SWIRE PROPERTIES

SWIRE PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01972)

2011 Final Results

2011 FINAL RESULTS

	Note	2011 HK$M	2010 HK$M	Change %
Turnover		**9,581**	8,871	+8.0
Operating profit		**26,945**	26,969	-0.1
Profit attributable to the Company's shareholder		**25,126**	26,045	-3.5
Cash generated from operations		**7,396**	4,753	+55.6
Net cash inflow/(outflow) before financing		**17,418**	(2,361)	N/A
Total equity (including non-controlling interests)		**176,575**	158,356	+11.5
Net debt		**27,700**	36,836	-24.8
		HK$	HK$	
Earnings per share	(a)	**4.40**	4.58	-3.9
Dividends per share				
Special interim		**1.76**	-	N/A
First interim		**0.18**	-	N/A
Final		**-**	0.43	N/A
Equity attributable to the Company's shareholder per share		**30.09**	27.75	+8.4

Underlying Profit and Equity

	Note	HK$M	HK$M	%
Underlying profit attributable to the Company's shareholder	(b)	**12,932**	4,782	+170.4
		HK$	HK$	
Underlying earnings per share	(a)	**2.27**	0.84	+170.2
Underlying equity attributable to the Company's shareholder per share	(b)	**30.90**	28.41	+8.8

Notes:

(a) Refer to note 10 for the weighted average number of shares.
(b) Refer to pages 6 and 7 for a reconciliation of underlying profit attributable to the Company's shareholder and underlying equity attributable to the Company's shareholder.

	2011 HK$M	2010 HK$M
Underlying profit by segments		
Property investment	**4,343**	3,835
Property trading	**(71)**	107
Hotels	**100**	(109)
Capital profits less impairments	**8,560**	949
	12,932	4,782

CHAIRMAN'S STATEMENT

The consolidated profit attributable to the Company's shareholder for 2011 was HK$25,126 million, compared to HK$26,045 million in 2010. Underlying profit attributable to the Company's shareholder, which principally adjusts for changes in the valuation of investment properties, increased by HK$8,150 million from HK$4,782 million in 2010 to HK$12,932 million in 2011. The 2011 underlying profit included a profit of HK$8,615 million on disposal of the investment property known as Festival Walk.

Dividends

The Company intends to pay dividends which will average approximately 50% of the underlying profit attributable to Shareholders over the economic cycle. We will reevaluate our dividend policy in the light of our financial position and the prevailing economic climate.

Special interim dividends of HK$10,014 million were paid in 2011 to the Company's then sole shareholder, Swire Pacific Limited. The Directors have approved an interim dividend (in lieu of a final dividend) of HK¢18 per share for 2011 on 15th March 2012, payable on 3rd May 2012 to shareholders registered at the close of business on the record date, being Thursday, 5th April 2012. Shares of the Company will be traded ex-dividend from Monday, 2nd April 2012.

The register of members will be closed on Thursday, 5th April 2012, during which day no transfer of shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 3rd April 2012.

Listing on The Stock Exchange of Hong Kong Limited

In October 2011, a proposal was submitted to The Stock Exchange of Hong Kong Limited for the spin-off and separate listing of shares in the Company by way of introduction. The listing of the Company's shares, which took effect in January 2012, was achieved by a distribution in specie by Swire Pacific Limited of approximately 18% of the Company.

The stock exchange listing will enable the Company to raise capital from the equity market in the future should the need arise and thus better position the Company for further growth.

Key Developments

In April 2011, the Group acquired two parcels of land adjoining the existing Brickell CitiCentre site in Miami, U.S.A., for HK$215 million. Development entitlements have been approved by the City of Miami for a special area plan, which allows for a mixed-use development of approximately 2.9 million square feet (excluding car park and circulation areas), comprising retail, office, hotel and serviced apartments, and residential components over two phases of development.

Also in April 2011, the Group completed the acquisition of a property at 23 Tong Chong Street (near to the existing TaiKoo Place properties), which will be redeveloped into serviced apartments.

In August 2011, the Group sold its entire interest in the property in Hong Kong known as Festival Walk for HK$18.8 billion. A net gain of HK$595 million on this sale was included in the attributable profit for 2011. The underlying profit on the sale, which is calculated by reference to the original cost of the property, was HK$8,615 million.

In September 2011, the retail space at TaiKoo Hui, a 3.8 million square foot mixed-use development in the Tianhe district of Guangzhou, opened. Handover of the office space to tenants commenced in August 2011. The hotel and serviced apartments are scheduled to open in the second half of 2012. The Group has a 97% economic interest in this development.

In October 2011, the contemporisation project for The Mall at Pacific Place was substantially completed. The project began in 2007 and includes the addition of a fourth hotel (The Upper House), new luxury restaurants, new interior decoration, designer shop facades and general reconfiguration.

In December 2011, the office tower of the INDIGO development, a retail-led, mixed-use project in Jiang Tai in the Chaoyang district of Beijing, opened. The retail component started to open in March 2012. The Group has a 50% economic interest in this development, which has a total area of 1.9 million square feet.

Also in December 2011, following a tender, the Group acquired two adjacent residential sites in Cheung Sha on Lantau Island in Hong Kong. The sites will be developed into luxury residential properties for sale.

In January 2012, the Group secured planning approval to expand Three Pacific Place in Hong Kong by redeveloping two nearby buildings. The expansion will provide an additional floor area of about 100,000 square feet. It is subject to obtaining lease modification and other Government approvals.

The Company is setting up a representative office in Singapore in order to explore investment opportunities in South East Asia.

Operating Performance

Adjusted underlying profit increased in 2011 from HK$3,833 million to HK$4,372 million. Adjusted underlying profit excludes profits from the disposal of investment properties and net impairment losses from our hotels and trading properties. The increase principally reflects positive rental reversions and stronger turnover rents in Hong Kong, improved rental performance at Sanlitun Village, and the opening of the TaiKoo Hui development, resulting in an increase of 9% in gross rental income. The operating performance of the owned and managed hotels in Hong Kong was much improved. The positive effect of these favourable factors was offset in part by the loss of rental income following the disposal of Festival Walk and a move from profits to losses from the property trading portfolio as a result of lower trading volume and sales and marketing costs incurred in connection with the residential developments in Hong Kong.

Gross rental income was HK$8,557 million in 2011 compared to HK$7,875 million in 2010. Positive rental reversions were recorded in the Hong Kong office portfolio, reflecting strong demand in the first half of the year. Rental reversions remained positive in the second half of the year notwithstanding a slowdown in leasing activity. Retail sales and the demand for retail space in Hong Kong continued to be robust throughout 2011.

In Mainland China, net rental contributions from Sanlitun Village, particularly Village South, improved significantly from 2010, as a result of active management of the tenant portfolio, cost reduction initiatives and capital expenditures designed to enhance footfall and circulation. Rental contributions from Village North also increased due to higher occupancy and cost reduction initiatives. The TaiKoo Hui development, which was completed during 2011, began to contribute rental income in the fourth quarter of 2011.

We made an operating loss on property trading. This reflected fewer sales (derived from the remaining residential units at Island Lodge in Hong Kong and ASIA in Miami) and sales and marketing costs incurred in connection with residential developments in Hong Kong. 60 of the 126 units at AZURA were pre-sold in 2011, bringing the total number of pre-sold units to 98 at 31st December 2011.

The operating loss in the hotel portfolio reflects impairment charges at our U.K. hotels and pre-opening expenses at the hotel in TaiKoo Hui, partially offset by improved performances from the two Hong Kong hotels, The Upper House and EAST, Hong Kong, and The Opposite House in Beijing, as these hotels continued to benefit from buoyant economic conditions. The non-managed hotels also performed strongly.

Administrative expenses were HK$118 million above those of 2010 due to higher expenses associated with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited.

Net finance charges were HK$1,477 million, a 19% increase from HK$1,237 million in 2010. The increase reflected an increase in the fair value of a put option held by the owner of the non-controlling interest at Sanlitun Village, higher finance charges in Mainland China (due to higher debt levels and a reduction, following the completion of projects, in the amount of interest capitalised) partially offset by lower average debt levels in Hong Kong following the disposal of Festival Walk.

On an attributable basis, the net investment property valuation gain, before deferred tax relating to investment properties in Mainland China in 2011, was HK$21,066 million, compared to a net gain in 2010 of HK$22,373 million.

Finance

Net debt at 31st December 2011 was HK$27,700 million, compared with HK$36,836 million at 31st December 2010. The decrease principally reflects the repayment of inter-group funding from Swire Pacific out of the proceeds from the disposal of Festival Walk and cash from operations, partially offset by higher debt levels in Mainland China. Gearing decreased by 7.6 percentage points from 23.3% to 15.7%. Cash and undrawn committed facilities totalled HK$9,183 million at 31st December 2011, compared with HK$7,435 million at 31st December 2010. Upon maturity of the inter-group funding provided by Swire Pacific, Swire Properties will obtain new funding (as necessary) on a stand-alone basis without recourse to Swire Pacific.

Sustainable Development

The Company recognises the importance of acting responsibly towards its stakeholders, including employees and the communities in which we are involved and towards the natural environment in which we operate. In September 2011, we established a Joint Research Centre for Building Energy Efficiency and Sustainability with the Building Energy Research Centre of Tsinghua University, offering US$1 million per year in funding for an initial three years.

Prospects

Demand for our office space in Hong Kong is likely to be affected by uncertain market conditions. Low vacancy rates and the fact that supply of new office space will be modest should mitigate the effect on rental income. The available office space will increase in 2012 with the completion of the 145,390 square foot building at 28 Hennessy Road and the 81,346 square foot building at 8 Queen’s Road East, expected to take place in the second half of the year. We plan to start redeveloping one of our techno-centres, Somerset House, in 2013 upon obtaining vacant possession, with a view to taking advantage of the demand for high specification office buildings in that area.

Consumer demand and accordingly competition for retail space are expected to remain strong in Hong Kong in 2012. Active monitoring of the preferences of consumers and management of the mix of tenants should encourage higher retail sales in our malls.

Retail conditions in Mainland China are expected to remain strong in 2012 as the economy continues to rebalance and grow. Results from Sanlitun Village are expected to continue to improve in 2012, reflecting past and planned investments aimed at enhancing footfall and circulation. TaiKoo Hui and INDIGO are expected to contribute to higher rental income in 2012, with TaiKoo Hui in its first full year of operations and the retail component at INDIGO starting to open in March 2012.

Property trading is expected to contribute significant profits in 2012, with the completion of and sale of units in the AZURA development in Hong Kong. Prices of luxury residential properties in Hong Kong are expected to be steady, underpinned by low interest rates and limited supply.

The hotels in Hong Kong and Mainland China are expected to continue to perform well in 2012, benefiting from increased business and leisure travel as the economies of Mainland China and the rest of Asia continue to grow. The 263-room hotel (operated by Mandarin Oriental) at the TaiKoo Hui development is scheduled to open in the second half of 2012. EAST, Beijing, which is part of the INDIGO development, is also scheduled to open in the latter part of 2012.

2012 marks the 40th anniversary of our incorporation. The Company is proud of its past achievements and we will use these strong foundations to develop our business further. Despite uncertainties in the global economy, the fundamentals of the Hong Kong and Mainland China economies are expected to remain strong. We are well placed to benefit from this.

On behalf of the shareholders and fellow Directors, I wish to express our appreciation to all our employees, whose commitment and hard work have been central to our continuing success.

By Order of the Board
SWIRE PROPERTIES LIMITED
Christopher Pratt
Chairman
Hong Kong, 15th March 2012

REVIEW OF OPERATIONS

	2011 HK$M	2010 HK$M
Turnover		
Gross rental income derived from		
Offices	**4,537**	4,222
Retail	**3,710**	3,357
Residential	**310**	296
Other revenue [1]	**94**	78
Property investment	**8,651**	7,953
Property trading	**213**	400
Hotels	**717**	518
Total turnover	**9,581**	8,871
Operating profit/(loss) derived from		
Property investment	**6,743**	6,561
Valuation gains on investment properties	**20,345**	20,480
Property trading	**(50)**	72
Hotels	**(93)**	(144)
Total operating profit	**26,945**	26,969
Share of post-tax profits from jointly controlled and associated companies	**1,007**	1,686
Attributable profit	**25,126**	26,045

(1) Other revenue is mainly estate management fees

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholder. These reconciling items principally reverse the impact of HKAS 40 on investment properties, and the amended HKAS 12 on deferred tax. There is a further adjustment to remove the effect of the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in Sanlitun Village. Adjusted underlying profit excludes profits from the disposal of investment properties and net impairment losses from our hotels and trading properties.

	Note	2011 HK$M	2010 HK$M
Underlying profit			
Profit attributable to the Company's shareholder per accounts		**25,126**	26,045
Adjustments re investment properties:			
Revaluation of investment properties	(a)	**(21,066)**	(22,373)
Deferred tax on revaluation movements	(b)	**526**	853
Realised profit on sale of Festival Walk/other investment properties	(c)	**8,020**	211
Depreciation of investment properties occupied by the Group	(d)	**22**	16
Non-controlling interests' share of revaluation movements less deferred tax		**45**	42
Movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in Sanlitun Village	(e)	**259**	(12)
Underlying profit attributable to the Company's shareholder		**12,932**	4,782
Other significant items:			
Gains on remeasurement and profit on sale of shareholdings in PCCW Tower		**-**	(342)
Profit on sale of Festival Walk/other investment properties		**(8,615)**	(576)
Net impairment loss / (reversal)		**55**	(31)
Adjusted underlying profit		**4,372**	3,833

	Note	2011 HK$M	2010 HK$M
Underlying equity			
Equity attributable to the Company's shareholder per accounts		**176,043**	157,877
Deferred tax on revaluation of investment properties		**3,285**	2,766
Unrecognised valuation gains on hotels held as part of mixed-use developments	(f)	**912**	535
Revaluation of investment properties occupied by the Group		**476**	440
Cumulative depreciation of investment properties occupied by the Group		**33**	33
Underlying equity attributable to the Company's shareholder		**180,749**	161,651
Underlying non-controlling interests		**576**	517
Underlying equity		**181,325**	162,168

Notes:
(a) This represents the net revaluation movements as shown in the consolidated income statement plus the Group's share of net revaluation movements of jointly controlled and associated companies.
(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies. As a result of the amended HKAS 12, deferred tax is no longer provided on net revaluation movements in respect of investment properties in Hong Kong. However, deferred tax continues to be provided on net revaluation movements in respect of investment properties in Mainland China at the corporate income tax rate of 25%.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated income statement.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
(e) The value of the put option in favour of the owner of a non-controlling interest in Sanlitun Village is calculated principally by reference to the estimated fair value of the portions of the Sanlitun Village investment property in which the minority partner is interested.
(f) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those wholly-owned or jointly controlled hotel properties held for the long-term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated income statement.

Underlying Profit

Underlying profit in 2011 increased by HK$8,150 million, from HK$4,782 million to HK$12,932 million. This principally reflected an increase in capital profits less impairments (capital profits arising from the disposal of Festival Walk, less impairment charges at our U.K. hotels in 2011, being higher than capital profits arising from the disposal of Peel Rise and the changes in the ownership of PCCW Tower in 2010). Recurring profits from property investment increased by HK$672 million, due to higher rental income in Hong Kong, an improvement in performance at Sanlitun Village in Mainland China and a first time contribution from the TaiKoo Hui development in Mainland China, partly offset by loss of rental income from Festival Walk following its disposal. The hotel portfolio moved from a loss in 2010 to a profit in 2011, due to significant improvements in the results of the managed hotels and good growth in the profits of the non-managed hotels. The trading portfolio moved from a profit in 2010 to a loss in 2011 (excluding impairment adjustments), due to fewer sales and the initial recording of sales and marketing expenses associated with the AZURA and ARGENTA luxury residential developments. The increase in non-recurring expenses principally reflects the higher fees incurred in 2011 in connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited.

Portfolio Overview

The aggregate gross floor area ("GFA") attributable to the Group as at 31st December 2011 was approximately 29.1 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 25.1 million square feet are investment properties, comprising completed investment properties of approximately 19.4 million square feet and investment properties under development or held for future development of approximately 5.7 million square feet. In Hong Kong, this investment property portfolio comprises approximately 14.4 million square feet attributable to the Group of primarily Grade A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In Mainland China, Swire Properties has interests in five major commercial mixed-use developments in prime locations in Beijing, Shanghai, Guangzhou and Chengdu. These developments are expected to comprise approximately 8.4 million square feet of attributable GFA on completion. Outside Hong Kong and Mainland China, the investment property portfolio comprises the Brickell CitiCentre project in Miami and interests in hotels in the U.S.A. and the U.K.

The tables below illustrate the GFA (attributable to the Group) of the investment portfolio as at 31st December 2011.

Completed Investment Properties
(GFA attributable to the Group in million square feet)

	Office	Retail	Hotels (1)	Residential/ Serviced Apartments	**Total**
Hong Kong	10.5	2.4	0.7	0.6	**14.2**
Mainland China	2.0	2.5	0.2	-	**4.7**
U.S.A. and U.K.	-	-	0.5	-	**0.5**
TOTAL	**12.5**	**4.9**	**1.4**	**0.6**	**19.4**

Investment Properties under development or held for future development
(expected GFA attributable to the Group in million square feet)

	Office	Retail	Hotels (1)	Residential/ Serviced Apartments	**Total**
Hong Kong	0.1	-	-	0.1	**0.2**
Mainland China	0.9	1.6	1.1	0.1	**3.7**
U.S.A.	1.0	0.5	0.2	0.1	**1.8**
TOTAL	**2.0**	**2.1**	**1.3**	**0.3**	**5.7**

Total Investment Properties
(GFA (or expected GFA) attributable to the Group in million square feet)

	Office	Retail	Hotels (1)	Residential/ Serviced Apartments	**Total**
TOTAL	**14.5**	**7.0**	**2.7**	**0.9**	**25.1**

(1) Hotels are accounted for under property, plant and equipment in the accounts.

The trading property portfolio comprises land, apartments and offices under development in Hong Kong, in Miami in the U.S.A. and in Mainland China, together with the remaining units for sale at 5 Star Street in Hong Kong and at the ASIA residential development in Miami in the U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio as at 31st December 2011.

Trading Properties
(GFA (or expected GFA) attributable to the Group in million square feet)

	Completed	Under Development or held for future development	**Total**
Hong Kong	-	1.0	**1.0**
Mainland China	-	0.6	**0.6**
U.S.A.	0.1	2.3	**2.4**
TOTAL	**0.1**	**3.9**	**4.0**

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 10.8 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK$4,659 million in 2011. As at 31st December 2011, our office properties in Hong Kong were valued at HK$113,790 million. Of this amount, Swire Properties' attributable interest represented HK$110,458 million.

Hong Kong Office Portfolio	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Pacific Place	2,186,433	99%	100%
Cityplaza	1,632,930	98%	100%
TaiKoo Place Office Towers (1)	3,136,541	99%	50% / 100%
One Island East	1,537,011	100%	100%
Techno Centres (2)	1,816,667	95%	100%
Others (3)	461,587	98%	20% / 50%
Total	**10,771,169**		

(1) Including PCCW Tower, of which Swire Properties owns 50%.
(2) The valuation of Somerset House reflects the fact that it is to be redeveloped.
(3) Others comprise One Citygate (20% owned by Swire Properties) and 625 King's Road (50% owned by Swire Properties).

Gross rental income from the Group's office portfolio for 2011 increased by 7% over 2010, to HK$4,495 million, reflecting positive rental reversions and strong demand for office space in the portfolio in the first half of 2011. The strong demand was from existing tenants wanting more space as well as new tenants. Despite reduced demand in the second half of the year in uncertain market conditions, rental reversions remained positive. At 31st December 2011 the overall office portfolio was 98% let.

The table below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area attributable to the Group as at 31st December 2011.

Office Area Attributable to the Group by Tenants' Trades (As at 31st December 2011)	
Banking / Finance / Securities / Investment	31.3%
Professional Services (Accounting / Legal / Management Consulting / Corporate Secretarial)	8.8%
Insurance	8.2%
Technology / Media / Telecoms	16.2%
Real Estate / Construction / Development / Architecture	9.4%
Trading	8.9%
Advertising and Public Relations	2.9%
Others	14.3%

As at 31st December 2011, the top ten office tenants (based on rental income in the twelve months ended 31st December 2011) together occupied approximately 21% of the total office area in Hong Kong.

Pacific Place

The offices at One, Two and Three Pacific Place performed strongly in 2011. The occupancy rate was 99% at 31st December 2011. Major new lettings concluded in 2011 include Fidelity, Daiwa and Rabobank, while Bank of New York and Temple Chambers renewed their leases.

Island East

Cityplaza One, Three and Four performed satisfactorily in 2011. The occupancy rate was 98% at 31st December 2011. New tenants in 2011 include Jardine Lloyd Thompson and Deloitte, while American Express, HSBC and Fuji Xerox renewed their leases.

The TaiKoo Place Office Towers comprise five office towers (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 99% at 31st December 2011. Leasing activity in 2011 was mainly renewals and existing tenants taking more space, with major renewals including LVMH, IBM, Lenovo, Philip Morris, PCCW, BNP, Bank of America Merrill Lynch and China Construction Bank.

One Island East, our landmark property in Island East, had an occupancy rate of 100% at 31st December 2011. In 2011, Citibank took more space and China Shipping renewed its existing lease.

The three Techno Centres recorded modest growth in rents in 2011. Leases expiring in 2011 at Somerset House, which will be redeveloped into a Grade A office tower starting in 2013, were not renewed (and the space was not re-leased).

Hong Kong Office Market Outlook

We remain cautious about the outlook for 2012. The financial services industry is undergoing a period of consolidation. This has affected demand for space in Central. In these challenging conditions, some tenants in Central continue to be interested in taking space in Island East. Low vacancy rates and the fact that the supply of new office space will be modest should mitigate the effect of the challenging conditions on rental income.

Our office space available will increase in 2012 with the completion of 28 Hennessy Road (145,390 square feet) and 8 Queen's Road East (81,346 square feet), both expected to take place in late 2012.

The following table shows the percentage of the total rental income attributable to the Group from the office properties in Hong Kong, for the month ended 31st December 2011, derived from leases expiring in the periods indicated below. Tenancies accounting for approximately 13% of the rental income in the month of December 2011 are due to expire in 2012, with a further 23% due to expire in 2013.

Office Lease Expiry Profile (As at 31st December 2011)	
2012	13%
2013	23%
2014 & Beyond	64%

Retail

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis, principally at The Mall at Pacific Place, Cityplaza in Island East, and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK$3,024 million in 2011. As at 31st December 2011, our retail properties in Hong Kong were valued at HK$45,505 million. Of this amount, Swire Properties' attributable interest represented HK$41,032 million.

Hong Kong Retail Portfolio	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Pacific Place Mall	711,182	100%	100%
Cityplaza Mall	1,105,227	100%	100%
Citygate Outlets	462,439	100%	20%
Others (1)	530,467	100%	20% / 60% / 100%
Total	**2,809,315**		

(1) Others largely comprise Taikoo Shing neighbourhood shops and StarCrest retail premises (which are wholly-owned), Island Place retail premises (60% owned) and Tung Chung retail premises (20% owned).

Notwithstanding uncertainties in the global economic environment, the retail market in Hong Kong remained robust in 2011. Tourist arrivals in Hong Kong reached a new record of 42 million, more than 16% above 2010. The retail properties benefited from increased spending accordingly. This, combined with positive local consumer sentiment in Hong Kong, resulted in healthy sales growth at retail outlets in our properties.

Gross rental income from the Group's retail portfolio was HK$2,961 million in 2011, a decrease of 2% from 2010, due to the absence of rental income from Festival Walk following its disposal. Rental reversions were generally positive and were particularly strong at Pacific Place, reflecting strong demand for retail space and strong retail sales during the year. Retail sales in Swire Properties' malls in Hong Kong increased by 18% in 2011.

Occupancy at the Group's wholly-owned malls was effectively 100% throughout the year.

The table below shows the mix of tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area attributable to the Group as at 31st December 2011.

Retail Area Attributable to the Group by Tenants' Trades (As at 31st December 2011)	
Department Stores	26.2%
Food & Beverages	14.7%
Jewellery & Watches	1.7%
Fashion & Accessories	20.9%
Cinemas	5.0%
Ice Rinks	1.1%
Supermarket	3.9%
Others	26.5%

As at 31st December 2011, the top ten retail tenants (based on rental income in the twelve months ended 31st December 2011) together occupied approximately 33% of the total retail area in Hong Kong.

The Mall, Pacific Place

The Mall at Pacific Place is an integral part of the mixed-use Pacific Place development. The offices and the four hotels at Pacific Place provide a secure flow of shoppers for the Mall. Retail sales at The Mall increased by 18% in 2011. The Pacific Place contemporisation project, with a total investment cost of HK$2.0 billion, was substantially completed in 2011 and significantly rejuvenated the 23-year old Mall.

The Mall remained virtually fully let during the year, with the only void periods resulting from tenant changes, the most notable of which was the introduction of the Harvey Nichols Asia flagship store.

Significant improvements are planned for 2012. The exterior façade facing Queensway is being refurbished, while the space previously occupied by Lane Crawford is being reconfigured. A beauty gallery will be created to house retailers of upscale cosmetic and skin care brands. An additional arcade will link up the two sides of The Mall in order to improve the flow of pedestrian traffic.

Cityplaza Mall

Cityplaza is one of the most popular regional shopping centres in Hong Kong and is the biggest such centre on Hong Kong Island. It principally serves Hong Kong residents, but the opening of the adjacent EAST Hotel has resulted in higher patronage from visitors from outside Hong Kong. Retail sales increased by 8% in 2011. The property was virtually fully occupied during 2011.

Citygate Outlets

Sales at Citygate Outlets, the only outlet mall in Hong Kong, increased by more than 36% in 2011. A further 13,670 square feet of space was allocated to outlet retailers during the year. The tenth floor of the adjacent office property, One Citygate, was converted to retail use, with trading commencing in December 2011. Citygate Outlets remained virtually fully let at all times in 2011.

Hong Kong Retail Market Outlook

Strong consumer demand (including from visitors from Mainland China) is expected to continue in 2012 and competition for retail space is expected to remain keen. We will continue to monitor consumer preferences, brand popularity and tenant mix in an effort to ensure that our malls cater to the changing needs of consumers and facilitate increases in retail sales.

The following table shows the percentage of the total rental income attributable to the Group from the retail properties in Hong Kong, for the month ended 31st December 2011, derived from leases expiring in the periods indicated below. Tenancies accounting for approximately 20% of the rental income in the month of December 2011 are due to expire in 2012, with a further 30% due to expire in 2013.

Retail Lease Expiry Profile (As at 31st December 2011)	
2012	20%
2013	30%
2014 & Beyond	50%

Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place in Hong Kong and a small number of luxury houses and apartments on Hong Kong Island, with a total floor area of 483,711 square feet.

Occupancy at the residential portfolio was approximately 91% at 31st December 2011.

Demand for our residential properties is expected to remain strong in 2012.

Investment Properties Under Construction

28 Hennessy Road

Superstructure work is progressing at the 145,390 square foot office building at 28 Hennessy Road, with completion expected in the second half of 2012.

8 Queen's Road East

8 Queen's Road East, a 19-storey commercial building with 81,346 square feet of space, is being refurbished, with substantial completion scheduled for late 2012.

23 Tong Chong Street

The property at 23 Tong Chong Street in Quarry Bay will be redeveloped into serviced apartments and is expected to be completed by 2014. The aggregate floor area upon completion will be approximately 75,000 square feet.

Investment Properties – Mainland China

Overview

The property portfolio in Mainland China comprises an aggregate of 13.5 million square feet of space (9.1 million square feet attributable to the Group), of which 5.4 million square feet are completed properties with another 8.1 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China was HK$775 million in 2011. As at 31st December 2011, our investment portfolio in Mainland China was valued at HK$40,626 million. Of this amount, Swire Properties' attributable interest represented HK$28,890 million.

Property Portfolio (1) – Mainland China

	Gross Floor Area (sq.ft.) (100% Basis)				
	Total	Investment Properties	Hotels, Trading Properties and Others	Year of Opening	Attributable Interest
Completed					
Sanlitun Village, Beijing	1,465,771	1,296,308	169,463	2008 (2)	80% (3) / 100%
TaiKoo Hui, Guangzhou (Retail and Office)	3,208,167	3,208,167	-	2011	97%
INDIGO, Beijing (Office)	595,464	595,464	-	2011	50%
Beaumonde Retail Podium, Guangzhou	90,847	90,847	-	2008	100%
Others (4)	29,584	-	29,584	n/a	100%
Sub-Total	**5,389,833**	**5,190,786**	**199,047**		
Under Development					
TaiKoo Hui, Guangzhou (Hotel and Serviced Apartments)	641,028	52,797	588,231	2012	97%
INDIGO, Beijing (Retail and Hotel)	1,297,762	939,493	358,269	2012	50%
Dazhongli Project, Shanghai	3,469,398	2,872,653	596,745	2016	50%
Daci Temple Project, Chengdu (5)	2,689,300	1,249,135	1,440,165	2014	50%
Sub-Total	**8,097,488**	**5,114,078**	**2,983,410**		
Total	**13,487,321**	**10,304,864**	**3,182,457**		

(1) Including the hotel and property trading components of these projects.
(2) Village North was opened in 2010.
(3) Swire Properties owns 80% of the retail component of Sanlitun Village.
(4) Including Longde Building and Tianhe Xinzuo residential apartments, which were acquired by us in 2005 and 2006 respectively.
(5) The office portion of the Daci Temple project is intended to be developed for trading purposes.

The below table illustrates the growth in attributable area of the completed property portfolio in Mainland China.

Attributable Area of Completed Property Portfolio in Mainland China						
(sq ft.)	2011	2012	2013	2014	2015	2016 & Onwards
Sanlitun Village, Beijing	1,206,509	1,206,509	1,206,509	1,206,509	1,206,509	1,206,509
TaiKoo Hui, Guangzhou	3,111,922	3,733,719	3,733,719	3,733,719	3,733,719	3,733,719
INDIGO, Beijing	297,732	946,613	946,613	946,613	946,613	946,613
Beaumonde Retail Podium, Guangzhou	90,847	90,847	90,847	90,847	90,847	90,847
Others	29,584	29,584	29,584	29,584	29,584	29,584
Dazhongli Project, Shanghai	0	0	0	0	0	1,734,699
Daci Temple Project, Chengdu	0	0	0	1,344,650	1,344,650	1,344,650
Total	**4,736,594**	**6,007,272**	**6,007,272**	**7,351,922**	**7,351,922**	**9,086,621**

Completed Investment Properties

Sanlitun Village, Beijing

Sanlitun Village, Beijing	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Retail – Village South	776,909	93%	80%
Retail – Village North	519,399	90%	80%
Hotel – The Opposite House [(1)]	169,463	66%	100%
Total	**1,465,771**		

(1) The hotel is accounted for under property, plant and equipment in the accounts.

Sanlitun Village, a low-density complex, comprises two neighbouring retail sites and a hotel totalling 1.47 million square feet in the Chaoyang District of Beijing. Sanlitun Village has over 200 shops and restaurants, including flagship stores, shops selling lifestyle brands and restaurants serving regional and international cuisine.

Village South concentrates on global fashion and lifestyle brands with a youthful appeal, including the world's largest adidas store and Mainland China's largest Apple store. During 2011, Swire Properties introduced 33 new tenants in Village South in an effort to optimise the mix of tenants. Village North focuses on international and Chinese designer fashion brands, as well as restaurants and cafés.

Sanlitun Village has seen a satisfactory increase in gross rental income in 2011, reflecting increases in base rents at Village South and higher occupancy rates at Village North. As at 31st December 2011, occupancy rates were 93% at Village South and 90% at Village North.

Sanlitun Village, with its open plan architecture inspired by the concept of courtyards and hutongs in Beijing, has gained significant attention in the retail market in Beijing. It is seen by young people and the fashion conscious as a shopping and leisure destination. Swire Properties will continue to invest in improvement works designed to enhance footfall and circulation, and to reinforce the property's position. Demand from retailers remains strong in Beijing, with more retailers of international brands entering the market. This can be expected to increase occupancy rates and rents in general. Sanlitun Village can be expected to benefit from the continued strength of consumer demand, further refinement of the tenant mix and cost reductions.

Swire Properties owns 80% of the retail component of Sanlitun Village with the remaining 20% interest held by Gateway China Fund I, a fund managed by Gaw Capital. The fund has an option to sell its 20% interest to Swire Properties before the end of 2013. As at 31st December 2011, Sanlitun Village (excluding The Opposite House) was valued at HK$8,975 million. Of this amount, Swire Properties' 80% attributable interest represented HK$7,180 million.

Beijing Retail Market Outlook

The Beijing retail market remains very active, with new supply being taken up by retailers. There is an increasing number of new entrants to the Beijing market, as many retailers see Mainland China as a source of growth in the coming years. Rent appreciation in prime retail shopping centres continues.

TaiKoo Hui, Guangzhou

TaiKoo Hui, Guangzhou	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Retail	1,484,743	99%	97%
Office	1,723,424	68%	97%
Hotel [(1)]	588,231	n/a	97%
Serviced Apartments	52,797	n/a	97%
Total	**3,849,195**		**97%**

(1) The hotel is accounted for under property, plant and equipment in the accounts.

TaiKoo Hui is our largest investment property in Mainland China. It is a large-scale retail-led complex in the Tianhe Central Business District of Guangzhou, with a total area of approximately 3.85 million square feet. Located at a transportation hub, it has direct access to the city's metro system, incorporates a prime shopping mall, two Grade A office towers, a 5-star hotel with serviced apartments to be managed by Mandarin Oriental Hotel Group and a cultural centre, together with over 800 car parking spaces, all of which are interconnected.

The shopping mall opened on 23rd September 2011 and, as at 31st December 2011, approximately 99% of the floor area was leased and 84% of the shops were open. Approximately 70% of the mall is tenanted by retailers selling international brand names, with a number of brands making their debuts in Guangzhou. Sales of luxury brands were encouraging while some of the mass market brands which are new to Guangzhou are quickly gaining momentum. Tenants have committed to take (or have agreed terms in relation to) approximately 68% of the floor area of the two office towers. HSBC, which is the largest tenant, has leased 29 floors, representing approximately 47% of the total office floor area. The remaining vacant area is located in the high zone of office tower 1, which is expected to command the best terms among all the office floors.

Retail sales performance in 2012 is expected to improve as more shops open, more office tenants move in and the Mandarin Oriental Hotel opens. The 263 rooms and 24 serviced apartments in the Mandarin Oriental Hotel Guangzhou are expected to open in the latter part of 2012.

Swire Properties has a 97% stake in TaiKoo Hui, which is a joint venture with Guangzhou Da Yang Properties Investment Limited (under the Guangzhou Daily Group). As at 31st December 2011, the development (excluding the hotel) was valued at HK$12,014 million. Of this amount, Swire Properties' 97% attributable interest represented HK$11,653 million.

Guangzhou Market Outlook

In the retail market, a number of new malls were opened in Baiyun District and Zhujiang New Town in 2011. Total retail sales in Guangzhou grew steadily due to strong market demand.

In the office market, although supply has increased significantly following the completion of new office towers in Zhujiang New Town, the market remained active, with growing demand, particularly from the finance and insurance industries, in the first half of 2011. However, in the fourth quarter in 2011, demand for office space started to weaken.

INDIGO, Beijing

INDIGO, Beijing	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at Dec 2011)	Attributable Interest
Retail	939,493	77%	50%
Office	595,464	46%	50%
Hotel [(1)]	358,269	n/a	50%
Total	**1,893,226**		**50%**

(1) The hotel is accounted for under property, plant and equipment in the accounts.

Our second venture in the Beijing property market, INDIGO, is a retail-led mixed-use development in Jiang Tai in the Chaoyang district. It comprises an upmarket shopping mall, a Grade A office tower (ONE INDIGO) and a 369-room lifestyle business hotel EAST, Beijing. In addition to having more than 1,200 car parking spaces, INDIGO will be served by the Beijing Metro Line 14, which is now under construction and is due to open in 2014.

The shopping mall and the office tower are completed. The hotel is under construction. The office tower started to open in late 2011 and a number of office tenants have moved in. The shopping mall is being fitted out and opened gradually from March 2012. As at 31st December 2011, committed tenants (including those who had signed letters of intent) accounted for approximately 77% of the retail space and approximately 46% of the office space. The hotel is expected to open in the latter part of 2012.

INDIGO is a 50:50 joint venture with Sino-Ocean Land Holdings Limited. As at 31st December 2011, the development (excluding the hotel) was valued at HK$4,650 million. Of this amount, Swire Properties' 50% attributable interest represented HK$2,325 million.

Beijing Office Market Outlook

Demand in the Beijing office market continues to exceed supply. Rental increases and limited supply in the central business district are causing tenants to relocate to emerging areas.

Investment Properties Under Development

Dazhongli Project, Shanghai

Dazhongli Project, Shanghai	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	1,062,719	50%
Office	1,809,934	50%
Hotels [(1)]	596,745	50%
Total	**3,469,398**	**50%**

(1) The hotels are accounted for under property, plant and equipment in the accounts.

The Dazhongli project is a large-scale retail-led mixed-use development which will comprise approximately 3.47 million square feet (excluding car parking spaces) upon completion. It occupies a prime location with significant frontage to Nanjing West Road, one of Shanghai's major shopping thoroughfares, and has excellent transport connections, being adjacent to an existing metro line and two planned metro stations. The project comprises a retail mall, two office towers and three hotels, and is expected to become a landmark development in Shanghai.

Site clearance and resettlement works have largely been completed. Foundation works commenced at the end of 2011 and the development is expected to open in phases from 2016 onwards.

The Dazhongli project is a 50:50 joint venture with HKR International Limited. As at 31st December 2011, the development (excluding the hotel) was valued at HK$12,442 million. Of this amount, Swire Properties' 50% attributable interest represented HK$6,221 million.

Shanghai Market Outlook

Demand for commercial property in Shanghai was strong in 2011. Limited supply of quality Grade A office space, particularly in the Puxi region, should ensure that growth prospects continue to be good. The retail market remains robust, with new entrants to Mainland China often opening first in Shanghai.

Daci Temple Project, Chengdu

Daci Temple Project, Chengdu	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	1,174,465	50%
Hotel (1)	156,090	50%
Serviced Apartments	74,670	50%
Office (2)	1,284,075	50%
Total	**2,689,300**	**50%**

(1) The hotel is accounted for under property, plant and equipment in the accounts.
(2) The office portion of the Daci Temple project is intended to be developed for trading purposes.

The Daci Temple project, located in the Jinjiang District of Chengdu and near to the popular Chunxi Road shopping district, will be conveniently accessible from a future metro interchange station. With a site area of 762,251 square feet, the project will form a large-scale urban development comprising a street style retail complex, a boutique hotel with about 100 guest rooms, serviced apartments and a Grade A office tower.

Consisting of 2-3 storey retail blocks and open spaces with a basement connected to the planned metro, the retail complex is designed to integrate harmoniously with the cultural heritage of the ancient Daci Temple and neighbouring historic buildings.

Site preparation works have started. The development is expected to open in phases from 2014 onwards.

The office tower is intended to be developed for trading purposes.

The Daci Temple development is a 50:50 joint venture with Sino-Ocean Land Holdings Limited. In January 2012, the Group entered into an agreement with Sino-Ocean Land Limited, a wholly-owned subsidiary of Sino-Ocean Land Holdings 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. Please refer to Note 16 to the accounts for further details.

As at 31st December 2011, the Daci Temple development (excluding the hotel and office trading components) was valued at HK$2,071 million. Of this amount, Swire Properties' 50% attributable interest represented HK$1,036 million.

Chengdu Market Outlook

Chengdu's retail market has been performing strongly over the last three years. There was strong demand for office space in 2011, with trading and leasing both being active in the first three quarters of 2011.

There will be no major supply of new retail space in the downtown area of Chengdu in 2012. Demand by retailers for additional space should increase rental rates and absorption of existing space.

There will be a substantial supply of new office space in the New South Area of Chengdu in 2012. However, the supply along the major commercial streets and within the city centre is still limited. The office leasing and trading markets in this downtown area are expected to remain positive.

Investment Properties – U.S.A.

Brickell CitiCentre, Miami

Brickell CitiCentre, Miami	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	520,000	100%
Office	963,000	100%
Serviced Apartments	108,000	100%
Hotel (1)	200,000	100%
Residential (1)	1,100,000	100%
Carpark / Circulation	2,538,000	100%
Total	**5,429,000**	**100%**

(1) The residential portion of the Brickell CitiCentre is intended to be developed for trading purposes. The hotel and the residential components are not accounted for as investment properties in the accounts.

Brickell CitiCentre is a mixed-use development project in the Brickell financial district in Miami, Florida and covers approximately four city blocks. Situated one block west of Brickell Avenue and three blocks west of Brickell Key, the project has a site area of 393,678 square feet (approximately 9.1 acres).

Part of the site was acquired in 2008. This part is bounded on the north and south by SW 7th and SW 8th Streets, which are primary arteries connecting the Brickell district to the interstate highway (I-95) (which is about three quarters of a mile west of the site). The subsequent acquisition of two adjoining sites, the 2.1 acre Brickell Tennis Centre and the 1.3 acre Eastern National Bank building permitted the application for a special area plan under the Miami zoning code. Development entitlements have been approved by the City of Miami, allowing a mixed-use development of approximately 2.9 million square feet (excluding carpark and circulation areas).

An urban, mixed-use development scheme has been planned which incorporates a multi-level, open-air shopping centre with two levels of below ground parking. The plan incorporates a light rail Metromover station, which runs through the site, as an integral part of the project. The development is scheduled to be completed in two phases, with Phase I comprising a 243-room hotel, 93 serviced apartments, two office buildings and two residential towers. Subject to market conditions, Phase II is planned as a high-rise office building with car parking spaces.

Site preparation, foundation testing and applying for construction permits from government authorities are underway. Construction of Phase I is expected to be completed in 2015, while construction of Phase II is expected to be completed in 2018.

There is little existing or expected retail competition in the area of the scale and quality planned for Brickell CitiCentre. As a regional centre, it is believed that Brickell CitiCentre will generate rental rates comparable to those at leading shopping centres in Greater Miami.

As at 31st December 2011, the Brickell CitiCentre development (excluding the hotel and residential trading components) was valued at HK$391 million. This development is wholly-owned by Swire Properties.

Miami Market Outlook

Notwithstanding the uncertain economic background, Greater Miami does not have enough shops, especially in the city centre and selling mid to high range merchandise. The office market continues to favour tenants, although tenant concession packages are getting smaller. However, office vacancy rates remain at approximately 22% following the addition of 600,000 square feet of office space at the recently completed Brickell World Center. Competition for office tenants remains keen as a result.

In the residential market, downtown Miami has absorbed the bulk of properties built from 2005 to 2008 and in some sectors prices are starting to rise. The supply of rental units on offer in the downtown and Brickell areas is low, with rental rates continuing to increase.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2011 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$187,198 million compared to HK$178,815 million at 31st December 2010 and HK$198,314 million at 30th June 2011.

The increase in the valuation of the investment property portfolio principally reflects higher rental income.

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

Audited Financial Information
Investment Properties

	Group Completed HK$M	Group Under Development HK$M	Group Total HK$M
At 1st January 2011	161,508	17,307	178,815
Translation differences	374	421	795
Change in composition of Group	(18,263)	-	(18,263)
Additions	145	4,705	4,850
Transfer upon completion	11,142	(11,142)	-
Other net transfers from property, plant and equipment	265	38	303
Other net transfers from property held for development	104	249	353
Fair value gains	19,676	669	20,345
	174,951	12,247	187,198
Add: Initial leasing costs	290	-	290
At 31st December 2011	175,241	12,247	187,488
At 1st January 2010	141,832	12,183	154,015
Translation differences	287	245	532
Cost written back	(11)	-	(11)
Additions	595	3,988	4,583
Disposals	(593)	(57)	(650)
Transfers between category	23	(23)	-
Other net transfers from property, plant and equipment	770	(7)	763
Other net transfers to property under development for sale	-	(897)	(897)
Fair value gains	18,605	1,875	20,480
	161,508	17,307	178,815
Add: Initial leasing costs	170	-	170
At 31st December 2010	161,678	17,307	178,985

Geographical Analysis of Investment Properties

	Group **2011 HK$M**	Group 2010 HK$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	**25,151**	39,310
On long-term leases (over 50 years)	**140,358**	122,221
	165,509	161,531
Held in Mainland China:		
On medium-term leases (10 to 50 years)	**21,298**	17,284
Held in U.S.A.:		
Freehold	**391**	-
	187,198	178,815

Property Trading

The trading portfolio comprises seven luxury residential projects in Hong Kong (five on Hong Kong Island, one in Kowloon and one on Lantau Island), a residential complex under development in Brickell CitiCentre in Miami, an office property under development in the Daci Temple project in Chengdu, and the remaining residential units at the completed developments of ASIA in Miami and 5 Star Street in Hong Kong. There is also a land bank in Miami and Fort Lauderdale in Florida, the U.S.A.

Property Trading Portfolio	Gross Floor Area (sq.ft.) (100% Basis)	Actual / Expected Construction Completion Date	Attributable Interest
Completed			
Hong Kong			
- 5 Star Street (remaining unsold units)	1,996	2010	100%
U.S.A.			
- ASIA, Miami (remaining unsold units)	67,728	2008	100%
Under Development			
Hong Kong			
- AZURA	206,306	2012	87.5%
- ARGENTA	75,805	2013	100%
- 33 Seymour Road	165,792	2014	100%
- 92-102 Caine Road	195,531	2016	100%
- 1-9 and 2-10 Sai Wan Terrace	151,944	2013	80%
- 148 Argyle Street	88,555	2013	50%
- Cheung Sha, South Lantau	64,412	2015	100%
Mainland China			
- Daci Temple Project, Chengdu (office portion)	1,284,075	2014	50%
U.S.A.			
- Brickell CitiCentre, Miami, Florida	1,100,000	2015	100%
Held for Development			
U.S.A.			
- Fort Lauderdale, Florida	787,414	n/a	75%
- South Brickell Key, Miami, Florida	421,800	n/a	100%
Total	**4,611,358**		

The following table is a representation of the expected timing of completion of our residential projects in Hong Kong

Expected Attributable Residential GFA Completions in Hong Kong in 2012-2016					
GFA (sq ft.)	2012	2013	2014	2015	2016
AZURA	180,518				
1-9 and 2-10 Sai Wan Terrace		121,555			
ARGENTA		75,805			
148 Argyle Street		44,278			
33 Seymour Road			165,792		
Cheung Sha, Lantau Island (1)				64,412 (1)	
92-102 Caine Road					195,531
Total	**180,518**	**241,638**	**165,792**	**64,412**	**195,531**

(1) Maximum GFA of the Cheung Sha development

Audited Financial Information
Properties Held For Development and For Sale

	Group	
	2011	2010
	HK\$M	HK\$M
Properties held for development		
Freehold land	**124**	443
Properties for sale		
Completed properties		
- development costs	**270**	388
- freehold land	**7**	9
- leasehold land	**4**	4
Properties under development		
- development costs	**1,329**	673
- freehold land	**175**	-
- leasehold land	**5,063**	4,480
	6,848	5,554

Hong Kong

Residential developments in Mid-Levels West, Hong Kong

Swire Properties owns four sites in Mid-Levels West, a residential district on Hong Kong Island.

(a) AZURA, 2A Seymour Road

Swire Properties holds a 87.5% interest in this development. The superstructure works are in progress. The development is expected to be completed in 2012, and will consist of a 50-storey tower of 126 units and 45 car parking spaces with a total GFA of 206,306 square feet. 99 of the 126 residential units have been pre-sold. The development is scheduled to be handed over to buyers in the latter part of 2012 and will be managed by Swire Properties.

(b) ARGENTA, 63 Seymour Road

ARGENTA is wholly-owned by the Group. The superstructure works are in progress. The development is expected to be completed in 2013, and will consist of a 37-storey tower of 30 whole-floor residential units and 28 car parking spaces with an aggregate GFA of 75,805 square feet.

(c) 33 Seymour Road

33 Seymour Road is wholly-owned by the Group. Foundation works are in progress and the development is expected to be completed in 2014. It will consist of a 48-storey tower of 127 residential units with an aggregate GFA of 165,792 square feet upon completion.

(d) 92-102 Caine Road

92-102 Caine Road is wholly-owned by the Group. Foundation works are in progress and the development is expected to be completed in 2016. The development consists of a 50-storey tower of 197 residential units and 43 car parking spaces with an aggregate GFA of 195,531 square feet.

Swire Properties plans to upgrade certain pedestrian walkways, widen a number of pavements and build a pedestrian staircase within the site at 92-102 Caine Road, in order to improve pedestrian flow between Castle Road and Caine Road, subject to the necessary approvals.

1-9 and 2-10 Sai Wan Terrace

The Group has an 80% interest in 1-9 and 2-10 Sai Wan Terrace, a residential development in Quarry Bay, Hong Kong. The substructure works are in progress. The development is expected to be completed in 2013 and will consist of two 21-storey towers of 92 residential units and 69 basement car parking spaces with an aggregate GFA of 151,944 square feet upon completion.

148 Argyle Street

148 Argyle Street is a residential development in Ho Man Tin, Kowloon. The Group has a 50% interest in the development. The substructure works are in progress. Construction works at the development are expected to be completed in 2013 and the development will have an aggregate GFA of approximately 88,555 square feet upon completion. It will consist of a 23-storey tower with 53 residential units and 56 car parking spaces.

Cheung Sha, South Lantau

Two adjacent residential sites at the junction of Tung Chung Road and South Lantau Road in Cheung Sha, Lantau Island were acquired in December 2011 and are wholly-owned by the Group. The sites will be developed into 30 houses with an aggregate GFA of 64,412 square feet. The development is expected to be completed in 2015.

Hong Kong Residential Market Outlook

Hong Kong government measures and policy changes will continue to affect Hong Kong's residential property market. Despite credit tightening, interest rates are expected to remain low. The supply of luxury residential property on Hong Kong Island and in Kowloon will remain limited. Luxury residential prices are expected to stay steady.

U.S.A.

ASIA, located on the northern edge of Brickell Key in downtown Miami, is a luxury high-rise residential condominium with 123 units. The average size of these units is approximately 2,300 square feet. The property was completed in April 2008. 99 units have been sold. A further 11 units have been leased.

The residential portion of Brickell CitiCentre is intended to be developed for trading purposes. Completion of this development is expected in 2015.

Leasing and Management Business

Swire Properties is responsible for the redevelopment as well as the leasing and management of a property owned by Swire Pacific at 53 Stubbs Road, known as OPUS HONG KONG. The property is a prime residential development consisting of a 12-storey residential building with ten whole-floor units and two double-level garden apartments designed by Pritzker Prize winning architect Frank Gehry. Construction was completed and the occupation permit was issued in December 2011. Marketing will start on completion of the show flat in the second quarter of 2012.

Estate Management

Through subsidiaries, Swire Properties undertakes the management of 12 estates it has developed, including Robinson Place, The Orchards and Taikoo Shing. The services include day to day assistance for occupants and cleaning, maintenance and renovation of common areas and facilities. We place great emphasis on maintaining good relationships with our occupants. We will provide a high quality concierge service at our new developments such as AZURA.

Hotels

Managed Hotels

Overview

Swire Hotels owns and manages hotels in Hong Kong, Mainland China and the U.K., comprising the "House Collection", "EAST", and "Chapter Hotels". The House Collection, presently comprising The Upper House in Hong Kong and The Opposite House in Beijing, is a group of small and distinctive hotels in Asia providing highly personalised experiences for guests. The EAST brand creates lifestyle business hotels whilst Chapter Hotels are a collection of locally inspired hotels in regional towns and cities in the U.K.

Major Hotels Portfolio (Managed by the Group)	No. of rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
- The Upper House	117	100%
- EAST, Hong Kong	345	100%
- Headland Hotel [(1)]	501	0%
Mainland China		
- The Opposite House	99	100%
U.K.		
- The Montpellier Chapter, Cheltenham (formerly called Hotel Kandinsky, Cheltenham)	61	100%
- Avon Gorge Hotel, Bristol	75	100%
- The Magdalen Chapter, Exeter (formerly called Hotel Barcelona, Exeter) [(2)]	59	100%
- Hotel Seattle, Brighton	71	100%
Under Development		
Mainland China		
- EAST, Beijing	369	50%
- Dazhongli Project (Hotel), Shanghai	124	50%
- Daci Temple Project (Hotel), Chengdu	100	50%
Total	**1,921**	

(1) Headland Hotel is owned by Airline Hotel Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.
(2) Refurbishment of the hotel in Exeter is expected to be completed in 2012.

The Upper House

The Upper House, a 117-room luxury hotel at Pacific Place, continued to be recognised for its customer service and achieved strong market penetration and revenue growth in 2011, with revenue per available room increasing by 35% from 2010. It received a number of awards including the "Best Overseas Business Hotel" award from Condé Nast Traveller, an award from The Readers' Travel Awards 2011 and a TripAdvisor Traveler's Choice award.

EAST, Hong Kong

EAST, Hong Kong, a 345-room hotel at Island East, has established a loyal following from office tenants in Cityplaza and TaiKoo Place. Occupancy and average room rates were strong in 2011, with revenue per available room increasing by 51% from 2010. Its rooftop bar, Sugar, was re-launched in 2011 following a renovation of the outdoor deck area. The hotel was recommended in Hot List 2011 of Condé Nast Traveller.

The Opposite House

The Opposite House, a 99-room luxury hotel at Sanlitun Village, Beijing, saw significant improvements in its accommodation, restaurant and bar businesses in 2011, with revenue per available room increasing by 33% from 2010. The hotel appears in the Smart Travel Asia list of top 25 leisure hotels and resorts and Condé Nast Traveller's Gold List 2011.

U.K. Hotels

Swire Properties owns four hotels in the U.K., in Cheltenham, Bristol, Brighton and Exeter. The hotel in Exeter was closed for refurbishment in 2011. An impairment charge was recorded against the hotels in December 2011, reflecting a difficult trading environment. Despite the challenging operating conditions, our hotels performed satisfactorily during the year.

Hotels Market Outlook

The hotels in Hong Kong are expected to continue to benefit from growth in the number of visitors from the Mainland China and are well positioned in both the business and tourism sectors.

In Mainland China, The Opposite House is expected to see further growth in its accommodation, restaurant and bar businesses. EAST, Beijing is scheduled to open in the latter part of 2012.

The trading environment in the U.K. remains challenging. The Magdalen Chapter Hotel in Exeter is scheduled to reopen in 2012.

Non-managed Hotels

Swire Properties has ownership interests in (but does not manage) hotels with 3,166 rooms in aggregate, and is developing the Mandarin Oriental, Guangzhou, which will be 97% owned. The Mandarin Oriental, Guangzhou is expected to have a total of 263 rooms and 24 serviced apartments.

Major Hotels Portfolio (Not managed by the Group)	No. of rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
- Island Shangri-La Hong Kong	565	20%
- JW Marriott Hotel Hong Kong	602	20%
- Conrad Hong Kong	513	20%
- Novotel Citygate Hong Kong	440	20%
U.S.A.		
- Mandarin Oriental, Miami	326	75%
Under Development		
Mainland China		
- Mandarin Oriental, Guangzhou (1)	287	97%
- Dazhongli Project (Hotels), Shanghai	433	50%
Total	**3,166**	

(1) Including 24 serviced apartments in the same building.

The non-managed hotels in Hong Kong performed strongly during the year. Trading conditions also improved at the Mandarin Oriental, Miami in 2011.

Capital Commitments

Capital Expenditure and Commitments for Investment Properties and Hotels

Capital expenditure in 2011 on Hong Kong investment properties and hotels, including completed projects, amounted to HK$3,104 million (2010: HK$3,031 million). Outstanding capital commitments at 31st December 2011 were HK$6,740 million (31st December 2010: HK$1,488 million).

Capital expenditure in 2011 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of jointly controlled companies, amounted to HK$3,180 million (2010: HK$2,983 million). Outstanding capital commitments at 31st December 2011 were HK$8,430 million (2010: HK$9,861 million), including the Group's share of the capital commitments of jointly controlled companies of HK$7,101 million (2010: HK$6,952 million). The Group is committed to funding HK$1,828 million (31st December 2010: HK$2,459 million) of the capital commitments of jointly controlled companies in Mainland China.

Capital expenditure in 2011 on the investment properties and hotels in the U.S.A. amounted to HK$7 million (2010: HK$14 million). Outstanding capital commitments at 31st December 2011 were HK$2,472 million (2010: HK$6 million).

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast year of expenditure				Commitments
	2011	2012	2013	2014	2015 & beyond	**At 31st Dec 2011**
	HK$M	HK$M	HK$M	HK$M	HK$M	**HK$M**
Hong Kong projects	**3,104**	1,099	571	666	4,404	**6,740**
Mainland China projects	**3,180**	3,321	1,628	2,062	1,419	**8,430**
U.K. hotels	**95**	38	-	-	-	**38**
U.S.A. projects	**7**	491	829	1,102	50	**2,472**
Total	**6,386**	4,949	3,028	3,830	5,873	***17,680**

* The capital commitments represents the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies. The Group is committed to funding HK$1,828 million of the capital commitments of jointly controlled companies.

FINANCING

Sources of finance

At 31st December 2011, committed loan facilities and debt securities amounted to HK$35,703 million, of which HK$8,003 million (22.4%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$1,446 million. Sources of funds at 31st December 2011 comprised the following:

	Available	Drawn	Undrawn expiring within one year	Undrawn expiring beyond one year
	HK$M	HK$M	HK$M	HK$M
Facilities from third parties				
Long-term loans	7,239	6,286	60	893
Facilities from Swire Finance Limited				
Revolving credit and short-term loans	9,000	1,950	3,050	4,000
Term loans	5,000	5,000	-	-
Medium-term notes	12,135	12,135	-	-
Perpetual capital securities	2,329	2,329	-	-
Total committed facilities	**35,703**	**27,700**	**3,110**	**4,893**
Total uncommitted facilities	2,710	1,264	1,446	-
Total loan facilities	38,413	28,964	4,556	4,893

At 31st December 2011, 66% of the Group's gross borrowings were on fixed rate basis and 34% were on a floating rate basis (2010: 66% and 34% respectively).

Maturity profile and refinancing

Bank loans and other borrowings are repayable on various dates up to 2018 (2010: up to 2019). The weighted average term and cost of the Group's debt is:

	2011	**2010**
Weighted average term of debt	**2.9 years**	3.7 years
Weighted average term of debt (excluding perpetuals)	**2.8 years**	3.5 years
Weighted average cost of debt	**4.6%**	4.1%
Weighted average cost of debt (excluding perpetuals)	**4.4%**	3.8%

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

	Maturity Profile							
	Total	2012	2013	2014	2015	2016	2017	2018
					(HK$M)			
Facilities from third parties								
Long term loans	7,239	466	60	6,713	-	-	-	-
Facilities from Swire Finance Limited								
Revolving credit and term loans	14,000	10,000	1,500	-	2,500	-	-	-
Medium-term notes	12,135	-	2,300	-	-	4,658	-	5,177
Perpetual capital securities	2,329	-	-	-	-	-	2,329	-
Total	35,703	10,466	3,860	6,713	2,500	4,658	2,329	5,177

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

The table below sets forth the maturity profile of the Group's borrowings:

	2011	2010
	HK$M	HK$M
Bank borrowings:		
Within 1 year	**1,687**	4,094
1 - 2 years	**93**	-
2 - 5 years	**5,726**	1,582
Over 5 years	**-**	-
Borrowings from Swire Finance Limited:		
Within 1 year	**6,943**	5,228
1 - 2 years	**2,296**	7,128
2 - 5 years	**4,638**	3,800
Over 5 years	**7,497**	16,046
	28,880	37,878
Amount due within one year included under current liabilities	**(8,630)**	(9,322)
	20,250	28,556

Upon maturity of the financing arrangements provided by Swire Finance Limited, the Group will obtain new funding (as necessary) on a stand-alone basis without recourse to Swire Pacific.

Currency Profile

An analysis of the outstanding borrowings by currency is shown below:

	2011		2010	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**20,598**	**71%**	31,426	83%
United States dollar	**1,182**	**4%**	926	3%
Renminbi	**7,040**	**25%**	5,466	14%
Others	**60**	**0%**	60	0%
Total	**28,880**	**100%**	37,878	100%

Interest Cover and Gearing Ratios

The following table illustrates the gearing ratios, interest cover and cash interest cover for each of the last two years:

	2011	2010
Gearing ratio (1)		
Per accounts	**15.7%**	23.3%
Underlying	**15.3%**	22.7%
Interest cover – times (2)		
Per accounts	**18.2**	21.8
Underlying	**12.0**	5.4
Cash interest cover – times (3)		
Per accounts	**14.5**	17.6
Underlying	**9.2**	4.3

Note:
(1) Net debt divided by total equity.
(2) Operating profit/(loss) divided by net finance charges.
(3) Operating profit/(loss) divided by total of net finance charges and capitalised interest.

Consolidated Income Statement
For the year ended 31st December 2011

	Note	2011 HK$M	2010 HK$M
Turnover	2	**9,581**	8,871
Cost of sales	3	**(2,334)**	(2,261)
Gross profit		**7,247**	6,610
Administrative expenses		**(1,029)**	(911)
Other operating expenses		**(130)**	(135)
Profit on sale of interest in Festival Walk	4	**595**	-
Other net (losses)/gains	5	**(83)**	925
Change in fair value of investment properties		**20,345**	20,480
Operating profit		**26,945**	26,969
Finance charges		**(1,504)**	(1,264)
Finance income		**27**	27
Net finance charges	7	**(1,477)**	(1,237)
Share of profits less losses of jointly controlled companies		**851**	1,461
Share of profits less losses of associated companies		**156**	225
Profit before taxation		**26,475**	27,418
Taxation	8	**(1,296)**	(1,324)
Profit for the year		**25,179**	26,094
Profit for the year attributable to:			
The Company's shareholder		**25,126**	26,045
Non-controlling interests		**53**	49
		25,179	26,094
Dividends			
Special interim - paid		**10,014**	-
Interim - paid		**-**	1
First interim - declared on 15th March 2012		**1,053**	-
Final - paid		**-**	2,425
	9	**11,067**	2,426
		HK$	HK$
Earnings per share for profit attributable to the Company's shareholder (basic and diluted)	10	**4.40**	4.58

Consolidated Statement of Comprehensive Income
For the year ended 31st December 2011

	2011 HK$M	2010 HK$M
Profit for the year	**25,179**	26,094
Other comprehensive income		
Revaluation of properties previously occupied by the Group		
- gain recognised during the year	**186**	1,448
Share of other comprehensive income of jointly controlled and associated companies	**276**	132
Net translation differences on foreign operations	**517**	441
Other comprehensive income for the year, net of tax	**979**	2,021
Total comprehensive income for the year	**26,158**	28,115
Total comprehensive income attributable to:		
The Company's shareholder	**26,105**	28,063
Non-controlling interests	**53**	52
	26,158	28,115

Consolidated Statement of Financial Position at 31st December 2011

	Note	2011 HK$M	2010 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,615**	6,333
Investment properties		**187,488**	178,985
Leasehold land and land use rights		**3**	6
Intangible assets		**7**	187
Properties held for development		**124**	443
Jointly controlled companies		**13,000**	10,940
Associated companies		**639**	705
Available-for-sale assets		**9**	7
Deferred tax assets		**57**	94
Retirement benefit assets		**108**	83
		208,050	197,783
Current assets			
Properties under development and for sale		**6,848**	5,554
Stocks and work in progress		**69**	59
Trade and other receivables	11	**1,945**	1,168
Amount due from immediate holding company - Swire Pacific Limited		**142**	106
Cash and cash equivalents		**1,180**	1,042
		10,184	7,929
Current liabilities			
Trade and other payables	12	**8,088**	5,199
Taxation payable		**445**	379
Bank overdrafts and short-term bank loans		**1,023**	991
Long-term bank loans due within one year		**664**	3,103
Loans due to a fellow subsidiary company - Swire Finance Limited		**6,943**	5,228
		17,163	14,900
Net current liabilities		**(6,979)**	(6,971)
Total assets less current liabilities		**201,071**	190,812
Non-current liabilities			
Long-term bank loans		**5,819**	1,582
Deferred tax liabilities		**4,246**	3,900
Loans due to a fellow subsidiary company - Swire Finance Limited		**14,431**	26,974
		24,496	32,456
NET ASSETS		**176,575**	158,356
EQUITY			
Share capital	13	**5,850**	5,690
Reserves	14	**170,193**	152,187
Equity attributable to the Company's shareholder		**176,043**	157,877
Non-controlling interests		**532**	479
TOTAL EQUITY		**176,575**	158,356

1. Segment information

(a) Information about reportable segments

Analysis of Consolidated Income Statement

	External turnover	Inter-segment turnover	Operating profit / (loss) after depreciation and amortisation	Finance charges	Finance income	Share of profits less losses of jointly controlled companies	Share of profits less losses of associated companies	Profit / (loss) before taxation	Tax charge	Profit / (loss) for the year	Profit / (loss) attributable to the Company's shareholder	Depreciation and amortisation charged to operating profit
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Year ended 31st December 2011												
Property investment	8,651	8	6,743	(1,464)	24	123	-	5,426	(760)	4,666	4,656	(163)
Property trading	213	-	(50)	(5)	3	59	-	7	(3)	4	7	(9)
Hotels	717	2	(93)	(35)	-	(7)	155	20	(53)	(33)	(33)	(120)
Change in fair value of investment properties	-	-	20,345	-	-	676	1	21,022	(480)	20,542	20,496	-
Inter-segment elimination	-	(10)	-	-	-	-	-	-	-	-	-	-
	9,581	-	26,945	(1,504)	27	851	156	26,475	(1,296)	25,179	25,126	(292)
Year ended 31st December 2010												
Property investment	7,953	4	6,561	(1,233)	24	19	18	5,389	(793)	4,596	4,589	(132)
Property trading	400	-	72	(6)	3	30	-	99	(12)	87	87	-
Hotels	518	-	(144)	(25)	-	(23)	132	(60)	(49)	(109)	(109)	(120)
Change in fair value of investment properties	-	-	20,480	-	-	1,435	75	21,990	(470)	21,520	21,478	-
Inter-segment elimination	-	(4)	-	-	-	-	-	-	-	-	-	-
	8,871	-	26,969	(1,264)	27	1,461	225	27,418	(1,324)	26,094	26,045	(252)

1. Segment information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

	Segment assets	Jointly controlled companies	Associated companies	Bank deposits	Total assets	Additions to non-current assets (note)
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 31st December 2011						
Property investment	190,771	11,303	55	1,003	203,132	5,117
Property trading and development	7,479	842	-	76	8,397	2
Hotels	5,165	855	584	101	6,705	586
	203,415	13,000	639	1,180	218,234	5,705
At 31st December 2010						
Property investment	182,116	9,965	53	960	193,094	4,623
Property trading and development	6,150	348	-	42	6,540	2
Hotels	4,759	627	652	40	6,078	236
	193,025	10,940	705	1,042	205,712	4,861

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

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

	Segment liabilities	Current and deferred tax liabilities	Gross borrowings	Total liabilities	Non-controlling interests
	HK$M	HK$M	HK$M	HK$M	HK$M
At 31st December 2011					
Property investment	6,184	4,672	22,852	33,708	532
Property trading and development	1,721	19	5,409	7,149	-
Hotels	183	-	619	802	-
	8,088	4,691	28,880	41,659	532
At 31st December 2010					
Property investment	4,764	4,278	32,755	41,797	479
Property trading and development	194	1	4,554	4,749	-
Hotels	241	-	569	810	-
	5,199	4,279	37,878	47,356	479

1. Segment information (continued)

(a) Information about reportable segments (continued)

The Swire Properties Group is organised on a divisional basis: Property investment, Property trading and development, and Hotels.

The reportable segments within each of the three divisions are classified according to the nature of the business.

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong, Mainland China, the United States of America and the United Kingdom.

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

	Turnover		Non-current assets*	
	2011	2010	**2011**	2010
	HK$M	HK$M	**HK$M**	HK$M
Hong Kong	**8,392**	8,301	**169,779**	166,268
Mainland China	**932**	446	**23,378**	18,693
United States of America	**146**	50	**569**	446
United Kingdom	**111**	74	**511**	547
	9,581	8,871	**194,237**	185,954

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

2. Turnover

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

	2011	2010
	HK$M	HK$M
Gross rental income from investment properties	**8,557**	7,875
Property trading	**213**	400
Hotels	**717**	518
Rendering of services	**94**	78
	9,581	8,871

3. Cost of sales

	2011 HK$M	2010 HK$M
Direct rental outgoings in respect of investment properties that		
- generated rental income	**(1,471)**	(1,330)
- did not generate rental income	**(46)**	(92)
	(1,517)	(1,422)
Property trading	**(199)**	(267)
Hotels	**(584)**	(543)
Rendering of services	**(34)**	(29)
	(2,334)	(2,261)

4. Profit on sale of interest in Festival Walk

In July 2011, an agreement was entered into with an Independent Third Party for the disposal of the Group's entire interest in Festival Walk for a cash consideration of HK$18,800 million, subject to an adjustment by reference to net current assets and liabilities at completion. The adjustment resulted in an additional receipt of approximately HK$116 million. Completion took place on 18th August 2011.

The profit on the sale, which excludes gains on revaluation of the property previously credited to the consolidated income statement up to 30th June 2011 (of which HK$1,098 million arose in the six months ended on that date), is HK$595 million.

5. Other net (losses)/gains

	2011 HK$M	2010 HK$M
Profit on sale of investment properties	**-**	544
Remeasurement gains and profit on disposal relating to the change of shareholding in PCCW Tower	-	342
Impairment (losses) / reversals on hotel and trading properties	**(100)**	1
Net foreign exchange losses	**(6)**	(2)
Provision written back	**19**	18
Reversal of income previously recognised on forfeited deposits on trading properties	**(16)**	-
Others	**20**	22
	(83)	925

6. Expenses by type

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

	2011 HK$M	2010 HK$M
Depreciation of property, plant and equipment	**224**	214
Amortisation of		
- intangible assets	**3**	4
- initial leasing costs on investment properties	**65**	34
Staff costs	**1,137**	1,087

7. Net finance charges

	2011 HK$M	2010 HK$M
Interest charged on:		
Bank loans and overdrafts	**(418)**	(265)
Loans from fellow subsidiary companies	**(1,096)**	(1,202)
Loan from a jointly controlled company	**(2)**	-
Other financing costs	**(104)**	(95)
Loss on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in a subsidiary	**(259)**	-
Capitalised on:		
Investment properties	**197**	180
Properties under development and for sale	**155**	101
Hotel and other properties	**23**	17
	(1,504)	(1,264)
Interest income on:		
Short-term deposits and bank balances	**12**	9
Loan to a fellow subsidiary company	**2**	-
Loans to jointly controlled companies	**9**	3
Gain on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in a subsidiary	**-**	12
Others	**4**	3
	27	27
Net finance charges	**(1,477)**	(1,237)

8. Taxation

	2011		2010	
	HK$M	**HK$M**	HK$M	HK$M
Current taxation:				
Hong Kong profits tax	**(628)**		(651)	
Overseas taxation	**(12)**		(7)	
Over/(under)-provisions in prior years	**20**		(6)	
		(620)		(664)
Deferred taxation:				
Changes in fair value of investment properties	**(386)**		(384)	
Origination and reversal of temporary differences	**(290)**		(276)	
		(676)		(660)
		(1,296)		(1,324)

Hong Kong profits tax is calculated at 16.5% (2010: 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.

9. Dividends

	2011	2010
	HK$M	HK$M
First special interim dividend paid on 30th September 2011	**4,514**	-
Second special interim dividend paid on 8th November 2011	**5,500**	-
Interim dividend paid prior to the merger*	**-**	1
First interim dividend (in lieu of final dividend) declared on 15th March 2012 of HK¢18 per share	**1,053**	-
Proposed final dividend	**-**	2,425
	11,067	2,426

The first interim dividend is not accounted for in 2011 because it had not been declared at the year end date. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2012.

* This relates to the dividend paid by the US subsidiary company prior to the merger with the Company, which took place on 25th January 2010.

10. Earnings per share (basic and diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholder of HK$25,126 million (2010: HK$26,045 million) by the weighted average number of 5,704,027,397 ordinary shares in issue during 2011 (2010: 5,690,000,000 ordinary shares).

11. Trade and other receivables

	2011 **HK$M**	2010 HK$M
Trade debtors	**284**	204
Prepayments and accrued income	**125**	27
Other receivables	**1,536**	937
	1,945	1,168

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

	2011 **HK$M**	2010 HK$M
Under three months	**272**	195
Between three and six months	**5**	3
Over six months	**7**	6
	284	204

12. Trade and other payables

	2011 HK$M	2010 HK$M
Trade creditors	**1,788**	544
Amount due to intermediate holding company	**79**	99
Amount due to a fellow subsidiary company	**102**	-
Amount due to a jointly controlled company	**2**	-
Interest-bearing advances from a jointly controlled company at 1.55%	**225**	-
Interest-bearing advances from an associated company (2010: 0.54%)	**-**	149
Advances from non-controlling interests	**234**	214
Rental deposits from tenants	**1,780**	1,810
Put option over non-controlling interest in Sanlitun Village	**937**	678
Accrued capital expenditure	**1,215**	1,192
Other payables	**1,726**	513
	8,088	5,199

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

	2011 HK$M	2010 HK$M
Under three months	**1,529**	543
Between three and six months	**259**	1
	1,788	544

13. Share capital

	Company 2011 HK$M	Company 2010 HK$M
Authorised:		
At 31st December 2011 and 2010 30,000,000,000 ordinary shares of HK$1 each	**30,000**	30,000
Issued and fully paid:		
5,850,000,000 ordinary shares of HK$1 each at 31st December 2011 (31st December 2010: 5,690,000,000 ordinary shares of HK$1 each)	**5,850**	5,690

On 30th November 2011, the Company issued 160,000,000 shares to Swire Pacific Limited for a total cash consideration of HK$4,500 million (being HK$28.125 per share). Following this share issue, the Company has a total of 5,850,000,000 fully paid shares in issue.

Save as disclosed above, there was no purchase, sale or redemption by the Company of its shares during the year ended 31st December 2011.

14. Reserves

	Revenue reserve	Share premium account	Merger account reserve	Property revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Group							
At 1st January 2010	124,273	259	(1,108)	-	(1)	702	124,125
Profit for the year	26,045	-	-	-	-	-	26,045
Other comprehensive income							
Revaluation of property previously occupied by the Group							
- gain recognised during the year	-	-	-	1,448	-	-	1,448
Share of other comprehensive income of jointly controlled and associated companies	-	-	-	-	1	131	132
Net translation differences on foreign operations	-	-	-	-	-	438	438
Total comprehensive income for the year	26,045	-	-	1,448	1	569	28,063
2010 interim dividend paid prior to the merger (note 9)	(1)	-	-	-	-	-	(1)
At 31st December 2010	150,317	259	(1,108)	1,448	-	1,271	152,187
At 1st January 2011	150,317	259	(1,108)	1,448	-	1,271	152,187
Profit for the year	25,126	-	-	-	-	-	25,126
Other comprehensive income							
Revaluation of property previously occupied by the Group							
- gain recognised during the year	-	-	-	186	-	-	186
Share of other comprehensive income of jointly controlled and associated companies	-	-	-	-	-	276	276
Net translation differences on foreign operations	-	-	-	-	-	517	517
Total comprehensive income for the year	25,126	-	-	186	-	793	26,105
Issuance of new ordinary shares	-	4,340	-	-	-	-	4,340
2010 final dividend (note 9)	(2,425)	-	-	-	-	-	(2,425)
2011 special interim dividends (note 9)	(10,014)	-	-	-	-	-	(10,014)
At 31st December 2011	163,004	4,599	(1,108)	1,634	-	2,064	170,193

15. Changes in accounting standards

The Group has adopted the following relevant new and revised Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations effective from 1st January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HKAS 24 (Revised)	Related Party Disclosures
HKAS 12 (Amendment)	Income taxes*

* The Group has early adopted the amendment to HKAS 12 in 2010. The new accounting policy has been retrospectively applied for annual periods beginning before 1st January 2010.

The improvements to HKFRSs 2010 consist of amendments to existing standards. It has had no financial impact on the Group's annual accounts.

The amendment to HK(IFRIC)-Int 14 permits companies which make an early payment of contributions to cover minimum funding requirements to treat that payment as an asset. It has had no significant effect on the Group's results or net assets.

HKAS 24 (Revised) has changed the definition of Related Parties. It has had no financial impact on the Group's annual accounts.

The adoption of the other revisions, amendments and interpretations has had no effect on the Group's annual accounts.

16. Events after the reporting period

In January 2012, the Group entered into an agreement with Sino-Ocean Land Limited, a wholly-owned subsidiary of Sino-Ocean Land Holdings 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 Group's interest in the project was increased to 81%, reflecting its contribution to the overall funding of the project. Sino-Ocean Land Limited has a call option, exercisable for one year commencing from the date of completion of the agreement, to purchase the Group's 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 annum. The Group has the right, exercisable for one year commencing one week before the end of the call option period, to require Sino-Ocean Land Limited to purchase the Group's 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 annum. Until the rights described above are exercised or lapse, the Group's additional interest in the project will be accounted for as a secured loan and the Group's existing interest will continue to be accounted for as a 50% interest in a jointly controlled company.

ADDITIONAL INFORMATION

Corporate Governance

The Code on Corporate Governance Practices (the "CG Code") as published by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance. The shares of the Company were listed on the Stock Exchange with effect from 18th January 2012. As the Company was not a listed company during the year ended 31st December 2011, the CG Code was not applicable to it during that period. The CG Code will be applicable to the Company with effect from the year ending 31st December 2012.

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

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

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

Annual Report

The 2011 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company website www.swireproperties.com. Printed copies will be available to shareholders on 10th April 2012.

List of Directors

As at the date of this announcement, the Directors of the Company are:
Executive Directors: C.D. Pratt (Chairman), M. Cubbon, M.M.S. Low, G.M.C. Bradley, D.C.Y. Ho, G.J. Ongley
Non-Executive Directors: J.W.J. Hughes-Hallett, P.A. Kilgour, M.B. Swire
Independent Non-Executive Directors: S.E. Bradley, J.C.C. Chan, H.C. Cheng, P.K. Etchells, S.C. Liu