Properties group			44,278			
Other holdings							
1. Belair Monte, Fanling	FSSTL 126 (part)	2047	223,674 (part)	Retail: 47,751	17	1998	Floor area shown represents the whole of the retail area, of which the Swire Properties group owns 8%.
				47,751	17		
	– Attributable holding			3,820			

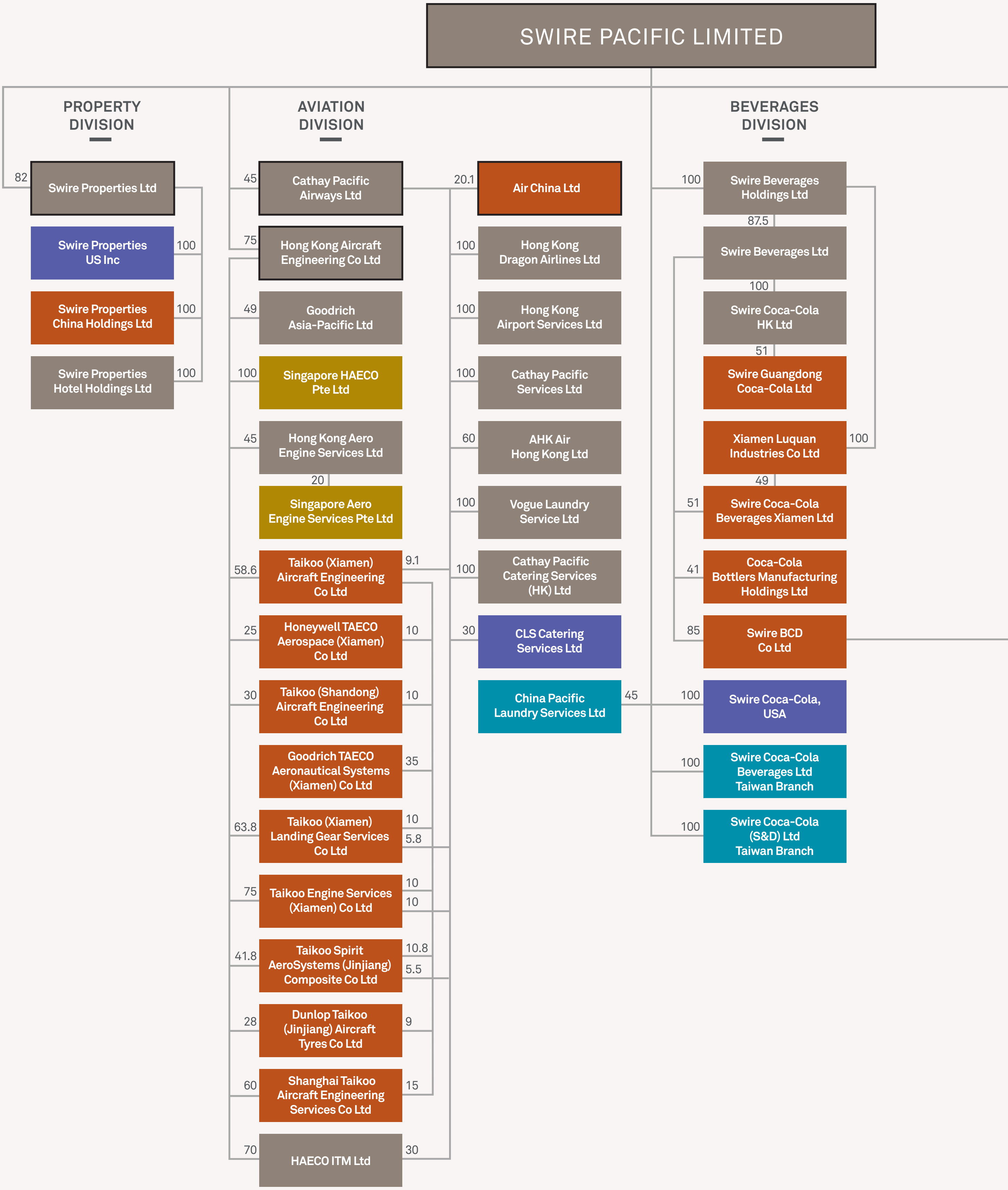
Completed properties for sale in the United States	Address	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. ASIA	900 Brickell Key, Miami, Florida	173,531	Residential	5,359	4	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. As at 31 December 2013, 122 units had been closed.
2. River Court	Fort Lauderdale, Florida	21,750	Retail/ Office	12,586	38	1966	The development site, in which the Swire Properties group has a 75% interest, was acquired in October 2006.
	Total held through subsidiaries			17,945	42		

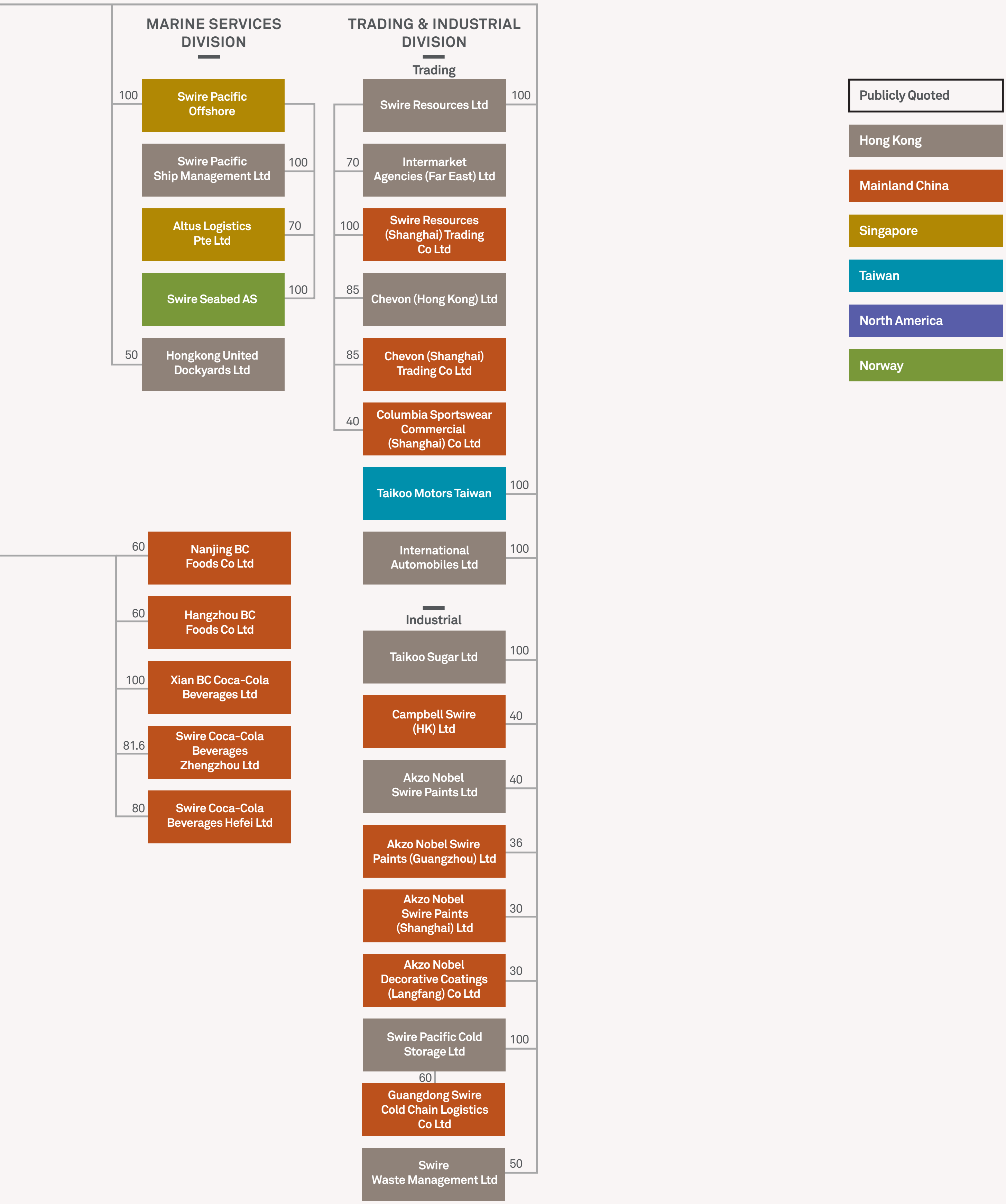
Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Phase 1, 33 Seymour Road (AREZZO), Mid Levels West	IL 424 sB ss1 RP IL 424 sB RP IL 425 s7 sA IL 425 s7 sB IL 425 s7 sC IL 425 s7 sD IL 424 sC RP IL 424 sD RP IL 424 RP	2854	20,756	Residential	165,792	–	Superstructure in progress	2014	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium.
2. Phase 2, 33 Seymour Road, Mid Levels West (formerly called 92-102 Caine Road)	IL 425 s1 RP IL 425 s2 IL 425 s3 IL 425 s4 IL 425 s5 ss1 IL 425 s5 RP IL 425 RP	2854	21,726	Residential	195,533	43	Pile cap construction in progress	2016	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium
3. Residential Sites in Cheung Sha, Lantau	Lot 724 and Lot 726 in DD332	2062	161,029	Residential	64,407	–	Superstructure in progress	2015	Floor area shown represents a proposed residential development.
	Total held through subsidiaries				425,732	43			
4. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 338 AIL 339	2119 2120	25,500	Industrial	382,500	39	Foundation completed	On hold	Floor area shown represents the whole development, of which the Swire Properties group owns 50%.
	Total held through joint venture companies				382,500	39			
	– of which attributable to the Swire Properties group				191,250				

Property developments for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Daci Temple Project (Office: Pinnacle One)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (part)	Office	1,299,882	499	Superstructure in progress	2014	Floor area shown represents the office portion of the development, of which the Swire Properties group owns 50%.
	Total held through joint venture companies				1,299,882	499			
	– of which attributable to the Swire Properties group				649,941				

Property developments for sale in the United States	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential	421,800	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	182,191	Residential / Office / Hotel	787,414	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Swire Properties group has a 75% interest.
3. Brickell City Centre, Miami, Florida	380,670 (part)	Condominium	1,114,000	1,025	2015	Two residential development sites in Brickell City Centre, an urban mixed-use development located in the Brickell financial district. Construction commenced in July 2012 and the project is scheduled to open by the end of 2015.
	380,670 (part)	Condominium	450,000	440	–	The development on the North Squared site is currently on hold.
Total held through subsidiaries			2,773,214	2,910		

Group Structure Chart




MARINE SERVICES DIVISION
100
Swire Pacific Offshore
Swire Pacific Ship Management Ltd
100
Altus Logistics Pte Ltd
70
Swire Seabed AS
100
50
Hongkong United Dockyards Ltd
TRADING & INDUSTRIAL DIVISION
Trading
Swire Resources Ltd
100
70
Intermarket Agencies (Far East) Ltd
100
Swire Resources (Shanghai) Trading Co Ltd
85
Chevon (Hong Kong) Ltd
85
Chevon (Shanghai) Trading Co Ltd
40
Columbia Sportswear Commercial (Shanghai) Co Ltd
Taikoo Motors Taiwan
100
International Automobiles Ltd
100
Industrial
Taikoo Sugar Ltd
100
Campbell Swire (HK) Ltd
40
Akzo Nobel Swire Paints Ltd
40
Akzo Nobel Swire Paints (Guangzhou) Ltd
36
Akzo Nobel Swire Paints (Shanghai) Ltd
30
Akzo Nobel Decorative Coatings (Langfang) Co Ltd
30
Swire Pacific Cold Storage Ltd
100
60
Guangdong Swire Cold Chain Logistics Co Ltd
Swire Waste Management Ltd
50
60
Nanjing BC Foods Co Ltd
60
Hangzhou BC Foods Co Ltd
100
Xian BC Coca-Cola Beverages Ltd
81.6
Swire Coca-Cola Beverages Zhengzhou Ltd
80
Swire Coca-Cola Beverages Hefei Ltd
Publicly Quoted
Hong Kong
Mainland China
Singapore
Taiwan
North America
Norway

Glossary

Terms

Financial

Adjusted consolidated net worth Total of share capital, reserves and non-controlling interests.

Adjusted consolidated tangible net worth Adjusted consolidated net worth less goodwill and other intangible assets.

EBIT Operating profit before dividends received from joint venture and associated companies.

Equity attributable to the Company's shareholders Equity before non-controlling interests.

FFO Funds from operations – operating profit (excluding profit or loss on sale of investment properties and property, plant and equipment) less net finance charges less change in fair value of investment properties less tax paid less non-recurring items plus depreciation and amortisation plus dividends from joint venture and associated companies plus non cash items.

Gross borrowings Total of loans, bonds, overdrafts and perpetual capital securities.

Net assets employed Total equity plus net debt.

Net debt or consolidated borrowed money Total of loans, bonds, overdrafts and perpetual capital securities net of bank deposits, bank balances and certain available-for-sale investments.

Underlying equity attributable to the Company's shareholders Reported equity before non-controlling interests, adjusted for the impact of deferred tax on changes in the fair value of investment properties in Mainland China.

Underlying profit Reported profit adjusted principally for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for 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.

Aviation

Available seat kilometres ("ASK") Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Available tonne kilometres ("ATK") is the overall capacity, measured in tonnes, available for the carriage of airline passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

On-time performance Departure within 15 minutes of scheduled departure time.

Revenue passenger kilometres ("RPK") Number of passengers carried on each sector multiplied by the sector distance.

Beverages

Energy use ratio represents the energy consumed (measured in Mega joules) used to produce a litre of production. Energy consumed consists of all energy consumed, except for fuel used in fleet operations. Production volume only includes volume produced by Swire Beverages and excludes volume that is purchased from third parties.

General Trade Small, usually independent, grocery outlets.

Modern Trade Supermarkets and convenience stores, which are usually members of large retail chains.

Other Channels Includes wholesalers, restaurants and outlets at entertainment and educational establishments.

Production Quality Index An index used throughout TCCC system for evaluating the quality during the production process over a 12 month period.

Water use ratio represents the litres of water used to produce a litre of production. It is calculated as total water used divided by total production volume. Production volume only includes volume produce by Swire Beverages and excludes volume that is purchased from third parties.

Marine Services

ISOA International Support Vessel Owners' Association.

Sustainable Development

Carbon Dioxide Equivalent (CO_2e) A measure of the global warming potential of releases of the six greenhouse gases ('GHG') specified by the Kyoto protocol. These are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

Greenhouse Gas (GHG) A gas in the atmosphere that absorbs and emits radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect because part of the re-radiation is back towards the surface of the earth and the lower atmosphere, resulting in an elevation of the average surface temperature above what it would be in the absence of greenhouse gases.

Cubic metres (cbm) A metric unit of volume or capacity equal to 1,000 litres or 1.0 metric tonnes of water.

Global Reporting Initiative ('GRI') (www.globalreporting.org) An institution which provides a generally accepted framework for sustainability reporting. This framework sets out the principles and indicators that entities can use to measure and report their economic, environmental and social performance.

Global Reporting Initiative 'Level C+' GRI specifies that sustainable development reports should include 'Profile Disclosures' and 'Performance Indicators'. The Group's 'Profile Disclosures' shown on pages 235 to 236 of this report and the ten GRI 'Performance Indicators' shown on pages 239 to 242 achieved a Level C rating. The '+' sign signifies that the review is externally reported on.

GRI Performance Indicators are qualitative or quantitative sustainable development measures which an organisation can use to assess performance over time. The basis for using the Performance Indicators in this report is provided on http://www.swirepacific.com/en/sd/sd/gri_report2014.pdf.

Lost Day Rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the Total Days Lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

Lost Time Injury Rate (LTIR) represents the number of injuries per 100 employees per year. It is calculated as the Total Injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year. The definitions of an injury and the number of hours worked may vary slightly in different jurisdictions and in different industries. In such cases local legal definitions and industry norms will take precedence.

Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the Group.

Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat and steam as well as GHG emissions from the generation and transportation of Towngas in Hong Kong from the production plant to the users.

Total injuries are the number of injuries in the year which result in lost time of a minimum of one scheduled working day.

Ratios

Financial

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on average equity attributable to the Company's shareholders} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on average underlying equity attributable to the Company's shareholders} = \frac{\text{Underlying profit/(loss) attributable to the Company's shareholders}}{\text{Average underlying equity during the year attributable to the Company's shareholders}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend cover} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Dividends paid and proposed}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Aviation

$$\text{Passenger/Cargo and mail load factor} = \frac{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}{\text{Available seat kilometres/Available cargo and mail tonne kilometres}}$$

$$\text{Passenger/Cargo and mail yield} = \frac{\text{Passenger turnover/Cargo and mail turnover}}{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses}}{\text{ATK}}$$

Financial Calendar and Information for Investors

Financial Calendar 2014

Annual Report available to shareholders	8th April
'A' and 'B' shares trade ex-dividend	9th April
Share registers closed for second interim dividends entitlement	11th April
Payment of 2013 second interim dividends	9th May
Share registers closed for attending and voting at Annual General Meeting	12th – 15th May
Annual General Meeting	15th May
Interim results announcement	August
First interim dividends payable	October

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E-mail:	shrrelations@bnymellon.com
Tel:	Calls within USA – toll free: 1-888-BNY-ADRS International callers: 1-201-680-6825

Stock Codes

	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

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

Auditors

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Website: www.swirepacific.com

Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

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