

Notes to the Accounts

1. Changes in Accounting Standards

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

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

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

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

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

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

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

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

¹ To be applied by the Group from 1st January 2013.

² To be applied by the Group from 1st January 2014.

³ To be applied by the Group from 1st January 2015.

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

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

1. Changes in Accounting Standards (continued)

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

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

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

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

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

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

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

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

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

1. Changes in Accounting Standards (continued)

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

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

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

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 132 to 134.

Interest rate exposure

The impact on the Group's income statement 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 2012		
Impact on income statement: (loss)/gain	(168)	168
Impact on equity: (loss)/gain	(8)	69
At 31st December 2011		
Impact on income statement: (loss)/gain	(135)	135
Impact on equity: gain	18	11

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 income statement and equity of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.75 (2011: 7.77), with all other variables held constant, would have been:

	Strengthening in HK\$ to lower peg limit (7.75) HK\$M	Weakening in HK\$ to upper peg limit (7.85) HK\$M
At 31st December 2012		
Impact on income statement: gain/(loss)	2	(69)
Impact on equity: gain	1	61
At 31st December 2011		
Impact on income statement: gain/(loss)	42	(23)
Impact on equity: (loss)/gain	(42)	51

2. Financial Risk Management (continued)

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

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 from the year-end date to the earliest date to the contractual maturity date.

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	30	2,754	2,754	2,754	–	–	–
Amounts due to immediate holding company	30	253	253	253	–	–	–
Amounts due to jointly controlled companies	30	134	134	134	–	–	–
Amounts due to associated companies	30	134	134	134	–	–	–
Interest-bearing advances from jointly controlled companies	30	377	377	377	–	–	–
Advances from non-controlling interests	30	365	365	365	–	–	–
Rental deposits from tenants	30	1,953	2,094	447	442	909	296
Put option over non-controlling interest in Sanlitun Village	30	1,112	1,157	1,157	–	–	–
Put options over non-controlling interests in subsidiary companies	30	211	280	–	–	266	14
Accruals and other payables	30	7,083	7,083	6,933	124	22	4
Borrowings (including interest obligations)	32	48,343	58,211	9,402	8,644	18,598	21,567
Derivative financial instruments	25	174	174	49	37	5	83
Financial guarantee contracts		–	1,107	1,107	–	–	–
		62,893	74,123	23,112	9,247	19,800	21,964

Group

At 31st December 2011

	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	30	3,576	3,576	3,576	–	–	–
Amounts due to immediate holding company	30	149	149	149	–	–	–
Amounts due to jointly controlled companies	30	81	81	81	–	–	–
Amounts due to associated companies	30	19	19	19	–	–	–
Interest-bearing advances from jointly controlled companies	30	244	244	244	–	–	–
Interest-bearing advances from associated companies	30	24	24	24	–	–	–
Advances from non-controlling interests	30	383	383	383	–	–	–
Rental deposits from tenants	30	1,780	1,908	379	380	809	340
Put option over non-controlling interest in Sanlitun Village	30	937	974	974	–	–	–
Accruals and other payables	30	6,986	6,986	6,712	274	–	–
Borrowings (including interest obligations)	32	37,320	44,530	11,601	3,998	18,081	10,850
Derivative financial instruments	25	326	326	207	89	30	–
Financial guarantee contracts		–	1,030	975	–	55	–
		51,825	60,230	25,324	4,741	18,975	11,190

2. Financial Risk Management (continued)

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	30	30	30	30	–	–	–
Amounts due to subsidiary companies	30	4,229	4,229	4,229	–	–	–
Interest-bearing advances from a subsidiary company	30	17,835	17,835	17,835	–	–	–
Accruals and other payables	30	138	138	138	–	–	–
Financial guarantee contracts	40	–	1,039	1,039	–	–	–
		22,232	23,271	23,271	–	–	–

Company

At 31st December 2011

	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	30	25	25	25	–	–	–
Amounts due to subsidiary companies	30	7,616	7,616	7,616	–	–	–
Interest-bearing advances from a subsidiary company	30	9,374	9,374	9,374	–	–	–
Accruals and other payables	30	168	168	168	–	–	–
Financial guarantee contracts	40	–	974	974	–	–	–
		17,183	18,157	18,157	–	–	–

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 below:

(a) Estimates of fair value of investment properties

DTZ Debenham Tie Leung (“DTZ”), 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 2012. 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”.

DTZ has derived the valuation of the Group’s completed investment property portfolio 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 as available in the relevant property market. The assumptions are principally in respect of open market rents and yields.

3. Critical Accounting Estimates and Judgements (continued)

DTZ has derived the valuation of the Group's investment properties under construction by making reference to recent comparable sales transactions as available in the relevant property market (on the assumption that the property had already been completed at the valuation date), and has also taken into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project. 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.

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.

(b) Impairment of assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. These calculations require the use of estimates. Refer to note 18 for details of goodwill impairment testing.

Other assets, including land and properties not held at fair value, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined using fair value less costs to sell and/or value-in-use calculations as appropriate.

(c) Income taxes

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.

4. Turnover

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, jointly controlled and associated companies are shown on pages 211 to 221.

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

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

5. Profit on Sale of Interests in Associated and Jointly Controlled Companies

2011:

In January 2011, the Group disposed of its 49% interest in an associated company, PUMA, for a total cash consideration of HK\$413 million and recorded a profit of HK\$148 million.

6. Other Net Gains

Other net gains include the following:

	Group	
	2012 HK\$M	2011 HK\$M
Profit on sale of interest in Festival Walk	–	638
Profit on sale of available-for-sale assets	–	7
Profit on sale of investment properties	66	–
Profit on sale of property, plant and equipment	24	82
Net foreign exchange gains	18	32
Fair value (losses)/gains on derivative instruments transferred from cash flow hedge reserve		
– cross-currency swaps	(33)	(8)
– forward foreign exchange contracts	–	8
Fair value (losses)/gains on derivative instruments not qualifying as hedges		
– forward foreign exchange contracts	(6)	2
Dividend income on available-for-sale assets	3	3

7. Expenses by Type

Expenses included in cost of sales, distribution costs, administrative expenses and other operating expenses are analysed as follows:

	Note	Group	
		2012 HK\$M	2011 HK\$M
Direct operating expenses of investment properties that			
– generated rental income		1,490	1,471
– did not generate rental income		102	46
Cost of stocks sold		15,418	13,198
Write-down of stocks and work in progress		40	44
Goodwill written off	18	8	–
Impairment losses recognised on:			
– property, plant and equipment	15	58	129
– leasehold land and land use rights	17	–	3
– intangible assets	18	10	8
– trade receivables		22	10
Reversal of impairment losses on properties held for development		(4)	(8)
Depreciation of property, plant and equipment	15	1,689	1,527
Amortisation of			
– leasehold land and land use rights	17	28	27
– intangible assets	18	51	48
– initial leasing costs		89	65
Staff costs		7,276	6,506
Operating lease rentals			
– properties		728	608
– vessels		129	110
– plant and equipment		21	31
Swire Properties' listing costs*		–	252
Auditors' remuneration			
– audit services		31	27
– tax services		7	7
– other services *		3	18
Others		5,717	4,525
Total cost of sales, distribution costs, administrative expenses and other operating expenses		32,913	28,652

* In 2011, HK\$15 million relating to fees incurred in respect of the spin-off and listing of shares in Swire Properties Limited have been included in Auditors' remuneration, other services.

8. Segment Information

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

Year ended 31st December 2012

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

Notes:

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

8. Segment Information (continued)

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

Year ended 31st December 2011

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

Notes:

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

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

8. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2012

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

Note:

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

8. Segment Information (continued)

- (a) Information about reportable segments (continued)
Analysis of total assets of the Group (continued)

At 31st December 2011

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

Note:

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

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

8. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2012

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

At 31st December 2011

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

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

8. Segment Information (continued)

(a) Information about reportable segments (continued)

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

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

The Beverages Division is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated income statement in note 8(a) presents the results of the Beverages Division by geographical location in order to provide further information to the user of the Annual Report.

(b) Information about geographical areas

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

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

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

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

9. Directors' and Executive Officers' Emoluments

(a) The total emoluments of Directors and Executive Officers in 2012 and 2011 are as follows:

	Cash			Non cash			Total 2012 HK\$'000	Total 2011 HK\$'000
	Salary/fees (note i) HK\$'000	Bonus (note ii) HK\$'000	Allowances and benefits HK\$'000	Retirement schemes contributions HK\$'000	Bonus paid into retirement schemes (note ii) HK\$'000	Housing benefits HK\$'000		
Executive Directors								
C D Pratt	7,845	8,221	455	3,081	2,544	5,330	27,476	22,129
M Cubbon	4,961	5,426	375	1,948	1,835	4,362	18,907	14,985
P A Kilgour	3,496	4,057	580	1,373	1,526	2,386	13,418	10,305
J R Slosar	846	939	52	332	327	652	3,148	2,365
I Shiu	1,014	1,967	687	132	–	–	3,800	2,003
G L Cundle (from 1st August 2011)	2,768	1,410	266	1,087	593	3,856	9,980	2,809
A K W Tang (from 1st August 2011)	3,112	5,069	1,484	404	–	–	10,069	1,776
A N Tyler (until 31st March 2011)	–	101	–	–	–	–	101	413
P N L Chen (until 1st July 2010)	–	–	–	–	–	–	–	2,899
D Ho (until 1st April 2010)	–	–	–	–	–	–	–	551
Non-Executive Directors								
Baroness Dunn	–	–	–	–	–	–	–	–
J W J Hughes-Hallett	–	–	–	–	–	–	–	–
P A Johansen	932	–	–	–	–	–	932	945
M B Swire	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
T G Freshwater	690	–	–	–	–	–	690	690
C K M Kwok	988	–	–	–	–	–	988	988
C Lee	941	–	–	–	–	–	941	928
R W M Lee (from 1st July 2012)	345	–	–	–	–	–	345	–
M Leung (until 30th June 2012)	345	–	–	–	–	–	345	690
M C C Sze	690	–	–	–	–	–	690	690
M M T Yang	690	–	–	–	–	–	690	690
Total 2012	29,663	27,190	3,899	8,357	6,825	16,586	92,520	
Total 2011	25,302	16,173	2,662	5,143	4,091	12,485		65,856
Executive Officers								
G L Cundle (until 31st July 2011)	–	1,953	–	–	821	–	2,774	7,476
J B Rae-Smith	1,919	1,801	463	754	874	3,119	8,930	6,448
A K W Tang (until 31st July 2011)	–	79	–	–	–	–	79	6,199
Total 2012	1,919	3,833	463	754	1,695	3,119	11,783	
Total 2011	4,852	6,732	1,517	990	1,512	4,520		20,123

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 2012. The amounts disclosed above are related to services as Executive Directors or Officers for 2011 but paid and charged to the Group in 2012.

9. Directors' and Executive Officers' Emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2012 include four (2011: four) Executive Directors and Officers whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2011: one) individual during the year is as follows:

	2012 HK\$'000	2011 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	8,023	6,748
Bonus	2,746	2,133
Retirement scheme contributions	668	560
	11,437	9,441

10. Net Finance Charges

Refer to pages 114 and 115 for details of the Group's net finance charges.

11. Taxation

	Note	Group			
		2012		2011	
		HK\$M	HK\$M	HK\$M	HK\$M
Current taxation:					
Hong Kong profits tax		(1,240)		(711)	
Overseas taxation		(364)		(256)	
(Under)/over-provisions in prior years		(2)		23	
			(1,606)		(944)
Deferred taxation:	33				
Changes in fair value of investment properties in Mainland China		(249)		(384)	
Origination and reversal of temporary differences		(434)		(302)	
			(683)		(686)
			(2,289)		(1,630)

11. Taxation (continued)

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

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:

	2012 HK\$M	2011 HK\$M
Profit before taxation	23,744	34,185
Calculated at a tax rate of 16.5% (2011: 16.5%)	(3,918)	(5,641)
Share of profits less losses of jointly controlled and associated companies	372	721
Effect of different tax rates in other countries	(208)	(107)
Income not subject to tax	1,776	3,765
Expenses not deductible for tax purposes	(183)	(214)
Unused tax losses not recognised	(169)	(163)
Utilisation of previously unrecognised tax losses	8	23
Deferred tax assets written off	(24)	(63)
(Under)/over-provisions in prior years	(2)	23
Recognition of previously unrecognised tax losses	82	45
Others	(23)	(19)
Tax charge	(2,289)	(1,630)

The Group's share of jointly controlled and associated companies' tax charges of HK\$287 million (2011: HK\$335 million) and HK\$224 million (2011: HK\$362 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

12. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK\$5,594 million (2011: HK\$16,745 million) is dealt with in the accounts of the Company.

13. Dividends

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

13. Dividends (continued)

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

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

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

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

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

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

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

14. Earnings Per Share (Basic and Diluted)

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

15. Property, Plant and Equipment

	Note	Group				Company	
		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 2012		2,615	13,498	8,918	13,988	39,019	25
Translation differences		–	76	58	(32)	102	–
Change in composition of the Group		–	21	45	863	929	–
Additions		–	570	1,025	5,809	7,404	–
Disposals		–	(2)	(344)	(270)	(616)	–
Transfer between categories		–	(11)	11	–	–	–
Net transfers to investment properties	16	23	(117)	–	–	(94)	–
Other transfers		–	–	2	–	2	–
Revaluation surplus		14	40	–	–	54	–
At 31st December 2012		2,652	14,075	9,715	20,358	46,800	25
Accumulated depreciation and impairment:							
At 1st January 2012		82	3,236	5,754	2,659	11,731	15
Translation differences		–	22	26	(6)	42	–
Change in composition of the Group		–	5	23	122	150	–
Charge for the year	7	20	389	741	539	1,689	3
Provision for impairment losses	7	–	11	43	4	58	–
Disposals		–	(1)	(246)	(244)	(491)	(1)
Transfer between categories		–	(12)	12	–	–	–
Net transfers to investment properties	16	–	(17)	–	–	(17)	–
Transfer to leasehold land and land use rights	17	–	(3)	–	–	(3)	–
At 31st December 2012		102	3,630	6,353	3,074	13,159	17
Net book value:							
At 31st December 2012		2,550	10,445	3,362	17,284	33,641	8

15. Property, Plant and Equipment (continued)

	Note	Group					Company
		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 2011		2,813	12,406	8,133	11,409	34,761	24
Translation differences		–	208	83	(6)	285	–
Change in composition of the Group		(116)	(74)	(23)	–	(213)	–
Additions		–	970	1,031	2,907	4,908	1
Disposals		–	(4)	(361)	(322)	(687)	–
Transfer between categories		–	(38)	38	–	–	–
Net transfers to investment properties	16	(270)	49	–	–	(221)	–
Transfer to leasehold land and land use rights	17	–	(51)	–	–	(51)	–
Transfer to intangible assets	18	–	(18)	–	–	(18)	–
Other transfers		–	50	17	–	67	–
Revaluation surplus		188	–	–	–	188	–
At 31st December 2011		2,615	13,498	8,918	13,988	39,019	25
Accumulated depreciation and impairment:							
At 1st January 2011		74	2,717	5,311	2,534	10,636	12
Translation differences		–	57	34	(1)	90	–
Change in composition of the Group		(11)	(11)	(26)	–	(48)	–
Charge for the year	7	24	368	699	436	1,527	3
Provision for impairment losses	7	–	99	24	6	129	–
Disposals		–	(1)	(280)	(316)	(597)	–
Transfer between categories		–	10	(10)	–	–	–
Net transfers to investment properties	16	(5)	(3)	–	–	(8)	–
Other transfers		–	–	2	–	2	–
At 31st December 2011		82	3,236	5,754	2,659	11,731	15
Net book value:							
At 31st December 2011		2,533	10,262	3,164	11,329	27,288	10

At 31st December 2012 and 2011 none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

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 its carrying amount to its fair value at the date of transfer of HK\$54 million (2011: HK\$188 million) has been recognised in other comprehensive income and the property revaluation reserve.

Property, plant and equipment is reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. During the year, the carrying amounts of some property, plant and equipment have been written down by HK\$58 million to their recoverable amount, which is the fair value less costs to sell or the value in use.

Property, plant and machinery and vessels include costs of HK\$1,368 million (2011: HK\$1,200 million), HK\$89 million (2011: HK\$70 million) and HK\$3,385 million (2011: HK\$3,286 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

16. Investment Properties

Refer to page 27 for details of the Group's and Company's investment properties and note 3(a) on pages 157 and 158 for details of estimates of the fair value of investment properties.

17. 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:

	Note	Group	
		2012 HK\$M	2011 HK\$M
At 1st January		969	928
Translation differences		3	18
Change in composition of the Group		2	–
Additions		55	2
Transfer from property, plant and equipment	15	(3)	51
Amortisation charge for the year	7	(28)	(27)
Provision for impairment losses	7	–	(3)
At 31st December		998	969
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		21	21
Held outside Hong Kong:			
On short-term leases (less than 10 years)		1	–
On medium-term leases (10 to 50 years)		976	948
		998	969

18. Intangible Assets

	Note	Group			
		Goodwill HK\$M	Computer Software HK\$M	Technical Licences HK\$M	Total HK\$M
Cost:					
At 1st January 2012		3,696	208	536	4,440
Translation differences		2	1	(1)	2
Change in composition of the Group		–	4	–	4
Additions		285	18	–	303
Written-off	7	(8)	–	–	(8)
At 31st December 2012		3,975	231	535	4,741
Accumulated amortisation and impairment:					
At 1st January 2012		9	117	44	170
Translation differences		–	1	–	1
Amortisation for the year	7	–	24	27	51
Provision for impairment losses	7	10	–	–	10
At 31st December 2012		19	142	71	232
Net book value:					
At 31st December 2012		3,956	89	464	4,509

18. Intangible Assets (continued)

	Note	Group			Total HK\$M
		Goodwill HK\$M	Computer Software HK\$M	Technical Licenses HK\$M	
Cost:					
At 1st January 2011		3,854	155	539	4,548
Translation differences		4	2	(3)	3
Transfer from property, plant and equipment	15	–	18	–	18
Additions		12	33	–	45
Disposal		(174)	–	–	(174)
At 31st December 2011		3,696	208	536	4,440
Accumulated amortisation and impairment:					
At 1st January 2011		1	95	17	113
Translation differences		–	–	1	1
Amortisation for the year	7	–	22	26	48
Provision for impairment losses	7	8	–	–	8
At 31st December 2011		9	117	44	170
Net book value:					
At 31st December 2011		3,687	91	492	4,270

Amortisation of HK\$51 million (2011: HK\$48 million) is included in administrative expenses in the consolidated income statement.

Impairment test of goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified by divisional business segment and geographic location.

	2012 HK\$M	2011 HK\$M
HAECO – Hong Kong	3,510	3,510
Beverage franchises – Hong Kong and Mainland China	149	156
Marine Services	277	–
Retail franchises – Hong Kong and Mainland China	19	12
Others	1	9
	3,956	3,687

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.

Goodwill attributable to the Marine Services Division arose from the acquisition of two companies in 2012 by Swire Pacific Offshore.

The recoverable amount of goodwill attributable to other CGUs is determined based on value-in-use calculations. These calculations use financial budgets and plans covering periods between five and ten years. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. (In the case of HAECO, the average long-term growth rate of profitability is 10.0%). The discount rates used at 31st December 2012 were between 7.5% and 10.5% (2011: 7.5% and 10.5%). These discount rates are pre-tax and reflect the specific risks relating to the relevant CGU.

19. Properties Held for Development

Refer to page 32 for details of the Group's properties held for development.

20. Subsidiary Companies

	Company	
	2012 HK\$M	2011 HK\$M
Shares at cost less provisions		
– Listed in Hong Kong	16,831	7,491
– Unlisted	1,657	13,074
	18,488	20,565
Loans and other amounts due from subsidiary companies		
– Interest-free	11,241	5,989
– Interest-bearing at 0.28% to 4.0% (2011: 0.23% to 4.0%)	50	50
	29,779	26,604

Loans and other amounts due are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 211 to 221.

21. Jointly Controlled Companies

	Group		Company	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Unlisted shares at cost	–	–	28	28
Share of net assets, unlisted	9,854	8,884		
Goodwill	2	2		
	9,856	8,886		
Loans due from jointly controlled companies less provisions				
– Interest-free	10,395	9,298	–	–
– Interest-bearing at 1.71% to 5% (2011: 1.71% to 6.56%)	718	682	86	86
	20,969	18,866	114	114

The loans due from jointly controlled companies are unsecured and have no fixed terms of repayment.

The Group's share of assets and liabilities and results of jointly controlled companies is summarised below:

	Group	
	2012 HK\$M	2011 HK\$M
Non-current assets	24,668	21,010
Current assets	7,150	7,613
Current liabilities	(8,804)	(10,753)
Non-current liabilities	(13,160)	(8,986)
Net assets	9,854	8,884
Revenue	18,447	16,693
Expenses	(16,513)	(14,557)
Profit before taxation	1,934	2,136
Taxation	(287)	(335)
Profit for the year	1,647	1,801

The principal jointly controlled companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 211 to 221.

22. Associated Companies

	Group		Company	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Shares at cost				
– Listed in Hong Kong			4,624	4,608
Share of net assets				
– Listed in Hong Kong	25,476	24,839		
– Unlisted	1,530	1,364		
	27,006	26,203		
Goodwill	757	757		
	27,763	26,960		
Loans due from associated companies				
– Interest-free	176	176	–	–
– Interest-bearing at 6.0%	7	9	–	–
	27,946	27,145	4,624	4,608

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 at 31st December 2012 was HK\$25,173 million (2011: HK\$23,563 million). The forecast cash flows of the company indicate that no impairment exists.

	2012 HK\$M	2011 HK\$M
Non-current assets	61,395	52,823
Current assets	13,530	11,880
Current liabilities	(13,645)	(14,470)
Non-current liabilities	(34,220)	(23,970)
Non-controlling interests	(54)	(60)
Net assets	27,006	26,203
Revenue	48,968	47,972
Profit for the year	607	2,570

The principal associated companies of Swire Pacific Limited which have materially affected the results or assets of the Group are shown on pages 211 to 221. In addition, the abridged financial statements of Cathay Pacific Airways Limited (“Cathay Pacific”) are shown on pages 234 to 238.

Acquisition of shares in Cathay Pacific

Swire Pacific acquired an additional 0.03% shareholding in Cathay Pacific for a total cash consideration of HK\$16 million. There was no goodwill on acquisition.

23. Financial Instruments by Category

The accounting policies 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 2012								
Available-for-sale assets	24	–	–	340	–	–	340	340
Long-term receivables		–	–	–	17	–	17	17
Derivative financial assets	25	9	665	–	–	–	674	674
Trade and other receivables excluding prepayments	28	–	–	–	8,153	–	8,153	8,153
Bank balances and short-term deposits	29	–	–	–	6,198	–	6,198	6,198
Total		9	665	340	14,368	–	15,382	15,382
At 31st December 2011								
Available-for-sale assets	24	–	–	188	–	–	188	188
Long-term receivables		–	–	–	6	–	6	6
Derivative financial assets	25	8	795	–	–	–	803	803
Trade and other receivables excluding prepayments	28	–	–	–	5,744	–	5,744	5,744
Bank balances and short-term deposits	29	–	–	–	3,922	–	3,922	3,922
Total		8	795	188	9,672	–	10,663	10,663
Liabilities as per consolidated statement of financial position								
At 31st December 2012								
Trade and other payables	30	1,323	–	–	–	13,053	14,376	14,376
Derivative financial liabilities	25	11	163	–	–	–	174	174
Bank overdrafts and short-term loans	32	–	–	–	–	1,918	1,918	1,918
Long-term loans and bonds due within one year	32	–	–	–	–	5,508	5,508	5,525
Perpetual capital securities	31	–	–	–	–	2,325	2,325	2,604
Long-term loans and bonds due after one year	32	–	–	–	–	40,917	40,917	43,860
Total		1,334	163	–	–	63,721	65,218	68,457
At 31st December 2011								
Trade and other payables	30	937	–	–	–	13,242	14,179	14,179
Derivative financial liabilities	25	14	312	–	–	–	326	326
Bank overdrafts and short-term loans	32	–	–	–	–	1,333	1,333	1,333
Long-term loans and bonds due within one year	32	–	–	–	–	8,750	8,750	8,700
Perpetual capital securities	31	–	–	–	–	2,331	2,331	2,471
Long-term loans and bonds due after one year	32	–	–	–	–	27,237	27,237	28,508
Total		951	312	–	–	52,893	54,156	55,517

23. 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 2012								
Available-for-sale assets	24	-	-	103	-	-	103	103
Long-term receivables		-	-	-	1	-	1	1
Trade and other receivables excluding prepayments	28	-	-	-	53	-	53	53
Short-term deposits and bank balances	29	-	-	-	1,256	-	1,256	1,256
Total		-	-	103	1,310	-	1,413	1,413
At 31st December 2011								
Available-for-sale assets	24	-	-	63	-	-	63	63
Long-term receivables		-	-	-	1	-	1	1
Trade and other receivables excluding prepayments	28	-	-	-	54	-	54	54
Short-term deposits and bank balances	29	-	-	-	24	-	24	24
Total		-	-	63	79	-	142	142
Liabilities as per statement of financial position								
At 31st December 2012								
Trade and other payables	30	-	-	-	-	22,232	22,232	22,232
At 31st December 2011								
Trade and other payables	30	-	-	-	-	17,183	17,183	17,183

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 values of short-term and non-current borrowings are determined by using valuation techniques such as estimated discounted cash flows which use assumptions sourced from the relevant financial institutions.

23. 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 HK\$M	Level 3 HK\$M	Total carrying amount HK\$M
Assets as per consolidated statement of financial position					
At 31st December 2012					
Available-for-sale assets	24				
– Shares listed in Hong Kong		103	–	–	103
– Shares listed overseas		225	–	–	225
– Unlisted investments		–	12	–	12
Derivatives used for hedging	25	–	674	–	674
Total		328	686	–	1,014
At 31st December 2011					
Available-for-sale assets	24				
– Shares listed in Hong Kong		63	–	–	63
– Shares listed overseas		113	–	–	113
– Unlisted investments		–	12	–	12
Derivatives used for hedging	25	–	803	–	803
Total		176	815	–	991
Liabilities as per consolidated statement of financial position					
At 31st December 2012					
Derivatives used for hedging	25	–	174	–	174
Put option over non-controlling interest in Sanlitun Village	30	–	1,112	–	1,112
Put options over non-controlling interests in subsidiary companies	30	–	–	211	211
Total		–	1,286	211	1,497
At 31st December 2011					
Derivatives used for hedging	25	–	326	–	326
Put option over non-controlling interest in Sanlitun Village	30	–	937	–	937
Total		–	1,263	–	1,263
Assets as per statement of financial position					
At 31st December 2012					
Available-for-sale assets	24				
– Shares listed in Hong Kong		103	–	–	103
At 31st December 2011					
Available-for-sale assets	24				
– Shares listed in Hong Kong		63	–	–	63

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.

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

23. Financial Instruments by Category (continued)

The following table presents the changes in level 3 instruments for the year ended 31st December 2012:

	Group HK\$M
Financial liabilities at fair value through profit or loss	
At 1st January 2012	–
Additions	211
At 31st December 2012	211

24. Available-for-sale Assets

	Group		Company	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Non-current assets				
Shares listed in Hong Kong	103	63	103	63
Shares listed overseas	225	113	–	–
Unlisted investments	12	12	–	–
	340	188	103	63

25. Derivative Financial Instruments

	Group			
	2012		2011	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Cross-currency swaps – cash flow hedges (a)	632	83	765	–
Interest rate swaps – cash flow hedges (b)	–	–	–	109
Forward foreign exchange contracts				
– cash flow hedges (c)	33	80	30	203
– not qualifying as hedges	5	9	8	1
Commodity swaps – not qualifying as hedges	4	2	–	13
Total	674	174	803	326
<i>Less non-current portion:</i>				
Cross-currency swaps – cash flow hedges (a)	632	83	765	–
Forward foreign exchange contracts				
– cash flow hedges (c)	9	34	17	118
– not qualifying as hedges	2	8	3	1
	643	125	785	119
Current portion	31	49	18	207

- (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 2012 are expected to affect the income statement in the years to redemption of the notes and perpetual capital securities (up to and including 2022).
- (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 2012 are expected to affect the income statement in the years to repayment of the loans (up to and including 2014).
- (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 2012 are expected to affect the income statement up to and including 2015.

25. Derivative Financial Instruments (continued)

At 31st December 2012, the fixed interest rates varied from 4.40% to 7.355% (2011: 2.67% to 7.355%) and the main floating rates were HIBOR 1 month and 3 months (2011: same).

Interest rate swaps

The total notional principal amount of the outstanding interest rate swap contracts at 31st December 2012 was HK\$150 million (2011: HK\$5,000 million).

Forward foreign exchange contracts

The total notional principal amount of the outstanding foreign exchange contracts at 31st December 2012 was HK\$3,440 million (2011: HK\$5,659 million).

Cash flow hedges

For the years ended 31st December 2012 and 31st December 2011 all cash flow hedges were effective.

26. Properties for Sale

Refer to page 32 for details of the Group's properties for sale.

27. Stocks and Work in Progress

	Group	
	2012 HK\$M	2011 HK\$M
Goods for sale	2,798	2,341
Manufacturing materials	208	199
Production supplies	622	567
Work in progress	232	180
	3,860	3,287

28. Trade and Other Receivables

	Group		Company	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Trade debtors	3,045	2,610	–	–
Amounts due from fellow subsidiary companies	–	4	–	–
Amounts due from subsidiary companies	–	–	23	22
Amounts due from jointly controlled companies	419	330	–	–
Amounts due from associated companies	439	185	–	–
Prepayments and accrued income	1,674	1,309	2	2
Other receivables	3,258	1,837	30	32
	8,835	6,275	55	56

The amounts due from fellow subsidiary, subsidiary, jointly controlled 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.

28. Trade and Other Receivables (continued)

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

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

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

At 31st December 2012, trade debtors of HK\$1,032 million (2011: HK\$1,008 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	
	2012 HK\$M	2011 HK\$M
Up to three months	914	908
Between three and six months	77	77
Over six months	41	23
	1,032	1,008

At 31st December 2012, trade debtors of HK\$68 million (2011: HK\$47 million) were impaired and provided for. The amount of the provision was HK\$21 million at 31st December 2012 (2011: HK\$40 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	
	2012 HK\$M	2011 HK\$M
Up to three months	8	9
Between three and six months	1	11
Over six months	59	27
	68	47

The maximum exposure to credit risk at 31st December 2012 and 31st December 2011 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 2012 was HK\$1,953 million (2011: HK\$1,780 million).

29. Bank Balances and Short-term Deposits

	Group		Company	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Cash and cash equivalents	5,888	3,707	1,256	24
Short-term deposits maturing after more than three months	310	173	–	–
Security deposits in respect of loans repayable within one year	–	42	–	–
	310	215	–	–
	6,198	3,922	1,256	24

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 8.6% (2011: 0.01% to 10.87%); these deposits have a maturity from 2 to 217 days (2011: 3 to 215 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2012 and 31st December 2011 is the carrying value of the bank balances and short-term deposits disclosed above.

30. Trade and Other Payables

	Group		Company	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Trade creditors	2,754	3,576	–	–
Amounts due to immediate holding company	253	149	30	25
Amounts due to subsidiary companies	–	–	4,229	7,616
Amounts due to jointly controlled companies	134	81	–	–
Amounts due to associated companies	134	19	–	–
Interest-bearing advances from a subsidiary company at 0.23% (2011: 0.24%)	–	–	17,835	9,374
Interest-bearing advances from jointly controlled companies at 1.58% (2011: 1.55%)	377	244	–	–
Interest-bearing advances from associated companies (2011: 1.83%)	–	24	–	–
Advances from non-controlling interests	365	383	–	–
Rental deposits from tenants	1,953	1,780	–	–
Put option over non-controlling interest in Sanlitun Village	1,112	937	–	–
Put options over non-controlling interests in subsidiary companies	211	–	–	–
Accrued capital expenditure	1,235	1,484	73	101
Other accruals	3,833	3,247	25	29
Other payables	2,015	2,255	40	38
	14,376	14,179	22,232	17,183

The amounts due to and advances from immediate holding, subsidiary, jointly controlled and associated companies, and non-controlling interests are unsecured and have no fixed terms of repayment. Apart from certain amounts due to subsidiary, jointly controlled and associated companies, which are interest-bearing as specified above, the balances are interest free.

30. Trade and Other Payables (continued)

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

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

31. Perpetual Capital Securities

Refer to page 113 for details of the Group's perpetual capital securities.

32. Borrowings

Refer to pages 111 to 119 for details of the Group's borrowings.

33. Deferred Taxation

The movement on the net deferred tax liabilities account is as follows:

	Note	Group		Company	
		2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
At 1st January		4,745	4,278	22	3
Translation differences		16	109	–	–
Change in tax treatment for retirement benefits		–	36	–	14
Change in composition of the Group		(21)	(410)	–	–
Charged to income statement	11	683	686	(3)	5
Charged to other comprehensive income		(4)	46	–	–
At 31st December		5,419	4,745	19	22

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\$3,024 million (2011: HK\$2,255 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group	
	Unrecognised tax losses	
	2012 HK\$M	2011 HK\$M
No expiry date	1,420	1,058
Expiring in 2012	–	13
Expiring in 2013	40	111
Expiring in 2014	287	313
Expiring in 2015	375	352
Expiring in 2016	429	408
Expiring in 2017	473	–
	3,024	2,255

33. Deferred Taxation (continued)

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	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
At 1st January	2,517	2,730	2,014	1,514	633	511	5,164	4,755
Translation differences	(1)	–	21	116	–	3	20	119
Change in tax treatment for retirement benefits	–	–	–	–	–	36	–	36
Change in composition of the Group	–	(407)	–	–	–	(3)	–	(410)
Charged to income statement	398	194	249	384	182	87	829	665
Credited to other comprehensive income	–	–	9	–	(13)	(1)	(4)	(1)
At 31st December	2,914	2,517	2,293	2,014	802	633	6,009	5,164

	Company					
	Accelerated tax depreciation		Others		Total	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
At 1st January	3	3	19	–	22	3
Change in tax treatment for retirement benefits	–	–	–	14	–	14
Charged to income statement	3	–	–	5	3	5
At 31st December	6	3	19	19	25	22

Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
At 1st January	236	254	125	149	58	74	419	477
Translation differences	1	4	–	1	3	5	4	10
Transfer between categories	–	(22)	–	–	–	22	–	–
Change in composition of the Group	21	–	–	–	–	–	21	–
Credited/(charged) to income statement	21	–	124	(25)	1	4	146	(21)
Charged to other comprehensive income	–	–	–	–	–	(47)	–	(47)
At 31st December	279	236	249	125	62	58	590	419

33. Deferred Taxation (continued)

	Company	
	Tax losses	
	2012 HK\$M	2011 HK\$M
At 1st January	–	–
Credited to income statement	6	–
At 31st December	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	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Deferred tax assets:				
– To be recovered after more than 12 months	(195)	(216)	(6)	–
– To be recovered within 12 months	(143)	(89)	–	–
	(338)	(305)	(6)	–
Deferred tax liabilities:				
– To be settled after more than 12 months	5,752	5,035	25	22
– To be settled within 12 months	5	15	–	–
	5,757	5,050	25	22
	5,419	4,745	19	22

34. Retirement Benefits

The Group operates various retirement benefit plans providing resignation and retirement benefits to staff on both a contributory and non-contributory basis. The assets of the plans are administered by trustees and are maintained independently of the Group's finances. The majority of the plans are of the defined benefit type and contributions to such plans 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 plans in Hong Kong are valued annually by qualified actuaries, Towers Watson, for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2012, the funding level was 110% (2011: 126%) of the accrued actuarial liabilities on an ongoing basis.

Most new employees are offered the choice of joining the retirement benefit plans 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\$20,000 up to 31st May 2012 and HK\$25,000 from 1st June 2012). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

Total retirement benefit costs recognised in the income statement for the year ended 31st December 2012 amounted to HK\$349 million (2011: HK\$273 million), including HK\$154 million (2011: HK\$119 million) in respect of defined contribution plans.

Defined benefit plans are valued using the projected unit credit method in accordance with HKAS 19. For the year ended 31st December 2012, the HKAS 19 disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012. For the year ended 31st December 2011, the HKAS 19 disclosures are based on valuations prepared by Towers Watson at 31st December 2009, which were updated at 31st December 2011 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit plans. Plans 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, with accounting and frequency of valuations similar to those used for defined benefit plans.

34. Retirement Benefits (continued)

(a) The amounts recognised in the statement of financial position are as follows:

	2012			Company Defined benefit plans HK\$M
	Defined benefit plans HK\$M	Group Other post- employment benefits HK\$M	Total 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 unrecognised actuarial (losses)/gains	(941)	2	(939)	(42)
Net retirement benefit (assets)/liabilities	(385)	52	(333)	(113)
Represented by:				
Retirement benefit assets	(637)	–	(637)	(113)
Retirement benefit liabilities	252	52	304	–
	(385)	52	(333)	(113)
	2011			Company Defined benefit plans HK\$M
	Defined benefit plans HK\$M	Group Other post- employment benefits HK\$M	Total HK\$M	
Present value of funded obligations	4,619	–	4,619	97
Fair value of plan assets	(4,076)	–	(4,076)	(169)
	543	–	543	(72)
Present value of unfunded obligations	–	50	50	–
Net unrecognised actuarial (losses)/gains	(937)	2	(935)	(42)
Net retirement benefit (assets)/liabilities	(394)	52	(342)	(114)
Represented by:				
Retirement benefit assets	(600)	–	(600)	(114)
Retirement benefit liabilities	206	52	258	–
	(394)	52	(342)	(114)

34. Retirement Benefits (continued)

(b) Changes in the present value of the defined benefit obligation are as follows:

	Group				Company	
	Defined benefit plans		Other post-employment benefits		Defined benefit plans	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
At 1st January	4,619	4,152	50	44	97	79
Translation differences	9	6	–	–	–	–
Transfer of members	–	–	–	–	2	–
Service cost	249	230	1	1	8	7
Interest cost	174	175	2	2	4	3
Actuarial losses/(gains)	295	427	(2)	4	12	9
Employees contribution	2	2	1	1	–	–
Benefits paid	(351)	(322)	(2)	(2)	(4)	(1)
Settlement on curtailments	–	(51)	–	–	–	–
At 31st December	4,997	4,619	50	50	119	97

Changes in the fair value of plan assets are as follows:

	Group		Company	
	Defined benefit plans		Defined benefit plans	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
At 1st January	4,076	4,358	169	182
Translation differences	(1)	–	–	–
Transfer of members	–	–	2	–
Expected return	280	300	13	13
Actuarial gains/(losses)	243	(447)	10	(25)
Contributions by employer	192	196	–	–
Employees contribution	2	2	–	–
Benefits paid	(351)	(322)	(4)	(1)
Settlement on curtailments	–	(11)	–	–
At 31st December	4,441	4,076	190	169

(c) Net expenses recognised in the consolidated income statement are as follows:

	Group					
	2012			2011		
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M
Current service cost	249	1	250	230	1	231
Interest cost	174	2	176	175	2	177
Expected return on plan assets – gain	(280)	–	(280)	(300)	–	(300)
Net actuarial losses/(gains) recognised	52	(3)	49	26	(2)	24
Gains on curtailments and settlements	–	–	–	22	–	22
	195	–	195	153	1	154

The above net expenses were mainly included in administrative expenses in the consolidated income statement.

The actual return on defined benefit plan assets was a gain of HK\$523 million (2011: loss of HK\$147 million).

34. Retirement Benefits (continued)

(d) Plan assets comprise the following:

	Group			
	Defined benefit plans			
	2012		2011	
	HK\$M	%	HK\$M	%
Equities	2,208	50	1,989	49
Bonds	2,061	46	1,931	47
Deposits and cash	172	4	156	4
	4,441	100	4,076	100

(e) Amounts for the current and previous four periods are as follows:

	Group				
	2012 HK\$M	2011 HK\$M	2010 HK\$M	2009 HK\$M	2008 HK\$M
Defined benefit plans					
– Defined benefit obligations	4,997	4,619	4,152	1,791	1,531
– Plan assets	(4,441)	(4,076)	(4,358)	(1,554)	(1,143)
– Deficit/(surplus)	556	543	(206)	237	388
– Experience adjustments on plan liabilities	36	25	17	72	(52)
– Experience adjustments on plan assets	(243)	447	(125)	(261)	719
Other post-employment benefits					
– Defined benefit obligations	50	50	44	49	43
– Experience adjustments on plan liabilities	(2)	4	(7)	3	(4)

(f) The principal actuarial assumptions used are as follows:

	Group					
	Defined benefit plans				Other post-employment benefits	
	2012		2011		2012	2011
	HK %	Others %	HK %	Others %	USA %	USA %
Discount rate	3.32	1.4-4.46	3.96	1.75-4.46	4.46	4.21
Expected rate of return on plan assets	6.25-8.0	1.4-7.5	6.0-8.0	1.75-8.0	N/A	N/A
Expected rate of future salary increases	3.5-4.61	2.5-4.12	3.28-3.9	2.5-3.0	N/A	N/A
Expected rate of increase in cost of covered health care benefits	N/A	N/A	N/A	N/A	7.5	8.5

The expected return on plan assets reflects the portfolio mix of assets, which itself is determined by the Group's current investment policy. Expected returns on equities and bonds reflect long-term real rates of return in the respective markets.

35. Share Capital

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

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

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

36. Reserves

Group	Note	Revenue reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Properties 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 2011		199,044	342	49	1,462	635	(455)	2,472	203,549
Profit for the year		32,210	–	–	–	–	–	–	32,210
Other comprehensive income									
Cash flow hedges									
– recognised during the year		–	–	–	–	–	88	–	88
– transferred to net finance charges		–	–	–	–	–	5	–	5
– transferred to operating profit – exchange differences		–	–	–	–	–	4	–	4
– transferred to initial cost of non-financial assets		–	–	–	–	–	1	–	1
– deferred tax		–	–	–	–	–	(46)	–	(46)
Net fair value changes on available-for-sale assets									
– net losses recognised during the year		–	–	–	–	(100)	–	–	(100)
– net gains transferred to operating profit		–	–	–	–	(3)	–	–	(3)
Revaluation of property previously occupied by the Group									
– gain recognised during the year		–	–	–	188	–	–	–	188
Share of other comprehensive income of jointly controlled and associated companies		(10)	–	–	–	(97)	(303)	614	204
Net translation differences on foreign operations		–	–	–	–	–	–	591	591
Total comprehensive income for the year		32,200	–	–	188	(200)	(251)	1,205	33,142
Change in tax treatment for retirement benefits		(30)	–	–	–	–	–	–	(30)
2010 final dividend		(3,761)	–	–	–	–	–	–	(3,761)
2011 first interim dividend	13	(1,730)	–	–	–	–	–	–	(1,730)
2011 special interim dividend	13	(4,514)	–	–	–	–	–	–	(4,514)
At 31st December 2011		221,209	342	49	1,650	435	(706)	3,677	226,656

36. Reserves (continued)

Group	Note	Revenue reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Properties 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		221,209	342	49	1,650	435	(706)	3,677	226,656
Profit for the year		17,484	-	-	-	-	-	-	17,484
Other comprehensive income									
Cash flow hedges									
– recognised during the year		-	-	-	-	-	101	-	101
– transferred to net finance charges		-	-	-	-	-	(19)	-	(19)
– transferred to operating profit – exchange differences		-	-	-	-	-	33	-	33
– transferred to initial cost of non-financial assets		-	-	-	-	-	(56)	-	(56)
– deferred tax		-	-	-	-	-	10	-	10
Net fair value changes on available-for-sale assets									
– net gains recognised during the year		-	-	-	-	153	-	-	153
Revaluation of property previously occupied by the Group									
– gain recognised during the year		-	-	-	44	-	-	-	44
– deferred tax		-	-	-	(8)	-	-	-	(8)
Share of other comprehensive income of jointly controlled and associated companies		(1)	-	-	-	17	742	93	851
Net translation differences on foreign operations		-	-	-	-	-	-	174	174
Total comprehensive income for the year		17,483	-	-	36	170	811	267	18,767
Change in composition of the Group		3	-	-	-	-	-	-	3
Recognition of put options in respect of non-controlling interests in subsidiary companies		(58)	-	-	-	-	-	-	(58)
2011 second interim dividend	13	(3,536)	-	-	-	-	-	-	(3,536)
2012 first interim dividend	13	(1,505)	-	-	-	-	-	-	(1,505)
Special interim dividend by way of a distribution in specie	13	(31,589)	-	-	-	-	-	-	(31,589)
At 31st December 2012		202,007	342	49	1,686	605	105	3,944	208,738

36. Reserves (continued)

Company	Note	Revenue reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Total HK\$M
At 1st January 2011		11,673	342	49	24	12,088
Profit for the year	12	16,745	–	–	–	16,745
Other comprehensive income						
Net fair value changes on available-for-sale assets						
– net losses recognised during the year		–	–	–	(45)	(45)
– transferred to operating profit		–	–	–	(3)	(3)
Total comprehensive income for the year		16,745	–	–	(48)	16,697
Change in tax treatment for retirement benefits		(14)	–	–	–	(14)
2010 final dividend		(3,761)	–	–	–	(3,761)
2011 first interim dividend	13	(1,730)	–	–	–	(1,730)
2011 special interim dividend	13	(4,514)	–	–	–	(4,514)
At 31st December 2011		18,399	342	49	(24)	18,766
At 1st January 2012		18,399	342	49	(24)	18,766
Profit for the year	12	5,594	–	–	–	5,594
Other comprehensive income						
Net fair value changes on available-for-sale assets						
– net gains recognised during the year		–	–	–	40	40
Total comprehensive income for the year		5,594	–	–	40	5,634
2011 second interim dividend	13	(3,536)	–	–	–	(3,536)
2012 first interim dividend	13	(1,505)	–	–	–	(1,505)
Special interim dividend by way of a distribution in specie		(2,050)	–	–	–	(2,050)
At 31st December 2012		16,902	342	49	16	17,309

- (a) The Group revenue reserve includes retained revenue reserves from jointly controlled companies amounting to HK\$1,983 million (2011: HK\$1,346 million) and retained revenue reserves from associated companies amounting to HK\$21,499 million (2011: HK\$21,557 million).
- (b) The Group and Company revenue reserves include HK\$3,761 million (2011: HK\$3,536 million) representing the declared second interim dividend for the year (note 13).

37. Non-controlling Interests

	Note	Group	
		2012 HK\$M	2011 HK\$M
At 1st January		4,917	4,599
Share of profits less losses for the year		3,971	345
Share of cash flow hedges			
– transferred to operating profit – exchange differences		–	(4)
– recognised during the year		(15)	–
– deferred tax		3	–
Share of revaluation of property previously occupied by the Group			
– gain recognised during the year		10	–
– deferred tax		(1)	–
Share of other comprehensive income of jointly controlled companies and associated companies		9	4
Share of translation differences on foreign operations		41	107
Share of total comprehensive income		4,018	452
Change in tax treatment for retirement benefits		–	(6)
Dividends paid and payable		(921)	(146)
Special interim dividend by way of a distribution in specie	13	31,589	–
Acquisition of non-controlling interests in subsidiary companies		(1)	–
Disposal of non-controlling interests in subsidiary companies		12	(6)
Capital contribution from non-controlling interests		97	24
Recognition of a put option in respect of a non-controlling interest in a subsidiary company		(18)	–
At 31st December		39,693	4,917

38. Business Combination

Acquisition of Shares in Seabed AS

On 17th February 2012, Swire Pacific Offshore (“SPO”) acquired 100% of the shares in Seabed AS, a Norwegian company which specialises in providing inspection, maintenance and repair services to the offshore oil and gas industry. The company has been renamed Swire Seabed AS (“Swire Seabed”).

Details of the purchase consideration, the net assets acquired and the goodwill are as follows:

	2012 HK\$M
Net purchase consideration:	
– Cash paid	281
– Contingent consideration arrangement	19
	300
	Fair value HK\$M
Cash and cash equivalents	59
Property, plant and equipment	742
Inventories	2
Receivables	28
Payables	(133)
Borrowings	(519)
Net deferred tax assets	29
Net identifiable assets acquired	208
Goodwill	92
	300
	HK\$M
Purchase consideration settled in cash	281
Cash and cash equivalents acquired	(59)
Net cash outflow on acquisition	222

38. Business Combination (continued)

Acquisition of Shares in Seabed AS (continued)

The goodwill is attributable to Swire Seabed's established reputation in a specialised market and the synergies expected to be derived from marketing the business through SPO's retail network. The goodwill is not expected to be deductible for tax purposes.

The fair value of the acquired receivables was HK\$28 million and included trade receivables with a fair value of HK\$14 million, none of which were considered to be impaired at the point of acquisition.

Acquisition-related costs totalled HK\$3 million, of which HK\$1 million has been recognised in the consolidated income statement in 2012 and HK\$2 million was recognised in 2011.

The acquired business contributed revenue of HK\$242 million and a net loss of HK\$25 million to the Group for the period from 17th February 2012 to 31st December 2012. If the acquisition had occurred on 1st January 2012, the consolidated revenue and consolidated net loss for the year ended 31st December 2012 would have been HK\$259 million and HK\$29 million respectively.

39. Capital Commitments

	Group	
	2012 HK\$M	2011 HK\$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	8,291	10,840
Authorised by Directors but not contracted for	3,170	4,462
(b) Investment properties		
Contracted for	1,648	1,433
Authorised by Directors but not contracted for	7,064	8,094
The Group's share of capital commitments of jointly controlled companies at the year-end*		
Contracted for	1,799	840
Authorised by Directors but not contracted for	4,898	6,526
	6,697	7,366

* of which the Group is committed to funding HK\$818 million (2011: HK\$1,828 million).

The Company had commitments of HK\$48 million in respect of investment properties at 31st December 2012 (2011: HK\$39 million).

At 31st December 2012, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK\$194 million (2011: HK\$162 million).

40. Contingencies

	Group		Company	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
(a) Guarantees provided in respect of bank loans and other liabilities of:				
Subsidiary companies	–	–	32,858	30,607
Jointly controlled companies	1,107	1,030	1,039	974
	1,107	1,030	33,897	31,581

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 company's statement of financial position.

40. Contingencies (continued)

(b) Contingent tax liability

Certain Group companies have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2005/06 inclusive as a consequence of queries raised by the Hong Kong Inland Revenue Department (“IRD”). These queries relate to the deductibility, in the assessment of profits tax, of interest on borrowings of those companies during the periods under review.

A number of discussions have taken place between the companies and the IRD to understand the precise nature of the IRD queries. However, at this stage there is insufficient information available to determine reliably the ultimate outcome of the IRD’s review with an acceptable degree of certainty. Consequently no provision has been recognised in these accounts for any amounts that may fall due in regard to these queries.

There is a contingent tax liability totalling HK\$535 million in respect of the IRD queries for the years under review. The companies involved have objected to these assessments. The IRD has agreed to hold over conditionally part of the tax in dispute in the sum of HK\$29 million and one of the companies involved has purchased Tax Reserve Certificates of the same amount. The IRD has agreed to hold over unconditionally the balance of the tax in dispute in the sum of HK\$506 million. In addition, the estimated interest which would be payable in respect of the Notices of Assessment totalled HK\$283 million as at 31st December 2012. It is not possible, given the lack of information available, to determine the ultimate outcome of the IRD’s review of this matter and consequently to make a judgement as to its materiality.

(c) Cathay Pacific Airways

Cathay Pacific Airways (“Cathay Pacific”) remains the subject of antitrust proceedings in various jurisdictions and continues to defend itself vigorously. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

In December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission (“NZCC”) with regard to Cathay Pacific’s air cargo operations. In December 2012, Cathay Pacific and the NZCC reached an agreement to resolve this matter and in February 2013, the High Court of New Zealand, pursuant to such agreement, held a hearing. The Court has yet to enter its judgment.

In July 2009, Cathay Pacific received an Amended Statement of Claim (“ASOC”) from the Australian Competition & Consumer Commission with regard to Cathay Pacific’s air cargo operations. In November 2012, Cathay Pacific and the ACCC reached an agreement to resolve this matter and in December 2012, the Federal Court of Australia, pursuant to such agreement, entered its judgment against Cathay Pacific for A\$11.25 million and costs of A\$0.5 million (total equivalent to HK\$94.6 million at the exchange rate current as of the date of payment). Cathay Pacific has satisfied the judgment.

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 Euros 57,120,000 (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 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 those actions.

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.

41. Operating Lease Arrangements

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\$523 million (2011: HK\$504 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	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Land and buildings:				
Not later than one year	6,776	6,148	–	3
Later than one year but not later than five years	14,313	13,605	–	1
Later than five years	2,257	2,105	–	–
	23,346	21,858	–	4
Vessels:				
Not later than one year	3,496	1,633		
Later than one year but not later than five years	5,626	3,143		
Later than five years	3,625	1,735		
	12,747	6,511		
	36,093	28,369		

Assets held for deployment on operating leases at 31st December were as follows:

	Group				Company	
	2012		2011		2012	2011
	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	192,992	15,055	174,130	10,497	4,396	127
Less: accumulated depreciation	–	(3,074)	–	(2,659)	–	–
Net book value	192,992	11,981	174,130	7,838	4,396	127
Depreciation for the year	–	539	–	436	–	–

41. Operating Lease Arrangements (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\$34 million (2011: HK\$31 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	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Land and buildings:				
Not later than one year	627	449	6	8
Later than one year but not later than five years	1,103	929	5	3
Later than five years	2,851	2,551	–	–
	4,581	3,929	11	11
Vessels:				
Not later than one year	135	124		
Later than one year but not later than five years	502	879		
Later than five years	272	662		
	909	1,665		
Other equipment:				
Not later than one year	18	18		
	5,508	5,612		

42. Related Party Transactions

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 jointly controlled 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 commenced on 1st January 2011 and will last for three years until 31st December 2013. For the year ended 31st December 2012, service fees payable amounted to HK\$296 million (2011: HK\$215 million). Expenses of HK\$170 million (2011: HK\$164 million) were reimbursed at cost; in addition, HK\$293 million (2011: HK\$243 million) in respect of shared administrative services was reimbursed.

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 2012, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK\$73 million (2011: HK\$78 million).

42. Related Party Transactions (continued)

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.

	Notes	Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
		2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Revenue from	(a)								
– Sales of beverage drinks		–	–	19	17	–	–	–	–
– Rendering of services		1	1	8	7	2	–	–	–
– Aircraft and engine maintenance		54	82	2,447	2,287	–	–	–	–
Purchases of beverage drinks	(a)	–	–	329	446	–	–	–	–
Purchases of other goods	(a)	4	4	17	25	–	–	–	–
Purchases of services	(a)	22	8	19	14	35	38	–	–
Rental revenue	(b)	5	4	9	10	13	16	59	65
Interest income	(c)	23	16	–	–	–	–	–	–
Interest charges	(c)	4	2	–	–	–	–	–	–

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 jointly controlled and associated companies at 31st December 2012 are disclosed in notes 21 and 22 respectively. Advances from jointly controlled and associated companies are disclosed in note 30.

At 31st December 2012, Swire Coca-Cola Beverages Xiamen Ltd. extended a loan facility of RMB50 million to Swire Guangdong Coca-Cola Ltd. and entered a loan facility of RMB50 million to Swire Coca-Cola Beverages Zhengzhou Ltd. Xiamen Luquan Industries Co. Ltd. entered a loan facility of RMB110 million to Swire Coca-Cola Beverages Zhengzhou Ltd. and a loan facility of RMB30 million to Nanjing BC Food Co. Ltd. These loans were not connected transactions which give rise to any disclosure or other obligations under Chapter 14A of the Listing Rules.

Amounts due to the immediate holding company at 31st December 2012 are disclosed in note 30. 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 9.

43. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	Group	
	2012 HK\$M	2011 HK\$M
Operating profit	23,287	31,424
Profit on sale of property, plant and equipment	(24)	(82)
Profit on sale of investment properties	(66)	–
Profit on sale of available-for-sale assets	–	(7)
Profit on sale of interest in Festival Walk	–	(638)
Profit on sale of interests in associated and jointly controlled companies	–	(149)
Change in fair value of investment properties	(12,147)	(22,771)
Depreciation	1,689	1,527
Amortisation	163	140
Impairment losses recognised	64	132
Other items	40	(103)
Operating profit before working capital changes	13,006	9,473
(Increase)/decrease in long-term receivables	(11)	1
Decrease/(increase) in properties for sale	83	(1,227)
Increase in stocks and work in progress	(577)	(1,117)
Increase in trade and other receivables	(1,858)	(1,705)
(Decrease)/increase in trade and other payables	(457)	3,779
Cash generated from operations	10,186	9,204

(b) Purchase of property, plant and equipment

	Group	
	2012 HK\$M	2011 HK\$M
Properties	575	929
Leasehold land and land use rights	55	–
Plant and machinery	1,054	876
Vessels	5,499	2,930
Total	7,183	4,735

The above figures do not include interest capitalised on property, plant and equipment.

43. Notes to the Consolidated Statement of Cash Flows (continued)

(c) Analysis of changes in financing during the year

	Group			
	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
At 1st January	39,650	45,435	4,917	4,599
Net cash inflow/(outflow) from financing	10,326	(6,080)	97	24
Change in composition of the Group	585	–	–	–
Acquisition of non-controlling interests in subsidiary companies	–	–	(1)	–
Disposal of non-controlling interests in subsidiary companies	–	–	12	(6)
Non-controlling interests' share of total comprehensive income	–	–	4,018	452
Dividends paid to non-controlling interests	–	–	(954)	(146)
Dividends payable to non-controlling interests	–	–	33	–
Change in tax treatment for retirement benefits	–	–	–	(6)
Special interim dividend by way of a distribution in specie	–	–	31,589	–
Recognition of a put option in respect of a non-controlling interest in a subsidiary company	–	–	(18)	–
Other non-cash movement	103	295	–	–
At 31st December	50,664	39,650	39,693	4,917

44. Events After the Reporting Period

In January 2012, Swire Properties entered into an agreement with Sino-Ocean Land Limited to fund the whole of the remaining land premium (and associated taxes) payable in respect of the Daci Temple project and certain working capital requirements in an aggregate amount of US\$230 million. Following this transaction, the Swire Properties' interest in the project was increased to 81%, reflecting its contribution to the overall funding of the project. Sino-Ocean Land had a call option, exercisable for one year commencing from the date of the agreement, to purchase the Swire Properties' additional interest in the project for an amount equal to one half of the additional funding plus interest at the rate of 10% per year. Swire Properties had the right, exercisable for one year commencing one week before the end of the call option period, to require Sino-Ocean Land to purchase Swire Properties' additional interest in the project for an amount equal to one half of the above additional funding plus interest at the rate of 10% per year.

In January 2013, the above arrangements were amended. Sino-Ocean Land purchased part of Swire Properties' additional interest in the project and the options in respect of the remaining part of the additional interest were extended for a further year. The effect of the amended arrangements was to reduce Swire Properties' interest in the project to 63% and to increase Sino-Ocean Land's interest in the project to 37%. Until the extended options described above are exercised or lapse, Swire Properties' remaining additional interest in the project will be accounted for as a secured loan and Swire Properties' existing interest will continue to be accounted for as a 50% interest in a jointly controlled entity.

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

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

44. Events After the Reporting Period (continued)

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

45. 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.