SWIRE PACIFIC

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

ANNUAL REPORT 2019

CONTENTS

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

CORPORATE STATEMENT

SUSTAINABLE GROWTH

Swire Pacific is a Hong Kong based international conglomerate with a diversified portfolio of market leading businesses. The Company has a long history in Greater China, where the name Swire or 太古 has been established for over 150 years.

Our aims are to deliver sustainable growth in shareholder value, achieved through sound returns on equity over the long term, and to return value to shareholders through sustainable growth in ordinary dividends.

Our Values

Integrity, endeavour, excellence, humility, teamwork, continuity.

Our Core Principles

- We focus on Asia, principally Greater China, because of its strong growth potential and because it is where the Group has long experience, deep knowledge and strong relationships.
- We mobilise capital, talent and ideas across the Group. Our scale and diversity increase our access to investment opportunities.
- We are prudent financial managers. This enables us to execute long-term investment plans irrespective of short-term financial market volatility.
- We recruit the best people and invest heavily in their training and development. The welfare of our people is critical to our operations.
- We build strong and lasting relationships, based on mutual benefit, with those with whom we do business.
- We invest in sustainable development, because it is the right thing to do and because it supports long-term growth through innovation and improved efficiency.
- We are committed to the highest standards of corporate governance and to the preservation and development of the Swire brand and reputation.

Our Investment Principles

- We aim to build a portfolio of businesses that collectively deliver a steady dividend stream over time.
- We are long-term investors. We prefer to have controlling interests in our businesses and to manage them for long-term growth. We do not rule out minority investments in appropriate circumstances.
- We concentrate on businesses where we can contribute expertise, and where our expertise can add value.
- We invest in businesses that provide high-quality products and services and that are leaders in their markets.
- We divest from businesses which have reached their full potential under our ownership, and recycle the capital released into existing or new businesses.

OUR BUSINESSES

Operating within five divisions (Property, Aviation, Beverages, Marine Services and Trading & Industrial), Swire Pacific undertakes a wide range of commercial activities.

Swire Properties' shopping malls are home to more than 1,800 retail outlets. Its offices house a working population estimated to exceed 73,000. In Hong Kong, Swire Properties is one of the largest commercial landlords and operators of retail space, principally through the ownership and management of its core centres at Pacific Place and Taikoo Place. In Mainland China, it has developed five retail led mixed-use projects, in Beijing, Shanghai, Guangzhou and Chengdu. In the USA, it has a mixed-use development in Miami.

Cathay Pacific, with its subsidiaries Cathay Dragon, HK Express and Air Hong Kong, operated 236 aircraft at the end of 2019, connecting Hong Kong to 119 destinations worldwide, including 26 in Mainland China. The Cathay Pacific group is the world's eighth largest carrier of international passengers, and the third largest carrier of international air cargo. Cathay Pacific has an interest of 18.13% in Air China.

HAECO is a leading provider of international aircraft maintenance and repair services. In 2019, the HAECO group, operating from bases in Hong Kong, Mainland China and the USA, performed work for approximately 300 airlines and other customers.

Our Beverages Division sold the products of The Coca-Cola Company to a franchise population of 736 million people in Greater China and the USA at the end of 2019. These products comprised 13 carbonated and 48 non-carbonated brands.

At the end of 2019, the Swire Pacific Offshore group operated a fleet of 73 specialist vessels supporting the offshore energy industry in every major offshore production and exploration region outside the USA.

Swire Resources operated 204 footwear and apparel retail outlets in Hong Kong, Macau and Mainland China at the end of 2019. Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters, principally in Taiwan. Taikoo Sugar operates a branded sugar distribution business in Hong Kong and Mainland China. Our bakery business in south west China operated 571 stores at the end of 2019.

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 41,000 employees. In Mainland China, we have over 33,000 employees. Globally, we employ over 94,000 staff.

2019 PERFORMANCE HIGHLIGHTS

	Note	2019	2018	Change
Return on equity		3.3%	9.0%	-5.7% pt
Dividend per 'A' share (HK$)		3.00	3.00	–

		HK$M	HK$M	
Revenue		85,652	84,606	+1%
Operating profit		13,792	30,888	-55%
Profit attributable to the Company's shareholders		9,007	23,629	-62%
Cash generated from operations		12,817	18,328	-30%
Net cash inflow before financing		22,910	17,919	+28%
Total equity (including non-controlling interests)		329,494	325,115	+1%
Net debt		46,688	62,667	-25%
Gearing ratio		14.2%	19.3%	-5.1% pt

		HK$	HK$	
Earnings per share	(a)			
'A' share		6.00	15.74	-62%
'B' share		1.20	3.15	
Dividends per share				
'A' share		3.00	3.00	–
'B' share		0.60	0.60	
Equity attributable to the Company's shareholders per share	(b)			
'A' share		182.04	180.09	+1%
'B' share		36.41	36.02	

UNDERLYING PROFIT

		HK$M	HK$M	Change
Underlying profit attributable to the Company's shareholders	(c)	17,797	8,523	+109%

		HK$	HK$	
Underlying earnings per share	(a)			
'A' share		11.85	5.68	+109%
'B' share		2.37	1.14	

2019 SUSTAINABLE DEVELOPMENT PERFORMANCE (d)

	2019	2018	Change
GHG emissions (Million tonnes of CO_2e)	19.3	19.3	–
Energy consumed (GJ Million)	264.3	264.2	–
Water consumed (cbm Million)	18.4	17.1	+7%
LTIR (Number of injuries per 100 full-time equivalent employees)	2.01	1.79	+12%
Employee fatalities (Number of fatalities)	2	2	–

Notes:
(a) Refer to note 13 in the financial statements for the daily weighted average number of shares in issue throughout the year.
(b) Refer to note 34 in the financial statements for the number of shares at the year end.
(c) A reconciliation between the reported and underlying profit attributable to the Company's shareholders is provided on page 72.
(d) Including the Cathay Pacific group.

CHAIRMAN'S STATEMENT

Year In Review

After an encouraging first half, in which Swire Pacific delivered a continued recovery in earnings and a solid set of results, 2019 proved ultimately to be a challenging year. Social unrest in Hong Kong and global trade tensions (particularly in the second half) had direct and indirect effects on demand in a number of our businesses. However, the diversity of our portfolio helped us to weather the challenges and we faced them from a position of financial strength. Our recurring profit decreased by 4% in 2019, mainly because of a deterioration in the results of Cathay Pacific. There was also a much smaller increase in the value of our property portfolio than in recent years. This was the main reason for our return on equity falling to 3.3% in 2019 from 9.0% in 2018 and an average over the last five years of 6.7%.

The results of the Property Division were stable overall in 2019, with encouraging growth in rental income from our retail investment properties in Mainland China. Cathay Pacific did well in the first half, but was adversely affected by global trade tensions and, in the second half, by social unrest in Hong Kong. Most HAECO businesses performed solidly. The profits of Swire Coca-Cola grew strongly, in particular in Mainland China. Swire Pacific Offshore continued to incur losses and was subject to a further significant impairment charge.

During the year, we completed the disposal of a number of non-core assets at attractive valuations. The total proceeds of such disposals in 2018 and 2019 were around HK$34 billion, contributing to a significant strengthening of our balance sheet. At the end of 2019, our gearing, excluding lease liabilities, was 14.2% (compared with 19.3% at the end of 2018) and we had cash and undrawn committed facilities of HK$40 billion.

Dividends

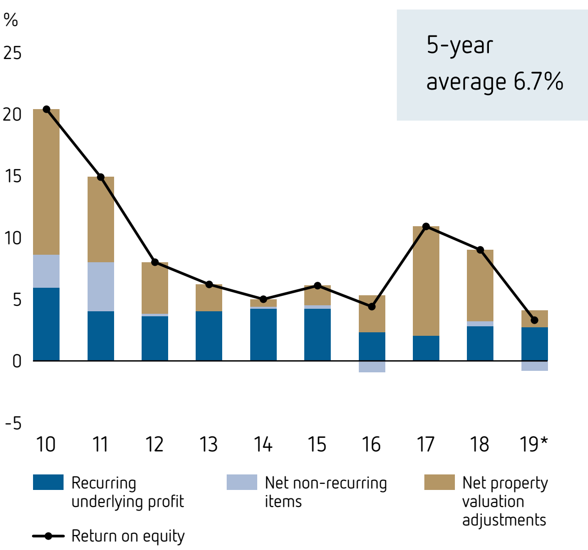
We have maintained our dividends for 2019 at the same level as those for 2018. Our dividend policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profits in ordinary dividends over time. But we believe it prudent to maintain, rather than increase, our 2019 dividend given the very challenging and uncertain outlook following the outbreak of COVID-19. During the five years ending with 2019, our dividends represented 48% of underlying profits.

Our People

We are committed to creating an inclusive and supportive working environment for all our people. To support this, we have introduced a diversity and inclusion policy. We aim to ensure a healthy and safe working environment. We do our best to minimise workplace accidents.

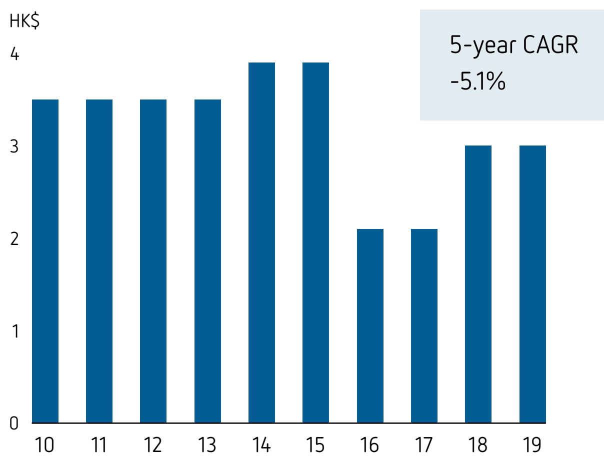
The talent and dedication of our 94,000 employees are central to our operations. I would like to thank them for their hard work, determination and commitment to our values. In particular, I should like to commend our staff for the tremendous

Return on Equity



* The attributable realised profit (HK$12.7 billion or 4.7% of the return) in 2019 arising from the sales of interests in Cityplaza Three and Four and 625 King's Road has been reclassified from net non-recurring items to net property valuation adjustments.

Ordinary Dividends per 'A' Share



professionalism and resilience of their responses to the operational challenges arising from social unrest in Hong Kong and COVID-19.

Sustainability

Swire Pacific is included in a number of sustainability indices, including the Dow Jones Asia Pacific Sustainability Index and the FTSE4Good Index. SwireTHRIVE focuses on six priorities for our businesses: to minimise our carbon footprint, to reduce waste, to use water more responsibly, to increase the use of sustainable materials, to protect biodiversity and to build climate resilience. We will report progress in these areas later in the year in our annual sustainability report.

Board

In April this year, Ivan Chu will retire from the Board after six years service as a director and 35 years with the Swire group. I would like to thank Ivan for his tremendous dedication and contribution to the group. During his tenure, great strides have been taken in building our presence in Mainland China and in developing our business there.

Also in April this year, Zhang Zhuo Ping will join the Board as an executive director. Zhuo Ping worked with the group, principally in Mainland China, from 2002 to 2011. His experience and insights, particularly in Mainland China, will be most valuable.

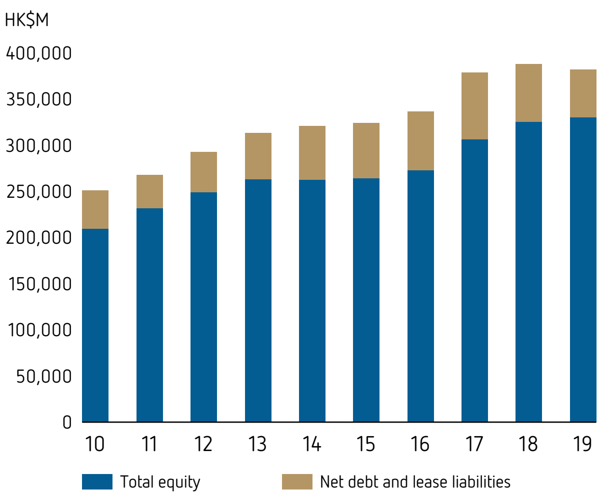
I would like to thank all of my fellow Directors for their wise counsel.

Outlook

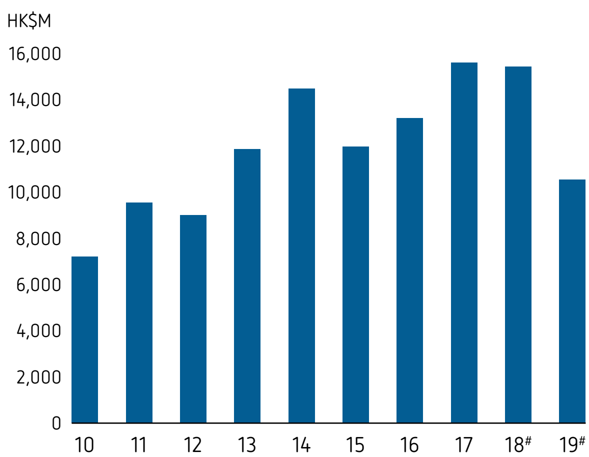
We face significant local and global challenges in 2020. Our businesses in Hong Kong and Mainland China are being adversely affected by COVID-19. The effect on Cathay Pacific is particularly severe. We expect to incur a recurring loss in the first half of 2020. But we believe that the long-term success of Swire Pacific will reflect continued growth in Mainland China and, despite its current problems, the continued strength of Hong Kong as a major international financial and business centre.

Merlin Swire
Chairman
Hong Kong, 12th March 2020

Total Equity and Net Debt (including lease liabilities)

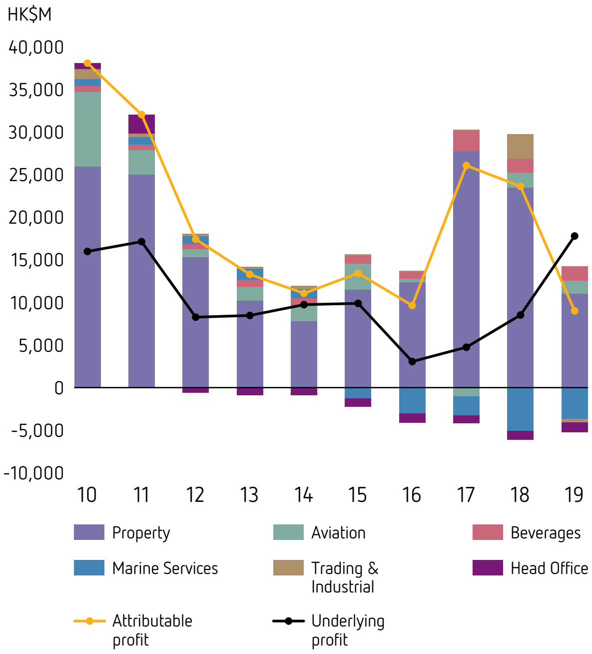


Net Cash Generated from Operating Activities

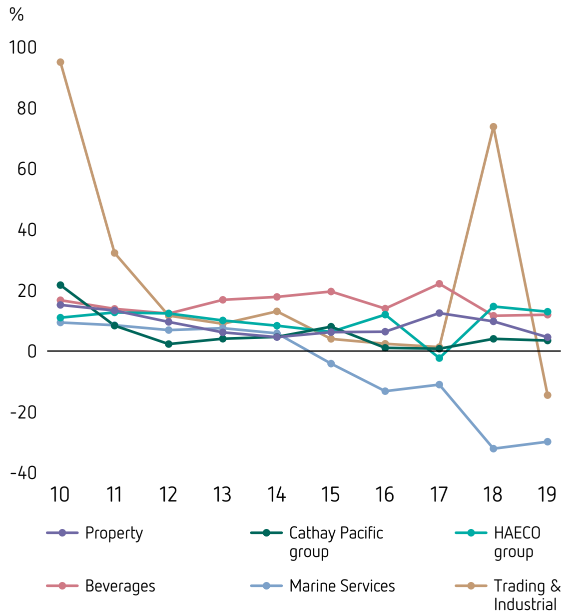


The net cash generated from operating activities takes into account (i) HK$3.3 billion deposits received in 2018 in respect of sales of interests in investment properties and (ii) the derecognition of those deposits in 2019 on completion of those sales.

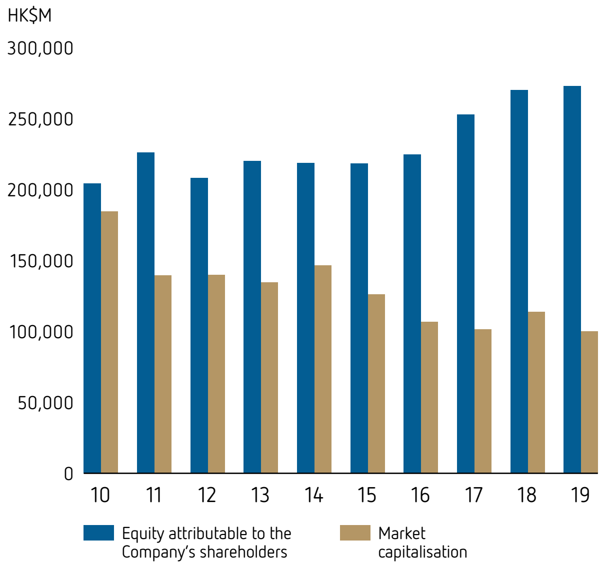
Profit Attributable to the Company's Shareholders



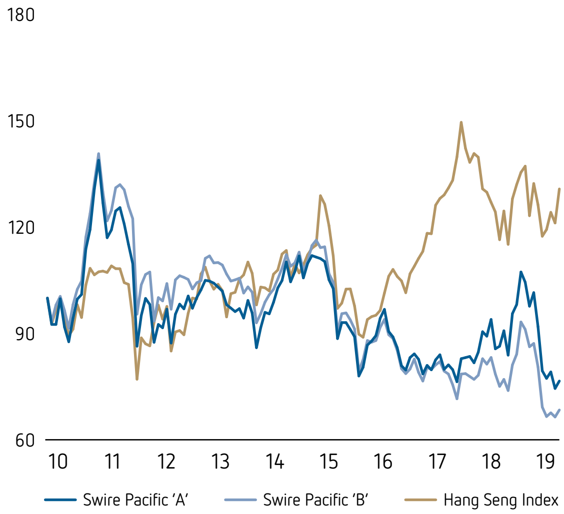
Return on Capital Employed



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



Swire Pacific Share Price Relative to Hang Seng Index



FINANCE DIRECTOR'S STATEMENT

Results Summary

The consolidated profit attributable to shareholders for 2019 was HK$9,007 million, a 62% decrease compared to 2018. Underlying profit attributable to shareholders, which principally adjusts for changes in the value of investment properties, increased by 109% to HK$17,797 million. Disregarding significant non-recurring items in both years, the 2019 recurring underlying profit was HK$7,221 million, compared with HK$7,489 million in 2018. The decrease was mainly due to a deterioration in the results of Cathay Pacific.

The Property Division is the largest contributor to the Group's profit. The recurring underlying profit from the Property Division in 2019 (which excludes gains from the sales of interests in investment properties aggregating HK$13,528 million) was HK$6,269 million, compared with HK$6,177 million in 2018. Demand for leased office properties in Hong Kong, particularly from Mainland Chinese companies, started to weaken significantly in the second half of 2019. Retail sales in Hong Kong were adversely affected by social unrest in the second half of 2019. In Mainland China in 2019, office rents were under pressure in Guangzhou and in Beijing. Demand for office space was subdued in Shanghai. Retail sales grew satisfactorily in Beijing, Chengdu, Guangzhou and Shanghai. In Miami in the USA, demand for office space was healthy and retail sales increased, but demand for condominiums was weak. 2019 losses from hotels were higher than in 2018, principally as a result of social unrest in Hong Kong in the second half of the year.

The Aviation Division recorded a profit of HK$1,550 million in 2019, compared to HK$1,781 million in 2018. The reduction principally reflected a deterioration in the results of Cathay Pacific.

Swire Pacific's attributable share of Cathay Pacific's 2019 profit was HK$761 million, compared to HK$1,056 million in 2018. The operating environment for Cathay Pacific was extremely challenging in 2019. The passenger business was adversely affected by social unrest in Hong Kong in the second half. The cargo business was affected by global trade tensions during the whole year. Passenger and cargo yields were under intense pressure. Yields and load factors decreased for both passenger and cargo businesses. Fuel prices decreased, but the strength of the US dollar adversely affected net income. The acquisition of HK Express was completed in July 2019.

The HAECO group reported an attributable profit of HK$825 million in 2019, compared with HK$993 million in 2018 on a 100% basis. Disregarding non-recurring items in both years, the recurring profit of the HAECO group in 2019 was HK$1,059 million, compared with HK$951 million in 2018. The higher profit primarily reflected reduced losses at HAECO Americas and growth in the volume of work at HAESL.

The recurring profit of Swire Coca-Cola was HK$1,584 million in 2019, compared with HK$1,354 million in 2018. Revenue (including that of a joint venture company and excluding sales to other bottlers) increased by 5% to HK$44,719 million. Volume increased by 2% to 1,786 million unit cases. Revenue and volume grew in Mainland China, Taiwan and the USA, reflecting successful revenue growth management. In Hong Kong, revenue and volume declined.

The recurring loss of the Marine Services Division was HK$1,347 million in 2019, compared to HK$1,122 million in 2018. These figures exclude impairment charges, a restructuring provision and a loss on disposal of vessels aggregating HK$2,287 million at Swire Pacific Offshore in 2019 and impairment charges and write-offs of HK$3,911 million at Swire Pacific Offshore in 2018. Offshore industry conditions remained difficult. Vessel utilisation rates were higher. However, the oversupply of offshore support vessels continued to put pressure on charter hire rates.

The recurring profit of the Trading & Industrial Division (which excludes net non-recurring losses of HK$493 million) was HK$41 million in 2019, compared with HK$164 million in 2018. The result principally reflected worse results from Swire Resources in the second half of the year and the disposal of the paints business (which was profit making), partly offset by the absence of losses from the cold storage business (which was loss making before its disposal).

Dividends

The Directors have declared second interim dividends of HK$1.65 per 'A' share and HK$0.33 per 'B' share which, together with the first interim dividends paid in October 2019, amount to full year dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share.

Implementing Our Aims

Our aims are to deliver sustainable growth in shareholder value, achieved through sound returns on equity over the long term, and to return value to shareholders through sustainable growth in ordinary dividends. Capital allocation, achieved by way both of investment and divestment, is central to the achievement of our aims.

The second phase of the Taikoo Place redevelopment in Hong Kong will be completed in early 2022. Swire Properties has a 50% interest in a 1.25 million square feet retail development in Shanghai, which is expected to be completed by the end of 2020. In September 2019, a joint venture company in which Swire Properties has an 80% interest completed the acquisition of a plot of land in Chai Wan, Hong Kong. Subject to agreement with the Hong Kong government, the plot of land is expected to be redeveloped into a residential complex with an aggregate gross floor area of approximately 694,000 square feet. In October 2019, a joint venture company in which Swire Properties has a 25% interest tendered successfully for a residential property development at Wong Chuk Hang in Hong Kong. The development is expected to comprise two residential towers with an aggregate gross floor area of approximately 638,000 square feet and about 800 residential units, and is expected to be completed in 2024. Swire Properties completed the sales of its interests in the Cityplaza Three and Cityplaza Four and 625 King's Road properties (all in Quarry Bay, Hong Kong) in April and July 2019 respectively.

Cathay Pacific completed the acquisition of low-cost carrier HK Express in July 2019. Swire Pacific remains supportive of the long-term investment plans of Cathay Pacific.

The HAECO group continues to invest in order to increase the scale of its operations and technical capabilities and to improve and widen the range of services it can offer to customers. In May 2019, the Xiamen municipal government advised HAECO Xiamen that construction of a new airport in the Xiang'an district of Xiamen had been approved by the Chinese Central Government. Management is discussing with the Xiamen authorities the relocation of HAECO Xiamen's premises from the existing location to the new airport.

In 2019, Swire Coca-Cola continued to expand its product and package portfolio and to invest in production assets, logistics infrastructure, merchandising equipment and digital capabilities.

In the Marine Services Division, Swire Pacific Offshore disposed of four older vessels in 2019.

In 2019, the Trading & Industrial Division disposed of its interests in Columbia China and in a sugar refinery business in Mainland China.

In 2019, we generated HK$12.8 billion from operations (compared with HK$18.3 billion in 2018) and HK$20.8 billion from disposals (compared with HK$14.0 billion in 2018) and we made total capital investments of HK$8.4 billion (compared with HK$14.6 billion in 2018). Our net debt at the end of 2019 was HK$46.7 billion, a reduction of 25% from its amount of HK$62.7 billion at the end of 2018. Our gearing ratio at the end of 2019 was 14.2%, reduced from 19.3% at the end of 2018.

Outlook By Division

At Swire Properties, in the central district of Hong Kong, reduced demand (particularly from Mainland Chinese companies) and increased vacancy rates are expected to exert downward pressure on office rents. High occupancy is expected to result in office rents at the Taikoo Place developments being relatively resilient (by comparison with rents in other areas) despite reduced demand and increased supply in Kowloon East and other districts. However, given the uncertain outlook, office tenants are delaying making lease commitments. With new supply in the central business districts of Guangzhou and Beijing and weak demand, office vacancy rates are expected to increase and rents to be under pressure in 2020. Demand from domestic and international companies for office space in Shanghai is expected to be weak in 2020. But with high occupancy and limited new supply in the central business district of Jing'an, Shanghai office rents are expected to be relatively resilient. In Miami, the supply of new Grade-A office space in the central business district and the Brickell area is low. Job growth in Miami-Dade County is expected to continue, resulting in sustainable demand for office space and stable rental rates.

COVID-19 is adversely affecting Swire Properties' retail investment properties and its hotel business in Hong Kong and Mainland China. Lower rental income is expected from the retail properties and serviced apartments in 2020. Temporary rental subsidies are being provided to retail tenants on a case by case basis. Occupancy and revenue are significantly down at Swire

Properties' hotels. Costs will be saved where this can be done without damaging the long-term relationship with tenants and other customers.

As well as COVID-19, social unrest and economic uncertainty are adversely affecting retail sales in Hong Kong. In Mainland China, demand for retail space from international retailers and food and beverage operators is expected, despite the current effects of COVID-19, to be strong in the long term. In Miami, retail sales in Brickell City Centre are increasing steadily. However, established shopping districts in Miami are expanding. As a result, Brickell City Centre is expected to experience increased competition in the retail leasing market.

In Hong Kong, demand for residential accommodation has weakened due to social unrest, economic uncertainty and COVID-19. There is a shortage of land and a limited supply of housing in Hong Kong. This, together with low interest rates, is expected to result in demand for residential accommodation being resilient in the medium and long term. In Miami, demand for condominiums is weak due to weak South American economies, currency fluctuations and political uncertainty. In Singapore, growth in incomes and robust employment are expected to support a stable residential property market.

A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later in the first half of 2020. Steady growth in business is expected at the Miami hotels.

With its balanced portfolio and strong balance sheet, Swire Properties is well placed to withstand the effects of this difficult time and to benefit from improved conditions in the future.

Following the impact of social unrest in Hong Kong in the latter half of 2019, the first half of 2020 was expected to be extremely challenging financially for Cathay Pacific, with an already reduced winter season capacity. This has been exacerbated by the significant negative impact of COVID-19. It is difficult to predict when conditions will improve. Travel demand has dropped substantially and a series of short-term measures have been taken in response. These have included a sharp reduction of capacity in the passenger network. Despite these measures, Cathay Pacific expects to incur a substantial loss in the first half of 2020.

The passenger business is expected to be under severe pressure this year and the cargo business will continue to face headwinds. However, there is cautious optimism about cargo following the recent reduction in US-China trade tensions and cargo capacity has been maintained intact. The US dollar is expected to remain strong in 2020, and intense competition, especially in long-haul economy class, will continue to place significant pressure on passenger yields.

Demand for HAECO's airframe services is expected to be affected by less airframe maintenance being required as a result of COVID-19's effect on aircraft usage. Demand for line services in Hong Kong is being affected by a reduction in flights caused by COVID-19. Demand for engine services is expected to increase (though in time COVID-19's effect on aircraft usage will have some effect), with a varied mix of work. More seats are expected to be sold. Forward bookings for cabin integration work are low.

At Swire Coca-Cola, revenue in Mainland China and Taiwan would normally be expected to continue to grow in 2020, with revenue growing faster than volume. However, the results in Mainland China are being adversely affected by COVID-19. The beverages market in the USA is expected to grow moderately in 2020. In Hong Kong, the beverages market is expected to be difficult. As in Mainland China, the results are being adversely affected by COVID-19. In all regions, increased costs are expected to put pressure on profits.

In the Marine Services Division, SPO's 2019 vessel utilisation was the highest since 2014, but charter hire rates are depressed by the oversupply of vessels. Trade tensions and COVID-19 are adversely affecting the recovery of the offshore support industry. In any event, a significant overall increase in charter hire rates will be required to restore SPO's business to profitability.

In the Trading & Industrial Division, the results of Swire Resources, Qinyuan Bakery and Taikoo Sugar are being adversely affected by COVID-19. The results of Taikoo Motors are expected to be stable.

Michelle Low
Finance Director
Hong Kong, 12th March 2020

PROPERTY DIVISION

One Taikoo Place, Hong Kong

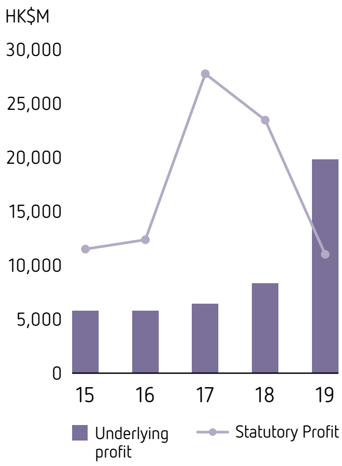
TRANSFORMING URBAN AREAS

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

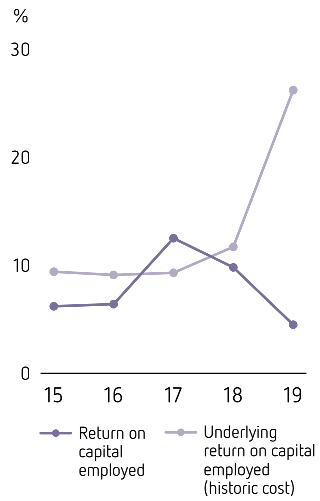
PROPERTY DIVISION

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

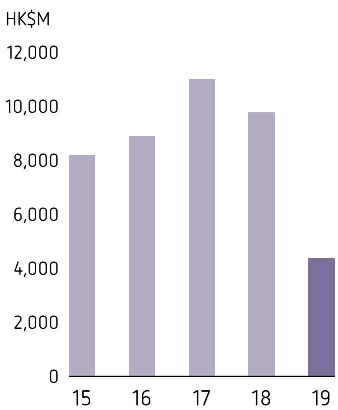
Statutory and Underlying Profit Attributable to the Company's Shareholders



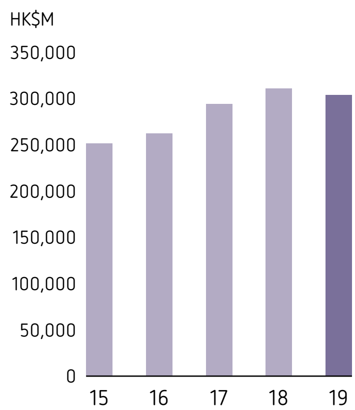
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury and high quality residential accommodation in prime locations. Including hotels, the completed portfolio in Hong Kong totals 12.6 million square feet of gross floor area, with an additional 1.2 million square feet under development. In Mainland China, Swire Properties owns and operates major mixed-use commercial developments in Beijing, Shanghai, Guangzhou and Chengdu, in joint venture in most cases, which will total 9.8 million square feet on completion. Of this, 9.0 million square feet has already been completed. In the USA, Swire Properties is the primary developer of a 1.1 million square feet mixed-use commercial development at Brickell City Centre in Miami, with an adjoining 1.4 million square feet development under planning.

Hotel Investment

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST, Hong Kong at Taikoo Shing. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In Mainland China, Swire Hotels manages four hotels. The Opposite House at Taikoo Li Sanlitun in Beijing is wholly-owned by Swire Properties. 50% interests are owned in EAST at INDIGO in Beijing, in The Temple House at Sino-Ocean Taikoo Li Chengdu, and in The Middle House at HKRI Taikoo Hui in Shanghai. Swire Properties owns 97% and 50% interests in the Mandarin Oriental at Taikoo Hui in Guangzhou and The Sukhothai Shanghai at HKRI Taikoo Hui respectively. In the USA, Swire Properties wholly-owns and manages, through Swire Hotels, EAST, Miami and owns a 75% interest in the Mandarin Oriental in Miami. A non-managed hotel which is part of the 20% owned Tung Chung Town Lot No. 11 development is expected to open later in the first half of 2020.

Property Trading

Swire Properties' trading portfolio comprises completed developments available for sale at the Reach and Rise developments at Brickell City Centre in Miami, USA and EDEN in Singapore. There are four residential projects under development, three in Hong Kong and one in Indonesia. There are also land banks in Miami, USA.

Particulars of the Group's key properties are set out on pages 222 to 231.

Swire Properties is listed on The Stock Exchange of Hong Kong Limited.

STRATEGY

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

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

Principal Property Investment Portfolio – Gross Floor Area

('000 Square Feet)

	At 31st December 2019						At 31st December 2018
Location	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	5,571	12	–	63	–	5,646	5,646
Cityplaza	629	1,105	200	–	–	1,934	1,934
Others	450	664	47	68	–	1,229	1,322
– Hong Kong	8,836	2,492	743	574	–	12,645	12,738
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
Taikoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	294	470	179	–	–	943	943
Sino-Ocean Taikoo Li Chengdu	–	678	98	55	–	831	810
HKRI Taikoo Hui	914	587	194	73	–	1,768	1,734
Others	20	91	–	–	–	111	91
– Mainland China	2,960	4,595	1,224	180	–	8,959	8,884
– USA	263	497	477	109		1,346	1,346
Total completed	12,059	7,584	2,444	863	–	22,950	22,968
Under and pending development							
– Hong Kong ^	1,218	3	26	–	–	1,247	1,316
– Mainland China	–	879	–	–	–	879	623
– USA	–	–	–	–	1,444	1,444	1,444
Total	13,277	8,466	2,470	863	1,444	26,520	26,351

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies.

^ The office portfolio principally comprises Two Taikoo Place.

2019 PERFORMANCE

Financial Highlights

	2019 HK$M	2018 HK$M
Revenue		
Gross rental income derived from		
Office	6,598	6,375
Retail	5,107	5,205
Residential	566	537
Other revenue*	139	137
Property investment	12,410	12,254
Property trading	516	1,061
Hotels	1,296	1,404
Total revenue	14,222	14,719
Operating profit/(loss) derived from		
Property investment		
From operations	8,387	8,585
Sales of interests in investment properties	2,338	1,276
Valuation gains on investment properties	3,728	19,378
Property trading	4	65
Hotels	(62)	(25)
Total operating profit	14,395	29,279
Share of post-tax profits from joint venture and associated companies	1,430	1,978
Attributable profit	13,423	28,583
Swire Pacific share of attributable profit	11,007	23,437

* Other revenue is mainly estate management fees.

Underlying Profit/(Loss) by Segment

	2019 HK$M	2018 HK$M
Property Investment	24,231	10,102
Property Trading	(18)	99
Hotels	(70)	(41)
Total underlying attributable profit	24,143	10,160

2019 PERFORMANCE (continued)

Reconciliation of Attributable to Underlying Profit

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the USA, and for other deferred tax provisions in relation to investment properties. Amortisation of right-of-use assets classified as investment properties is charged to underlying profit.

	Note	2019 HK$M	2018 HK$M
Reported attributable profit		13,423	28,583
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(4,571)	(20,722)
Deferred tax on investment properties	(b)	1,138	935
Valuation gains realised on sales of interests in investment properties	(c)	14,159	1,351
Depreciation of investment properties occupied by the Group	(d)	32	28
Non-controlling interests' share of revaluation movements less deferred tax		(25)	(15)
Less: amortisation of right-of-use assets reported under investment properties	(e)	(13)	–
Underlying attributable profit		24,143	10,160
Profit on sales of interests in investment properties		(16,497)	(2,627)
Recurring underlying attributable profit		7,646	7,533
Swire Pacific share of underlying attributable profit		19,797	8,331
Swire Pacific share of recurring underlying attributable profit		6,269	6,177

Notes:
(a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture companies.
(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and the USA, and deferred tax provisions made in respect of investment properties held for the long term where it is considered that the liability will not reverse for some considerable time.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
(e) HKFRS 16 amends the definition of investment property under HKAS 40 to include properties held by lessees as right-of-use assets to earn rentals or for capital appreciation or both, and requires the Group to account for such right-of-use assets at their fair value. The amortisation of such right-of-use assets is charged to underlying profit.

2019 PROPERTY INDUSTRY REVIEW

Office and Retail

Hong Kong

OFFICE | Demand for office space, particularly from Mainland Chinese companies, started to weaken significantly in the second half of 2019.

RETAIL | Social unrest in Hong Kong adversely affected the retail industry in the second half of 2019. There were fewer tourists and consumer spending was weak.

Mainland China

RETAIL | In 2019, retail sales grew satisfactorily in the four cities (Beijing, Chengdu, Guangzhou and Shanghai) where Swire Properties' retail centres are located. Demand for retail space from luxury retailers was solid in Beijing and robust in Guangzhou and Chengdu. There was strong demand for retail space from the owners of international and lifestyle brands and from food and beverage operators in all four cities.

OFFICE | In Guangzhou and Beijing, office rents were under pressure, with significant new supply and weak demand in 2019. In Shanghai, demand was subdued against a background of economic uncertainty. The main sources of demand in Shanghai were from financial and professional services providers (including domestic law firms) and retailers.

USA

OFFICE | The supply of Grade-A office space is limited in Miami and demand for office space is healthy. As a result, rental rates are rising.

RETAIL | Retailers in Miami are selling both in physical stores and on line and are considering expansion in new locations carefully. New supply in established shopping districts is affecting rental rates.

Property Sales Markets

In Miami, demand for condominiums was weak in 2019. There were not many new condominium developments in South Florida.

2019 RESULTS SUMMARY

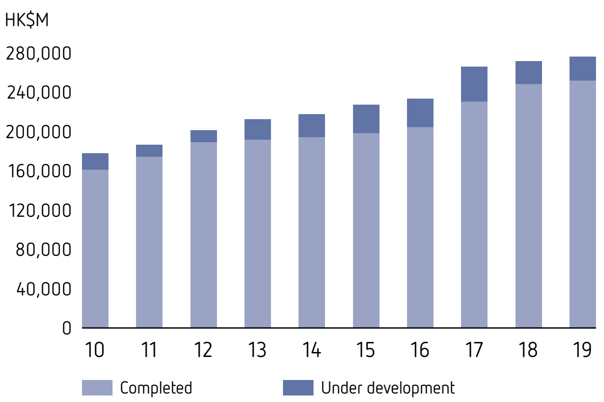
Attributable profit from the Property Division for the year was HK$11,007 million compared to HK$23,437 million in 2018. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK$4,571 million and HK$20,722 million in 2019 and 2018 respectively. Attributable underlying profit increased to HK$19,797 million in 2019 from HK$8,331 million in 2018. The increase principally reflected the profit arising from the sales of interests in two office buildings in Taikoo Shing and in other investment properties in Hong Kong. Recurring underlying profit (which excludes the profit on sales of interests in investment properties) was HK$6,269 million in 2019, compared with HK$6,177 million in 2018. The increase principally reflected higher underlying profit from property investment in Mainland China.

Recurring underlying profit from property investment increased by 3% in 2019. There was satisfactory growth from the Mainland China and USA portfolios, and from the Hong Kong office portfolio. In Hong Kong, office rental income increased due to positive rental reversions, firm occupancy and a full year of rental income from One Taikoo Place, which opened in the last quarter of 2018. However, this was more than offset by a reduction in retail rental income in Hong Kong. This was due to rental subsidies and lower retail sales in the second half of 2019. Disregarding rental subsidies, gross retail rental income in Hong Kong decreased slightly. In Mainland China, gross rental income increased by 8%, mainly due to positive rental reversions, higher retail sales and firm occupancy. There was satisfactory growth in rental income in the USA, due to improved occupancy and higher retail sales.

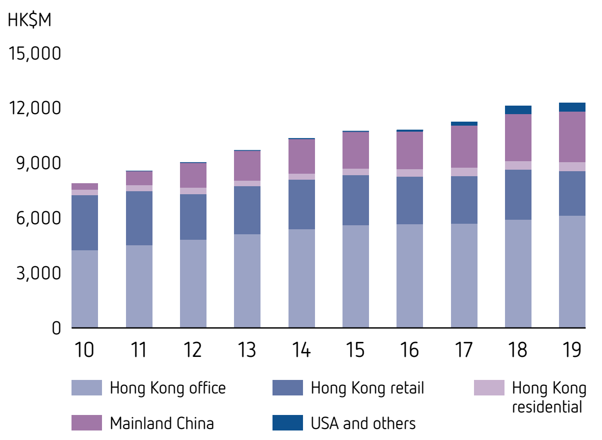
The underlying loss from property trading in 2019 related to the residential units in the USA, partly offset by profit from the sale of carparks at the ALASSIO development in Hong Kong and from the share of profit from the sale of offices and carparks at Sino-Ocean Taikoo Li Chengdu in Mainland China.

Hotels recorded a loss in 2019, mainly due to a deterioration in the results of the Hong Kong hotels (reflecting social unrest) in the second half of the year. The performance of the hotels in Mainland China and the USA improved.

Valuation of Investment Properties



Gross Rental Income



KEY DEVELOPMENTS

In April 2019, Swire Properties completed the sale of its 100% interest in a subsidiary which owned two office buildings at 14 Taikoo Wan Road and 12 Taikoo Wan Road (formerly known as Cityplaza Three and Cityplaza Four) in Taikoo Shing, Hong Kong.

In July 2019, Swire Properties completed the sale of its entire 50% interest in a company which owned an office building at 625 King's Road in Hong Kong.

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate gross floor area of approximately 1,140,000 square feet. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

In August 2019, an extension opened at Citygate Outlets in Hong Kong. The extension has an aggregate gross floor area of approximately 341,000 square feet. Swire Properties has a 20% interest in the development.

In September 2019, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company completed the acquisition of a plot of land in Chai Wan, Hong Kong. Subject to agreement with the Hong Kong government, the plot of land is expected to be redeveloped into a residential complex with an aggregate gross floor area of approximately 694,000 square feet.

In October 2019, a joint venture company formed by Swire Properties Limited, Kerry Properties Limited and Sino Land Company Limited tendered successfully for a residential property development at Wong Chuk Hang in Hong Kong. The development is expected to comprise two residential towers with an aggregate gross floor area of approximately 638,000 square feet and about 800 residential units. It is expected to be completed in 2024. Swire Properties has a 25% interest in the joint venture.

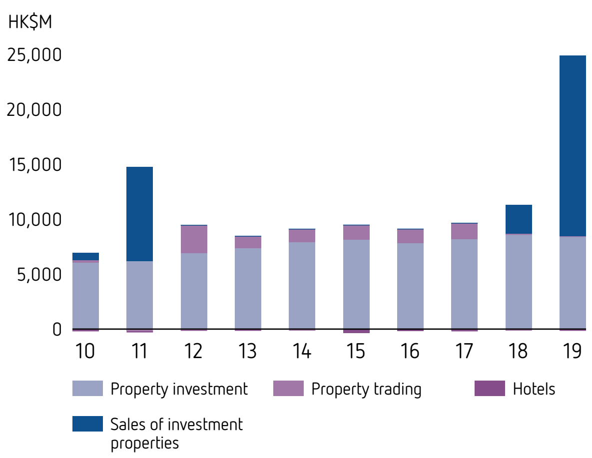
In November 2019, EDEN, Swire Properties' first residential project in Singapore, was completed and is available for sale. The development comprises 20 residential units with an aggregate gross floor area of approximately 77,000 square feet.

INVESTMENT PROPERTIES

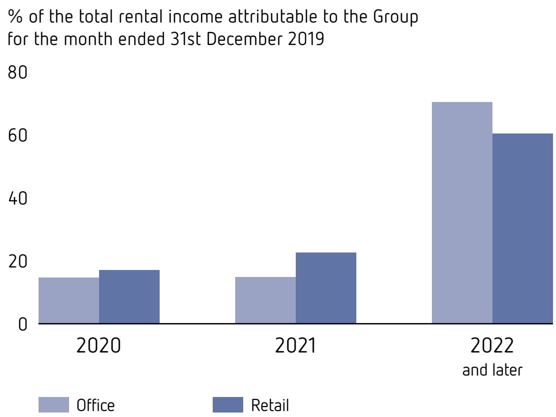
Hong Kong

OFFICE | Gross rental income from the Hong Kong office portfolio in 2019 was HK$6,100 million, a 4% increase from 2018. There were positive rental reversions and occupancy was firm. The increase also reflected a full year of rental income from One Taikoo Place, which opened in the last quarter of 2018. This was partly offset by the loss of rental income from the Cityplaza Three and Four office buildings, the sale of which was completed in April 2019. At 31st December 2019, the office portfolio was 99% let. Demand for office space (particularly from Mainland Chinese companies) started to weaken significantly in the second half of 2019. This reflected global trade tensions and a slowdown in the Hong Kong economy, with gross domestic product declining in 2019.

Underlying Operating Profit



Hong Kong Lease Expiry Profile – at 31st December 2019



The extension to Citygate Outlets in Hong Kong opened in August 2019.

Pacific Place

The offices at One, Two and Three Pacific Place performed well in 2019. Occupancy and rental rates were robust. The occupancy rate was 98% at 31st December 2019.

Cityplaza

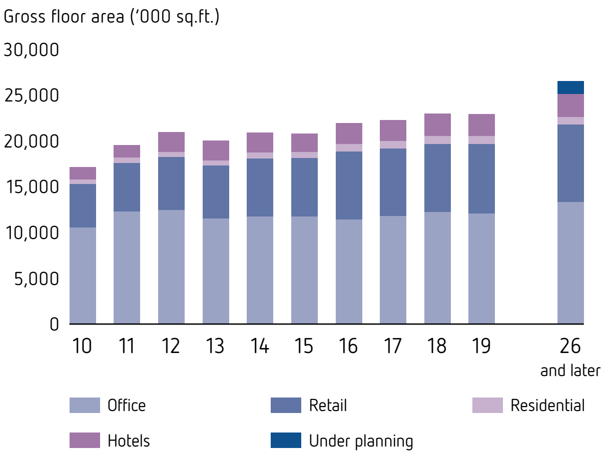
The occupancy rate at Cityplaza One was 100% at 31st December 2019.

Taikoo Place

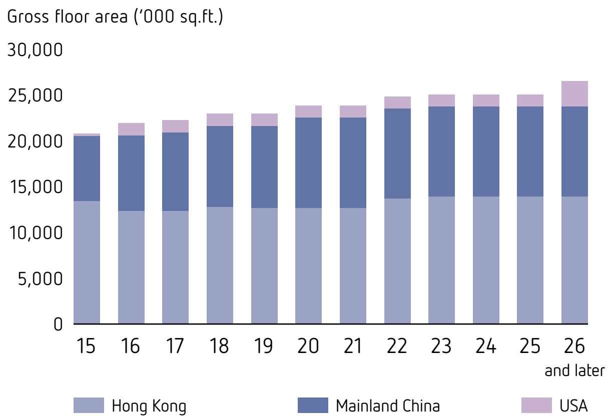
The occupancy rates at Taikoo Place and One Island East were 99% and 100% respectively at 31st December 2019. One Taikoo Place, which was completed in September 2018, was 100% leased.

Despite weaker general demand for office properties in Hong Kong, rents were resilient and occupancy was strong at Taikoo Place in 2019. Rental reversions were positive.

Completed Property Investment Portfolio by Type



Completed Property Investment Portfolio by Location



South Island Place

The occupancy rate at South Island Place was 75% at 31st December 2019. Swire Properties has a 50% interest in the development.

RETAIL | The Hong Kong retail portfolio's gross rental income was HK$2,437 million in 2019, a 12% (or HK$318 million) decrease from 2018. The decrease was mainly due to rental subsidies offered to tenants whose retail sales were adversely affected by social unrest in Hong Kong. Disregarding rental subsidies, gross rental income decreased slightly from 2018. Our malls were almost fully let during the year.

Retail sales in 2019 decreased by 17% at The Mall, Pacific Place, by 3% at Cityplaza and by 5% at Citygate Outlets. These decreases compare with an 11% decrease in retail sales in Hong Kong as a whole. The decreases reflected difficult market conditions. There were fewer tourists and spending by local consumers was weaker. Rental subsidies have been given for specific periods on a case by case basis.

RESIDENTIAL | The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wanchai and a number of luxury houses and apartments on Hong Kong Island. The occupancy rate at the residential portfolio was approximately 76% at 31st December 2019.

INVESTMENT PROPERTIES UNDER DEVELOPMENT | The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House) is the construction of an office building with an aggregate gross floor area of approximately 1,000,000 square feet, to be called Two Taikoo Place. Superstructure works are in progress. Completion of the redevelopment is expected in early 2022.

Planning permission to develop the site at 46-56 Queen's Road East, 1A-11 Landale Street and 2A-12 Anton Street for office use was obtained in 2018. The site area is approximately 14,400 square feet. The proposed development has an aggregate gross floor area of approximately 218,000 square feet. Foundation works are in progress. Completion is expected in 2023.

OTHERS | In 2018, Swire Properties submitted compulsory sale applications in respect of two sites (Wah Ha Factory Building, No. 8 Shipyard Lane, and Zung Fu Industrial Building, No. 1067 King's Road) in Hong Kong. Subject to Swire Properties having successfully bid in the compulsory sale of the sites, the sites are intended to be redeveloped for office and other commercial uses with an aggregate gross floor area of approximately 779,000 square feet.

In 2018, a joint venture company in which Swire Properties holds a 50% interest submitted a compulsory sale application in respect of a site at 983-987A King's Road and 16-94 Pan Hoi Street, Quarry Bay, Hong Kong. Subject to the joint venture company having successfully bid in the compulsory sale and in accordance with applicable town planning controls, it is expected that the site can be redeveloped for residential and retail uses with a gross floor area of approximately 400,000 square feet.

Mainland China

RETAIL | The Mainland China retail portfolio's gross rental income for 2019 increased by 10% compared with 2018, to HK$2,376 million (despite a 4% depreciation of the Renminbi against the Hong Kong dollar).

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2019, reflecting positive rental reversions. Retail sales grew by 11%. The occupancy rate was 100% at 31st December 2019. Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination in Beijing.

The refurbishment of Taikoo Li Sanlitun West as an extension to Taikoo Li Sanlitun (with an aggregate gross floor area of approximately 256,000 square feet) is expected to be completed by the end of 2020.

Gross rental income at Taikoo Hui in Guangzhou grew satisfactorily in 2019. Retail sales increased by 20%, reflecting improvements to the tenant mix and stronger marketing and promotion. The occupancy rate at Taikoo Hui was 99% at 31st December 2019.

HKRI Taikoo Hui is a business, shopping and entertainment hub in the Jing'an District of Shanghai.

Occupancy at the shopping mall at INDIGO, Beijing was 100% at 31st December 2019. Retail sales increased by 26% in 2019.

Retail sales at Sino-Ocean Taikoo Li Chengdu increased by 23% in 2019, reflecting an improved mix of brands and growing sales to young shoppers. The development continues to gain popularity as a shopping destination in Chengdu. At 31st December 2019, the occupancy rate was 97%.

Retail sales at HKRI Taikoo Hui increased by 73% in 2019. Footfall has grown steadily since early 2019. At 31st December 2019, the occupancy rate was 98%.

OFFICE | The Mainland China office portfolio's gross rental income for 2019 decreased by 3% compared with 2018, to HK$380 million (after taking into account a 4% depreciation of the Renminbi against the Hong Kong dollar). There were positive rental reversions in Renminbi terms. This was despite weak demand for office space because of economic uncertainty arising from trade tensions.

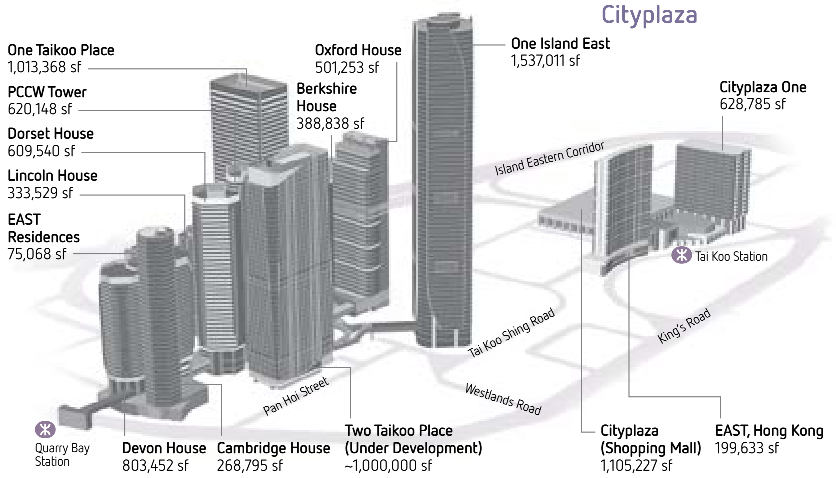
At 31st December 2019, the occupancy rates at the office towers at Taikoo Hui, Guangzhou and at ONE INDIGO, Beijing were 97% and 76% respectively.

The occupancy rate at the two office towers at HKRI Taikoo Hui in Shanghai was 99% at 31st December 2019.

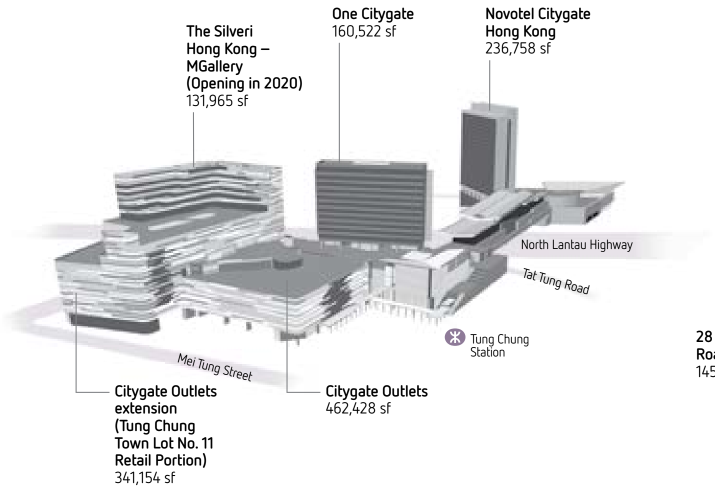
INVESTMENT PROPERTIES UNDER DEVELOPMENT |
In 2018, Swire Properties and a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. formed a joint venture to develop a retail project with an aggregate gross floor area of 1,247,006 square feet in Qiantan, Pudong New District in Shanghai. The project was named Taikoo Li Qiantan in January 2019. Construction and pre-leasing are in progress. The development is expected to be completed by the end of 2020.

Hong Kong

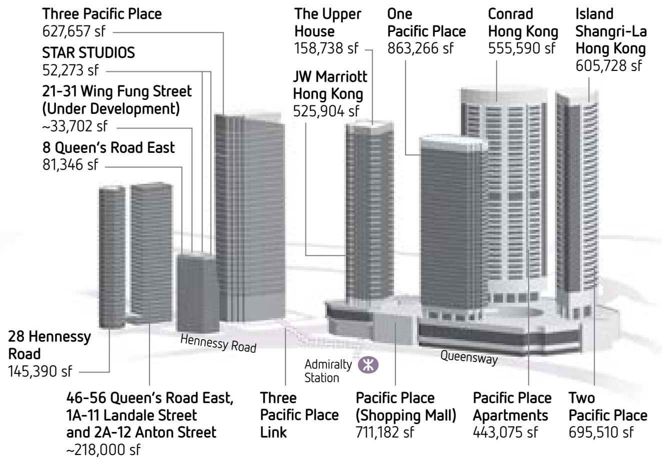
Taikoo Place



Citygate



Pacific Place



USA

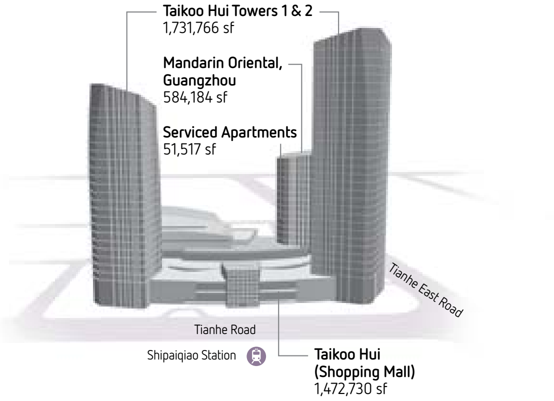
Brickell City Centre

Miami, Florida

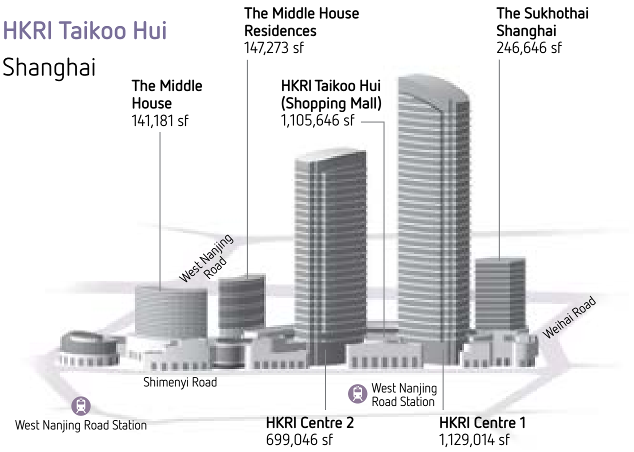
* Rise and Reach developed for trading purposes. Floor area shown represents the unclosed portion.

Mainland China

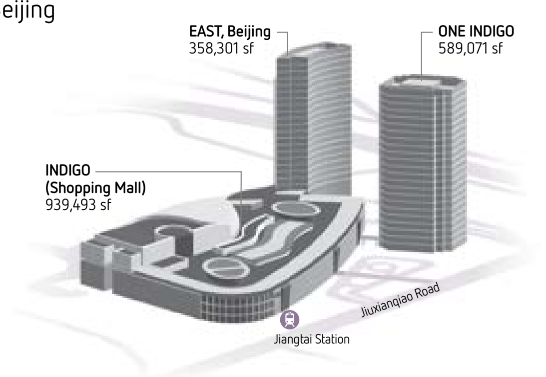
Taikoo Hui
Guangzhou



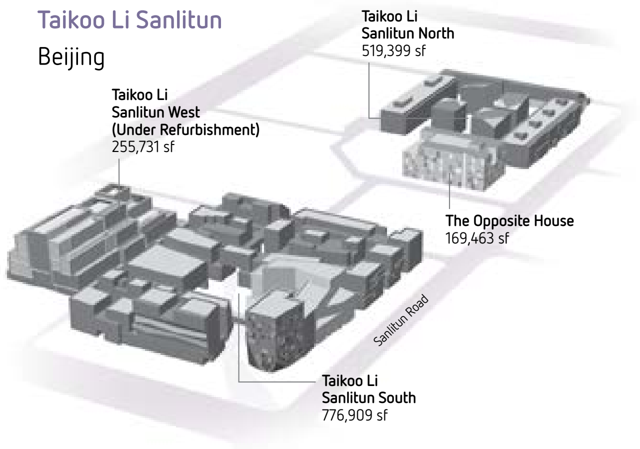
HKRI Taikoo Hui
Shanghai



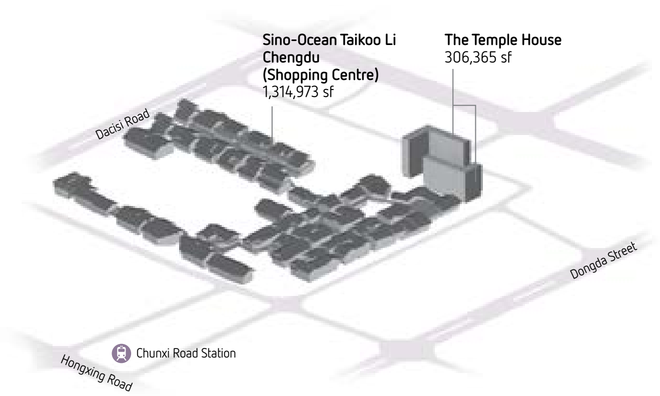
INDIGO
Beijing



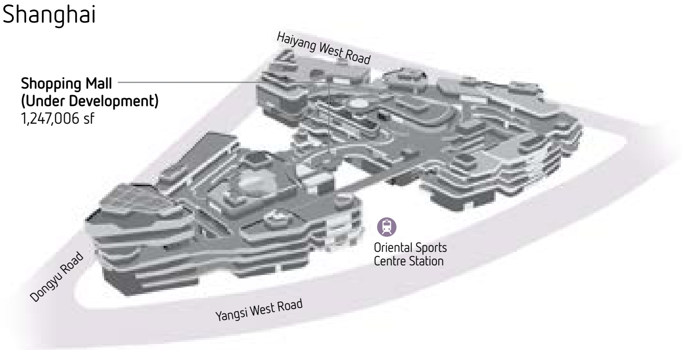
Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



Taikoo Li Qiantan
Shanghai



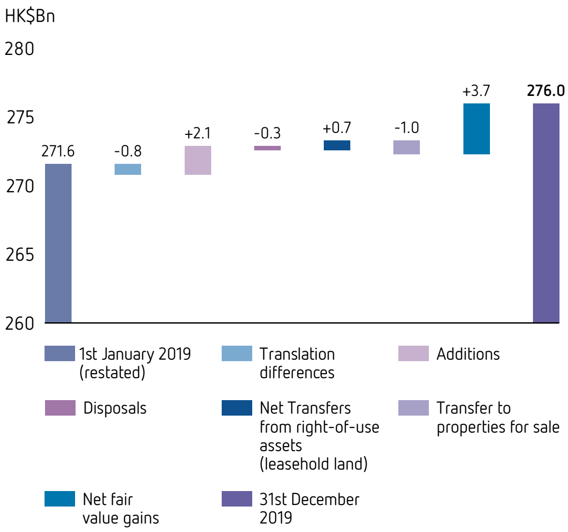
Note:
- These diagrams are not to scale and are for illustration purposes only.
- These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 222 to 231.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast expenditure				Total Commitments	Commitments relating to joint venture companies*
	2019 HK$M	2020 HK$M	2021 HK$M	2022 HK$M	2023 and later HK$M	At 31st December 2019 HK$M	At 31st December 2019 HK$M
Hong Kong	2,460	1,832	5,479	2,123	5,301	14,735	66
Mainland China	643	1,365	44	202	254	1,865	821
USA and elsewhere	168	3	–	–	–	3	–
Total	3,271	3,200	5,523	2,325	5,555	16,603	887

Note: The capital commitments represent 100% of the capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies.
* The Group is committed to funding HK$18 million and HK$465 million of the capital commitments of joint venture companies in Hong Kong and Mainland China respectively.

Movement in Investment Properties



USA

The first phase of the Brickell City Centre development consists of a shopping centre, two office buildings (Two Brickell City Centre and Three Brickell City Centre), a hotel and serviced apartments (EAST, Miami) managed by Swire Hotels and two residential towers (Reach and Rise). The residential towers have been developed for sale.

Two and Three Brickell City Centre were almost fully leased. The shopping centre was 90% let (including by way of letters of intent) at 31st December 2019. Retail sales in 2019 increased by 14%.

At 31st December 2019, Swire Properties owned 100% of the office, hotel and unsold residential portions and 62.93% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre was owned by Simon Property Group (25%) and Bal Harbour Shops (12.07%). Bal Harbour Shops has an option, exercisable from February 2020, to sell its interest to Swire Properties.

One Brickell City Centre is planned to be a mixed-use development comprising retail, office, hotel and residential space in an 80-storey tower. It will incorporate a site at 700 Brickell Avenue acquired by Swire Properties in 2013. Development of this site will connect the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of One Brickell City Centre.

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2019 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer).

The amount of this valuation was HK$276,008 million, compared to HK$271,256 million at 31st December 2018 and HK$275,649 million at 30th June 2019.

The increase in the valuation of the investment property portfolio is mainly due to modest increases in the valuation of the office properties in Hong Kong and of the investment properties in Mainland China following rental increases, partly offset by a decrease in the valuation of the retail properties in Hong Kong.

Under HKAS 40, hotel properties are not accounted for as investment properties. The hotel buildings are included within property, plant and equipment. The leasehold land is included within right-of-use assets. Both are recorded at cost less accumulated depreciation or amortisation and any provision for impairment.

HOTELS

The performance of our managed hotels in Hong Kong deteriorated in 2019. They were adversely affected by a decrease in the number of tourists visiting Hong Kong due to social unrest. The number of overnight visitors to Hong Kong decreased by 19% for the full year and by 57% in December 2019.

The operating profit before depreciation of the managed hotels decreased by 16% to HK$168 million in 2019. Results in Shanghai and the USA improved, but this was more than offset by a deterioration in results in Hong Kong. The performance of the non-managed hotels in Hong Kong was adversely affected by social unrest. The operating results of the non-managed hotels in Mainland China and Miami improved.

PROPERTY TRADING

Hong Kong

The site at 21-31 Wing Fung Street, Wanchai is to be redeveloped into a 34,000 square feet residential building with retail outlets on the two base levels. Superstructure works are in progress. The development is expected to be completed in 2022.

In September 2019, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company completed the acquisition of a plot of land in Chai Wan, Hong Kong. Subject to agreement with the Hong Kong government, the plot of land is expected to be redeveloped into a residential complex with an aggregate gross floor area of approximately 694,000 square feet.

In October 2019, a joint venture company formed by Swire Properties Limited, Kerry Properties Limited and Sino Land Company Limited tendered successfully for a residential property development at Wong Chuk Hang in Hong Kong. The development is expected to comprise two residential towers with an aggregate gross floor area of approximately 638,000 square feet and about 800 residential units. Schematic design is in progress. The development is expected to be completed in 2024. Swire Properties has a 25% interest in the joint venture.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 carparking spaces at Pinnacle One were pre-sold in 2013 and the profit from the sales of approximately 52% of the pre-sold gross floor area was recognised in 2015. Application was made to the court to cancel the sale of the remaining pre-sold gross floor area and 350 carparking spaces as part of the consideration was not received on time. The application succeeded (after an unsuccessful appeal by the buyer). The profit on the sales of 122,136 square feet of the gross floor area and 44 carparking spaces was recognised in 2018. The profit on the sales of a further 436,988 square feet of the gross floor area and 163 carparking spaces was recognised in 2019. The remaining 34,015 square feet of the gross floor area will be retained for its own use by the joint venture company which owns the property.

Brickell City Centre is a Swire Properties mixed use development in Miami, Florida.

USA

The residential portion of the first phase of the Brickell City Centre development was developed for trading purposes. There are 780 units in two towers (Reach and Rise).

The Reach and Rise developments were completed, and handover to purchasers commenced, in 2016. 364 units (out of 390 units) at Reach and 282 units (out of 390 units) at Rise had been sold at 10th March 2020. Sales of two units at Reach, 38 units at Rise and the last unit in the ASIA development were recognised in 2019.

Singapore

EDEN, at 2 Draycott Park in District 10, comprises 20 residential units with an aggregate gross floor area of approximately 77,000 square feet. The development was completed in November 2019 and is available for sale.

Indonesia

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate gross floor area of approximately 1,140,000 square feet. Demolition works have been completed and foundation works are expected to commence soon. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

OUTLOOK

In the central district of Hong Kong, reduced demand (particularly from Mainland Chinese companies) and increased vacancy rates are expected to exert downward pressure on office rents. High occupancy is expected to result in office rents at the Taikoo Place developments being relatively resilient (by comparison with rents in other areas) despite reduced demand and increased supply in Kowloon East and other districts. However, given the uncertain outlook, office tenants are delaying making lease commitments. With new supply in the central business districts of Guangzhou and Beijing and weak demand, office vacancy rates are expected to increase and rents to be under pressure in 2020. Demand from domestic and international companies for office space in Shanghai is expected to be weak in 2020. But with high occupancy and limited new supply in the central business district of Jing'an, Shanghai office rents are expected to be relatively resilient. In Miami, the supply of new Grade-A office space in the central business district and the Brickell area is low. Job growth in Miami-Dade County is expected to continue, resulting in sustainable demand for office space and stable rental rates.

COVID-19 is adversely affecting Swire Properties' retail investment properties and its hotel business in Hong Kong and Mainland China. Lower rental income is expected from the retail properties and serviced apartments in 2020. Temporary rental subsidies are being provided to retail tenants on a case by case basis. Occupancy and revenue are significantly down at Swire Properties' hotels. Costs will be saved where this can be done without damaging the long-term relationship with tenants and other customers.

As well as COVID-19, social unrest and economic uncertainty are adversely affecting retail sales in Hong Kong. In Mainland China, demand for retail space from international retailers and food and beverage operators is expected, despite the current effects of COVID-19, to be strong in the long term. In Miami, retail sales in Brickell City Centre are increasing steadily. However, established shopping districts in Miami are expanding. As a result, Brickell City Centre is expected to experience increased competition in the retail leasing market.

In Hong Kong, demand for residential accommodation has weakened due to social unrest, economic uncertainty and COVID-19. There is a shortage of land and a limited supply of housing in Hong Kong. This, together with low interest rates, is expected to result in demand for residential accommodation being resilient in the medium and long term. In Miami, demand for condominiums is weak due to weak South American economies, currency fluctuations and political uncertainty. In Singapore, growth in incomes and robust employment are expected to support a stable residential property market.

A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later in the first half of 2020. Steady growth in business is expected at our Miami hotels.

With its balanced portfolio and strong balance sheet, Swire Properties is well placed to withstand the effects of this difficult time and to benefit from improved conditions in the future.

Guy Bradley

AVIATION DIVISION

A Cathay Pacific Airbus A350-1000 aircraft

ADVANCING WORLD-CLASS SERVICE

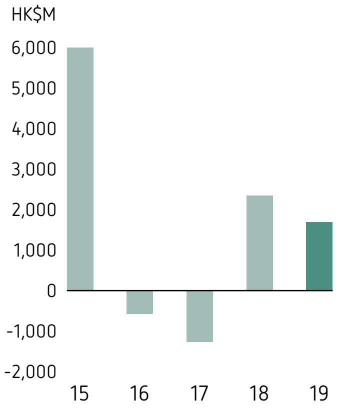
We aim to continue to improve our products and services on the ground and in the air, to expand our fleet by acquiring fuel-efficient aircraft and to strengthen our aircraft engineering business.

AVIATION DIVISION

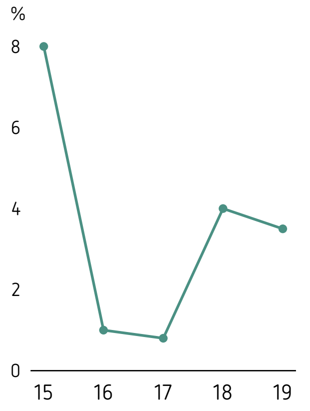
The Aviation Division comprises a significant investment in the Cathay Pacific group and the HAECO group.

Cathay Pacific group (100% Basis)

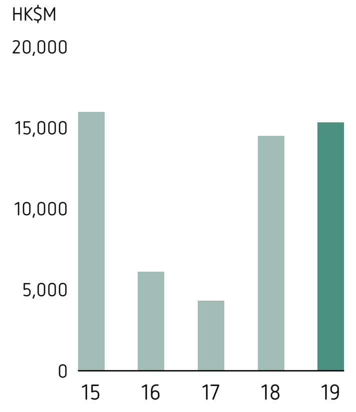
Profit/(Loss) Attributable to the Shareholders of Cathay Pacific



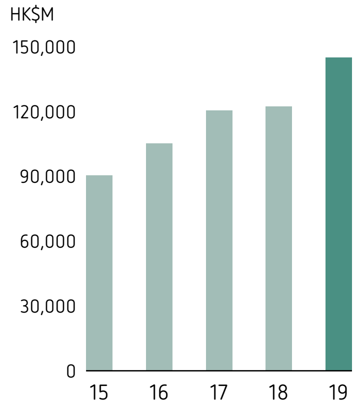
Return on Capital Employed



Net Cash Generated from Operating Activities

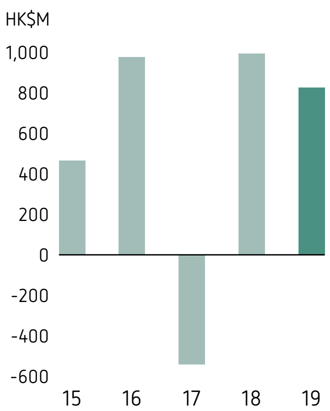


Capital Employed

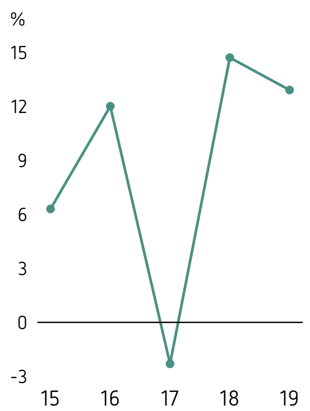


HAECO group (100% Basis)

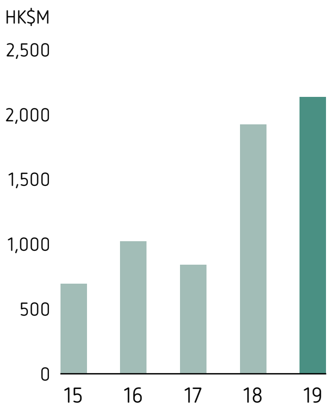
Profit/(Loss) Attributable to the Shareholders of HAECO



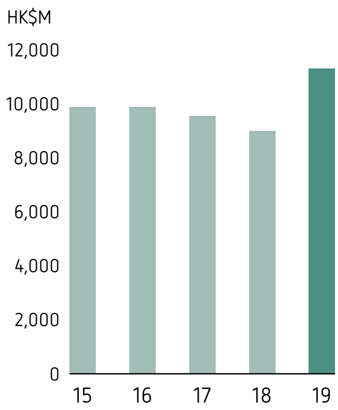
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



The Cathay Pacific group

The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiaries Cathay Dragon, HK Express and Air Hong Kong and associate interests in Air China and Air China Cargo. Cathay Pacific also has interests in companies providing flight catering and passenger and ramp handling services, and owns and operates a cargo terminal at Hong Kong International Airport. It is listed on The Stock Exchange of Hong Kong Limited.

Cathay Pacific offers scheduled passenger and cargo services to 77 destinations in 33 countries and territories (244 and 54 respectively including code share agreements). At 31st December 2019, it operated 155 aircraft and had 33 new aircraft due for delivery up to 2024.

Cathay Dragon is a regional airline registered and based in Hong Kong and offers scheduled services to 49 destinations in Mainland China and elsewhere in Asia (57 including code share agreements). At 31st December 2019, it operated 48 aircraft and had 16 new aircraft due for delivery up to 2024.

HK Express is a low-cost airline registered and based in Hong Kong and offers scheduled services within Asia. At 31st December 2019, it operated 24 aircraft and had 21 new aircraft due for delivery up to 2024.

Air Hong Kong operates express cargo services for DHL Express to 12 Asian cities. At 31st December 2019, Air Hong Kong operated nine freighters.

Cathay Pacific owns 18.13% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in Mainland China. Cathay Pacific has a cargo joint venture in Mainland China, Air China Cargo, which operated 15 freighters at 31st December 2019 and also carries cargo in the bellies of Air China's passenger aircraft.

Cathay Pacific and its subsidiaries employed more than 34,200 people worldwide (around 28,200 of them in Hong Kong) at 31st December 2019.

The HAECO group

The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO Hong Kong), in Xiamen (by HAECO Xiamen) and in the USA (by HAECO Americas).

Engine overhaul work is performed by HAECO's 50% joint venture company Hong Kong Aero Engine Services Limited (HAESL) and by HAECO's subsidiary Taikoo Engine Services (Xiamen) Company Limited (TEXL). HAECO Americas also manufactures aircraft seats. The HAECO group has other subsidiaries and joint venture companies in Mainland China, which offer a range of aircraft engineering services and has a 70% interest in HAECO ITM Limited, an inventory technical management joint venture with Cathay Pacific in Hong Kong.

HAECO is a wholly-owned subsidiary of Swire Pacific.

STRATEGY

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

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

2019 PERFORMANCE

Financial Highlights

	2019 HK$M	2018 HK$M
HAECO group		
Revenue	15,901	14,892
Operating profit	1,048	1,140
Swire Pacific share of attributable profit	825	760
Cathay Pacific group		
Share of post-tax profits from associated companies	761	1,056
Swire Pacific share of attributable profit	1,550	1,781

Accounting for the Aviation Division
The Group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss. For more information on the results and financial position of the Cathay Pacific group, please refer to the abridged financial statements on pages 218 and 219. The figures above do not include consolidation adjustments.

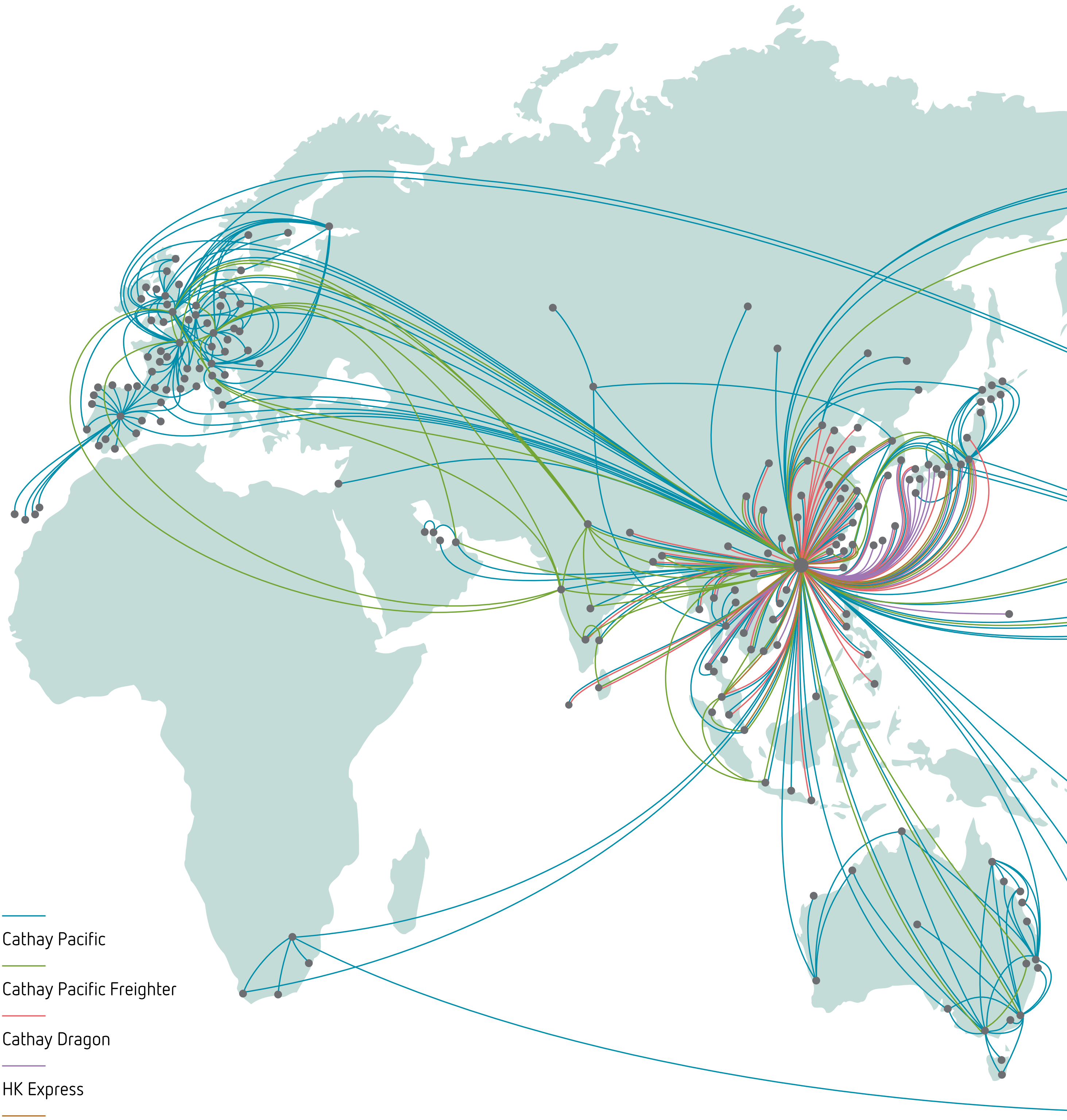
CATHAY PACIFIC GROUP

Cathay Pacific and Cathay Dragon – 2019 Performance

		2019	2018	Change
Available tonne kilometres (ATK)	Million	33,077	32,387	+2.1%
Available seat kilometres (ASK)	Million	163,244	155,362	+5.1%
Available cargo tonne kilometres (AFTK)#	Million	17,558	17,616	-0.3%
Revenue tonne kilometres (RTK)	Million	24,090	24,543	-1.8%
Passenger revenue	HK$M	72,168	73,119	-1.3%
Passenger revenue per ASK	HK¢	44.2	47.1	-6.2%
Revenue passenger kilometres (RPK)	Million	134,397	130,630	+2.9%
Revenue passengers carried	'000	35,233	35,468	-0.7%
Passenger load factor	%	82.3	84.1	-1.8%pt
Passenger yield	HK¢	53.6	55.8	-3.9%
Cargo revenue – group#	HK$M	23,810	28,316	-15.9%
Cargo revenue – Cathay Pacific and Cathay Dragon#	HK$M	21,154	24,663	-14.2%
Cargo revenue per AFTK#	HK$	1.20	1.40	-14.3%
Cargo revenue tonne kilometres (RFTK)#	Million	11,311	12,122	-6.7%
Cargo carried#	'000 Tonnes	2,022	2,152	-6.0%
Cargo load factor#	%	64.4	68.8	-4.4%pt
Cargo yield#	HK$	1.87	2.03	-7.9%
Cost per ATK (with fuel)	HK$	3.06	3.27	-6.4%
Cost per ATK (without fuel)	HK$	2.19	2.25	-2.7%
Aircraft utilisation	Hours per day	11.9	12.3	-3.3%
On-time performance	%	76.3	72.7	+3.6%pt
Average age of fleet	Years	10.3	9.9	+0.4yrs
Fuel consumption – group	Barrels (million)	46.6	45.8	+1.7%
Fuel consumption per million RTK	Barrels	1,867	1,830	+2.0%
Fuel consumption per million ATK	Barrels	1,360	1,387	-1.9%

Including mail. Mail is no longer referred to separately but mail services continue to be accounted for under cargo services.

Cathay Pacific group – Network Coverage



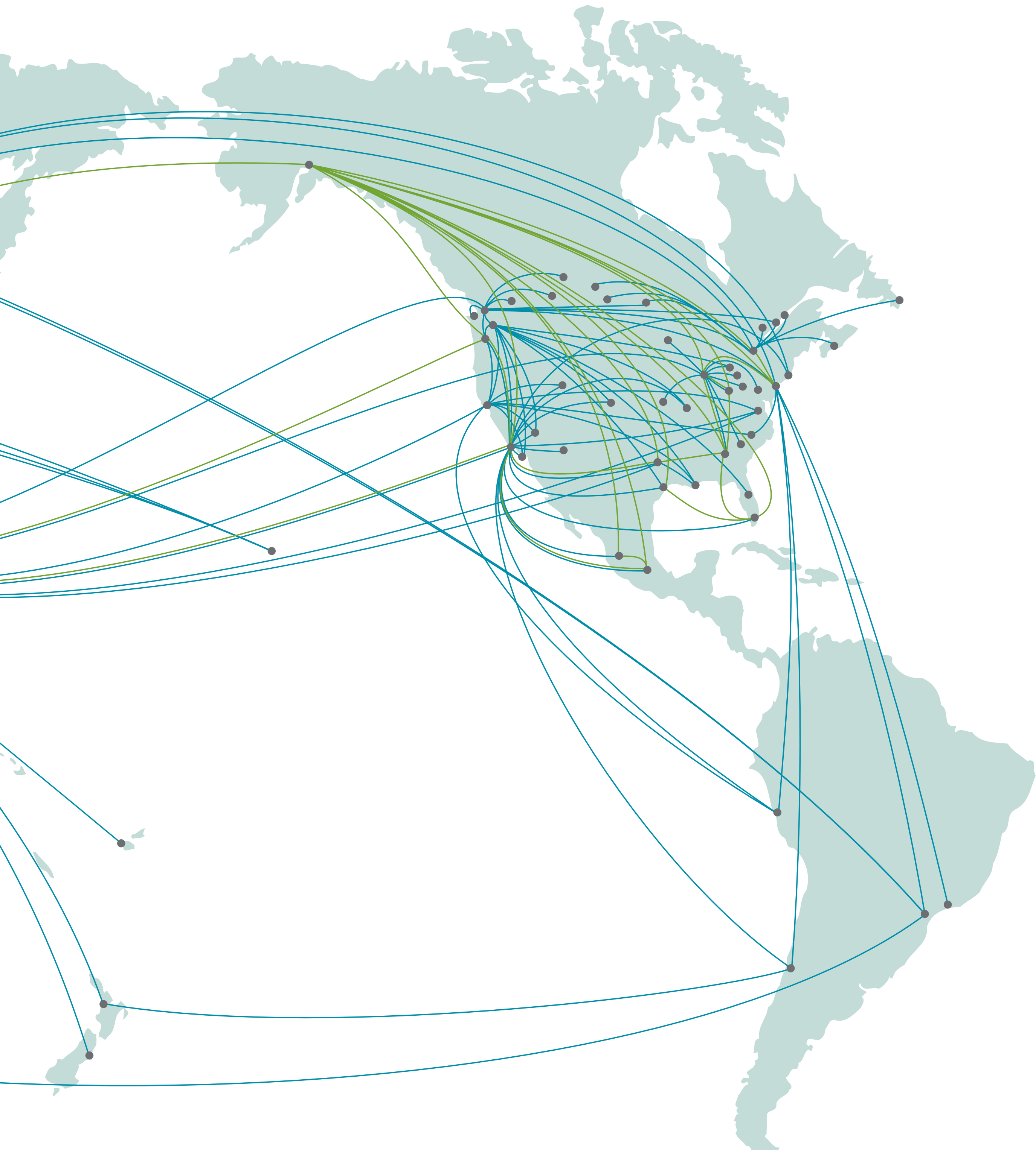
Cathay Pacific

Cathay Pacific Freighter

Cathay Dragon

HK Express

Air Hong Kong



2019 AIRLINE INDUSTRY REVIEW

2019 was a turbulent year for the Cathay Pacific group. With its three-year transformation programme starting to bear fruit it delivered a positive performance in the first half notwithstanding a difficult environment brought about by geopolitical and trade tensions. However, with social unrest in Hong Kong intensifying over the second half of the year and mounting US-China trade tensions, the group experienced a sharp drop in both inbound and outbound passenger traffic. The environment in which Cathay Pacific's airlines operated was incredibly challenging as the Hong Kong economy slipped into recession. As a result, the second-half results – traditionally stronger than first-half results – fell well below what was hoped for.

2019 RESULTS SUMMARY

The Cathay Pacific group's attributable profit on a 100% basis was HK$1,691 million in 2019, compared with a profit of HK$2,345 million in 2018. Cathay Pacific and Cathay Dragon reported an attributable profit after tax of HK$241 million (2018: profit of HK$384 million), and the share of profits from subsidiaries and associates was HK$1,450 million (2018: HK$1,961 million).

Overall, passenger and cargo yields were under intense pressure in 2019 and both were below those in 2018. Events in Hong Kong in the second half of the year significantly reduced load factors, forward bookings and the number of passengers carried. Inbound traffic was hit hard, particularly on short-haul and Mainland China routes. Outbound traffic also decreased. Demand for premium travel was weak and the airlines became increasingly reliant on lower-yielding transit traffic, which was relatively less affected. Cathay Pacific and Cathay Dragon carried 1% fewer passengers in 2019 than in 2018.

Cargo demand was depressed all year as a result of US-China trade tensions and was noticeably below that of 2018. However, it did pick up later in 2019 during the traditional high season, reflecting new consumer products, specialist airfreight shipments and restocking ahead of holiday periods. Exports from Mainland China and Hong Kong to trans-Pacific and European markets were more encouraging later in the year. Nevertheless, the cargo business performed significantly below expectations in 2019.

To boost the competitiveness of Hong Kong International Airport as a global cargo hub, the Cathay Pacific group together with the Airport Authority of Hong Kong announced in December it would introduce a terminal charge concession effective 1st April 2020. The reduction ranges from 18% to more than 20% compared with current charge levels and is applicable to shipments from Hong Kong on all four of the Cathay Pacific group's airlines.

Cathay Pacific and Cathay Dragon benefited from lower fuel prices for most of the year, but were adversely affected by a strong US dollar. There was a 3% decrease in non-fuel costs per available tonne kilometres (ATK), reflecting the airlines' focus on productivity and efficiency as part of the successful transformation programme.

In July 2019, Cathay Pacific completed the acquisition of low-cost carrier HK Express, now a wholly-owned subsidiary of Cathay Pacific. In November, Cathay Pacific announced that HK Express would begin taking delivery of half of the new narrow-body Airbus A321-200neo fleet (16 of 32 new aircraft) from 2022 as part of the Cathay Pacific group's efforts to optimise the deployment of the passenger fleets of its airlines.

Passenger Services

Cathay Pacific and Cathay Dragon

Passenger revenue in 2019 was HK$72,168 million, a decrease of 1% compared to 2018. RPK traffic increased by 3%, while ASK capacity increased by 5%, albeit this was less than originally expected. Consequently the load factor decreased by 1.8 percentage points, to 82.3%. Yield decreased by 4% to HK53.6 cents, reflecting a strong US dollar, intense competition and reduced travel in the second half of 2019 as a result of the social unrest in Hong Kong.

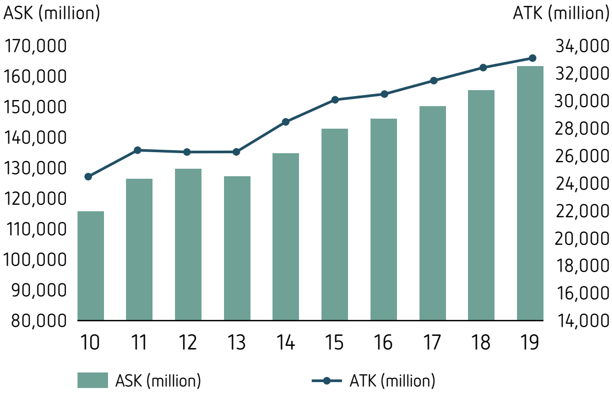
In October, Cathay Pacific introduced a number of short-term tactical measures, including frequency cuts on more than a dozen routes during the winter season and suspending the service to Medan indefinitely. It examined expenditure to focus on increased productivity and cost savings, along with implementing a hiring freeze, prioritising projects and deferring or cancelling non-critical expenditure.

HK Express

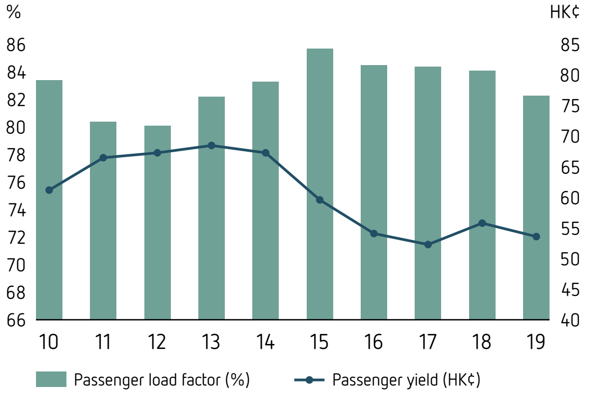
HK Express recorded a loss during the post-acquisition period. For the period from 20th July to 31st December 2019 capacity amounted to 4,583 million available seat kilometres. The average load factor was 91.5% during the period.

HK Express became a wholly-owned subsidiary of Cathay Pacific in July 2019.

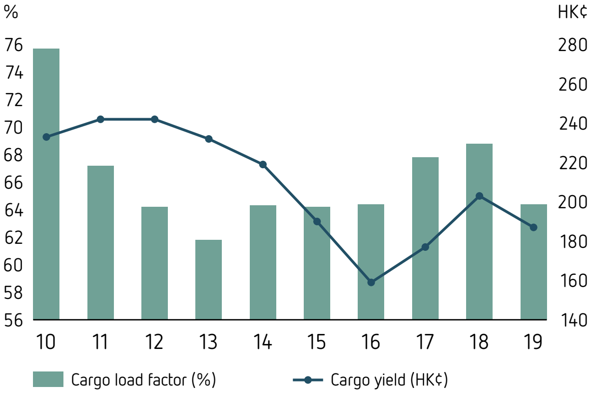
Capacity – Available Seat Kilometres and Available Tonne Kilometres



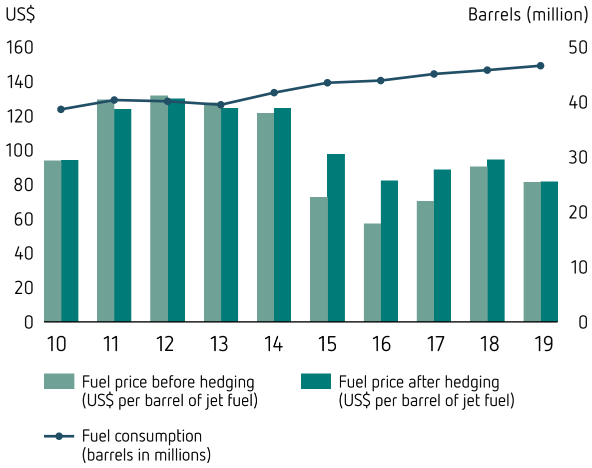
Passenger Services Load Factor and Yield



Cargo Services Load Factor and Yield



Fuel Price and Consumption



Cathay Pacific has improved its first and business class services and products.

Cargo Services

Cathay Pacific and Cathay Dragon

The cargo revenue of Cathay Pacific and Cathay Dragon in 2019 was HK$21,154 million, a decrease of 14%. RFTK traffic decreased by 7%, while AFTK capacity decreased by 0.3%. Consequently the load factor decreased by 4.4 percentage points to 64.4%. Tonnage carried decreased by 6%. Yield decreased by 8% to HK$1.87, reflecting a strong US dollar and weakened cargo demand resulting from intensified US-China trade tensions.

Air Hong Kong

On a 100% like for like basis, Air Hong Kong experienced a decrease in profit for 2019 compared with 2018. Capacity (in terms of available tonne kilometres) decreased by 4% to 703 million. The load factor increased by 2.5 percentage points to 68.6%.

Operating Costs

Total fuel costs for Cathay Pacific and Cathay Dragon (before the effect of fuel hedging) decreased by HK$3,110 million (or 10%) compared with 2018. Prices decreased but the airlines flew more. After taking hedging losses into account, fuel costs decreased by HK$4,454 million (or 13%) compared to 2018. The net cost of fuel is the most significant cost of Cathay Pacific and Cathay Dragon, accounting for 28.4% of operating costs in 2019 (compared to 31.4% in 2018).

Non-fuel costs per ATK decreased slightly, reflecting a focus on productivity and efficiency.

Fleet Profile

At 31st December 2019, the total number of aircraft in the Cathay Pacific group's fleet was 236.

In 2019, Cathay Pacific took delivery of two Airbus A350-900 and four Airbus A350-1000 aircraft and now has a total of 24 Airbus A350-900 and 12 Airbus A350-1000 aircraft in the fleet. It also took delivery of three used Boeing 777-300 aircraft during the year. Three Boeing 777-200 aircraft were retired. Four Airbus A330-300 and one Boeing 777-300ER leased aircraft were returned to their lessors.

At 31st December 2019, the Cathay Pacific group had 70 new aircraft on order for delivery up to 2024. This includes an order for 32 Airbus A321-200neo aircraft. These aircraft are intended to replace and increase Cathay Dragon's and HK Express' existing narrow-body fleets.

Fleet profile*

	Number at 31st December 2019					Firm orders				Expiry of operating leases**					
		Leased**													
Aircraft type	Owned	Finance	Operating	**Total**	Average age	'20	'21	'22 and beyond	**Total**	'20	'21	'22	'23	'24	'25 and beyond
Aircraft operated by Cathay Pacific:															
A330-300	17	10	2	**29**	12.4					1					1
A350-900	18	4	2	**24**	2.6	4			**4**						2
A350-1000	9	3		**12**	1.1	3	5		**8**						
747-400BCF	1			**1**	28.5										
747-400ERF		6		**6**	11.0										
747-8F	3	11		**14**	6.9										
777-200	1			**1**	23.5										
777-300	17			**17**	18.2										
777-300ER	22	8	21	**51**	7.8						6	4	2	3	6
777-9							6	15	**21**						
Total	88	42	25	**155**	8.7	7	11	15	**33**	1	6	4	2	3	9
Aircraft operated by Cathay Dragon:															
A320-200	5		10	**15**	14.5					4[(a)]	3	3			
A321-200	2		6	**8**	17.1					1	2	2	1		
A321-200neo						6	8	2	**16**						
A330-300	21[(b)]		4	**25**	15.2					1					3
Total	28		20	**48**	15.3	6	8	2	**16**	6	5	5	1		3
Aircraft operated by HK Express:															
A320-200			8	**8**	10.2						3		1	4	
A321-200			11	**11**	2.2										11
A320-200neo			5	**5**	2.5	4	1		**5**[(c)]						5
A321-200neo								16[(d)]	**16**						
Total			24	**24**	4.9	4	1	16	**21**		3		1	4	16
Aircraft operated by Air Hong Kong:															
A300-600F***			9	**9**	15.6					1		5	3		
Total			9	**9**	15.6					1		5	3		
Grand total	**116**	**42**	**78**	**236**	**9.9**	**17**	**20**	**33**	**70**	**8**	**14**	**14**	**7**	**7**	**28**

* The table includes two aircraft parked in preparation for retirement (one Boeing 777-200 aircraft and one Boeing 747-400BCF freighter) and does not reflect aircraft movements after 31st December 2019. The two parked aircraft were deregistered in February 2020.

** With effect from 1st January 2019, leases previously classified as operating leases are accounted for in a similar manner to finance leases as a result of an accounting standard change (HKFRS 16). The majority of operating leases captured in the above table are within the scope of HKFRS 16.

*** Under the new block space agreement Air Hong Kong entered into with DHL International which commenced on 1st January 2019, the nine Airbus A300-600F freighters are considered operated by Air Hong Kong, even though the arrangement does not constitute a lease in accordance with HKFRS 16.

(a) The operating lease of one Airbus A320-200 aircraft expired in February 2020. The aircraft was returned to its lessor.
(b) 11 of these aircraft are owned by Cathay Pacific and leased by Cathay Dragon.
(c) These aircraft are operating leased.
(d) These aircraft, ordered by Cathay Dragon, will be operated by HK Express from 2022.

Air China and Air China Cargo

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, the 2019 results include Air China's results for the 12 months ended 30th September 2019, adjusted for any significant events or transactions for the period from 1st October 2019 to 31st December 2019.

For the 12 months ended 30th September 2019, Air China's financial results improved compared to the 12 months ended 30th September 2018.

In October 2019, the Cathay Pacific group's equity and economic interest in Air China Cargo Company Limited (ACC) of 49% was reduced to 34.78%, when the China National Aviation Holding Company (CNAHC) group injected equity interests and cash to increase its shareholding in ACC to 65.22%. A gain of HK$114 million was recorded on this deemed partial disposal.

ACC's 2019 financial results worsened from 2018.

OUTLOOK

Following the impact of social unrest in Hong Kong in the latter half of 2019, the first half of 2020 was expected to be extremely challenging financially, with an already reduced winter season capacity. This has been exacerbated by the significant negative impact of COVID-19. It is difficult to predict when conditions will improve. Travel demand has dropped substantially and a series of short-term measures have been taken in response. These have included a sharp reduction of capacity in the passenger network. Despite these measures, Cathay Pacific expects to incur a substantial loss in the first half of 2020.

The passenger business is expected to be under severe pressure this year and the cargo business will continue to face headwinds. However, there is cautious optimism about cargo following the recent reduction in US-China trade tensions and cargo capacity has been maintained intact. The US dollar is expected to remain strong in 2020, and intense competition, especially in long-haul economy class, will continue to place significant pressure on passenger yields.

Augustus Tang

HONG KONG AIRCRAFT ENGINEERING COMPANY (HAECO) GROUP

Financial Highlights

	2019 HK$M	2018 HK$M
Revenue		
HAECO Hong Kong	**4,612**	4,253
HAECO Americas	**2,730**	2,644
HAECO Xiamen	**2,138**	2,165
TEXL	**4,978**	4,893
Others	**1,443**	937
	15,901	14,892
Operating profit	**1,048**	1,140
Attributable profit/(loss)		
HAECO Hong Kong	**243**	261
HAECO Americas	**(190)**	(290)
HAECO Xiamen	**225**	233
TEXL	**180**	182
Share of profits of:		
HAESL	**415**	374
Other subsidiary and joint venture companies	**186**	191
Attributable profit (excluding non-recurring items)	**1,059**	951
Impairment charges in respect of:		
Goodwill	**(204)***	–
Customer relationships	**(30)***	–
Gain on acquisition of additional interests in a joint venture company which became a subsidiary	**–**	42
Attributable profit	**825**	993
Swire Pacific share of attributable profit	**825**	760

* representing impairment charges of HAECO Americas

Note: In November 2018 (when a scheme of arrangement became effective) HAECO became a wholly-owned subsidiary of Swire Pacific. Before that HAECO was 75% owned by Swire Pacific.

Operating Highlights

		2019	2018
Airframe services manhours sold			
HAECO Hong Kong	Million	**2.80**	2.70
HAECO Americas	Million	**3.22**	2.85
HAECO Xiamen	Million	**4.07**	4.11
Line services movements handled			
HAECO Hong Kong	Thousand	**116**	117
Mainland China and overseas	Thousand	**45**	46
Engines overhauled			
TEXL		**88**	90
HAESL		**244**	212

2019 AVIATION MAINTENANCE AND REPAIR INDUSTRY REVIEW

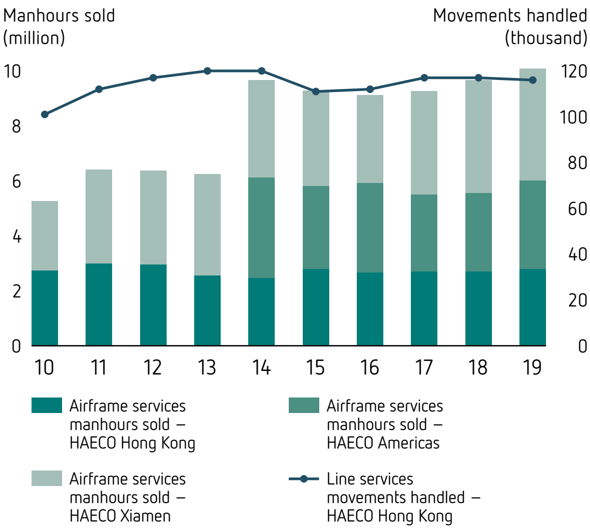
There is continued growth in worldwide aircraft fleets, particularly in Mainland China and elsewhere in Asia. More aircraft means in principle more demand for their maintenance and repair. But new aircraft engines, components and airframes need less maintenance, and original equipment manufacturers are doing more maintenance and repair. This is partly offset by the need to maintain more sophisticated seats and in-flight entertainment systems. On balance, maintenance and repair demand is still expected to grow in the medium and longer term.

2019 RESULTS SUMMARY

In 2019, most HAECO businesses performed solidly and (disregarding impairment charges) there were lower losses at HAECO Americas. The HAECO group overall reported an attributable profit of HK$825 million in 2019, including impairment charges of HK$234 million in respect of intangible assets (including goodwill) attributable to HAECO Americas. This compares with a profit of HK$993 million on a 100% basis in 2018, including a gain of HK$42 million associated with the acquisition of additional interests in a joint venture company.

Disregarding the impairment charges in 2019 and the gain associated with the acquisition of additional interests in a joint venture company in 2018, the HAECO group's 2019 attributable profit was HK$1,059 million, compared with HK$951 million on a 100% basis in 2018. The higher profit primarily reflected reduced losses at HAECO Americas and growth in the volume of work at HAESL.

HAECO group – Key Operating Highlights



A total of 10.09 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in 2019, 0.43 million more than in 2018. There was more airframe services work at HAECO Hong Kong and HAECO Americas in 2019. There was less airframe services work at HAECO Xiamen.

At 31st December 2019, HAECO had outstanding capital commitments of HK$5,686 million.

HAECO Hong Kong

HAECO Hong Kong recorded a 7% decrease in recurring profit in 2019, to HK$243 million. This mainly reflected higher finance expenses due to the adoption of a new accounting standard in relation to leases. Excluding the impact of this new accounting standard, the profit would have increased by 7%, with more airframe services work and a better work mix in line services.

2.80 million airframe services manhours were sold in 2019, 4% more than those in 2018. In line services, approximately 116,000 aircraft movements were handled in 2019, slightly below those in 2018. The reduction in volume was more than offset by a better work mix.

HAECO Americas

HAECO Americas recorded a loss of HK$424 million in 2019 (including impairment charges of HK$234 million in respect of intangible assets (including goodwill)), HK$134 million higher than the loss of HK$290 million in 2018. Excluding the impairment charges, HAECO Americas' 2019 loss was HK$190 million, HK$100 million less than in 2018. The reduced loss reflected more airframe services work, efficiency gains and higher margins from seat sales.

Demand for HAECO Americas' airframe services increased. 3.22 million manhours were sold in 2019 compared with 2.85 million in 2018. The fifth hangar at Greensboro was used more, and more higher margin work was done.

Fewer seats were sold, but at higher margins. More Panasonic communication equipment installation kits were sold. Interior reconfiguration margins were lower.

As required by applicable accounting standards, a review of the carrying value of the business of HAECO Americas was undertaken. As a result of this review (which took into account the prospects for the cabin solutions business), impairment charges of HK$234 million were made in 2019 in respect of intangible assets (including goodwill).

HAECO is one of the world's leading independent aircraft engineering and maintenance groups.

HAECO Xiamen

HAECO Xiamen recorded a 3% reduction in profit attributable to HAECO in 2019, to HK$225 million. This primarily reflected an adverse foreign exchange movement. Disregarding this movement, the profit was slightly higher than in 2018. There was less airframe services work, but more parts manufacturing work.

In airframe services, 4.07 million manhours were sold in 2019, slightly lower than in 2018. Revenue from parts manufacturing work increased by 28% in local currency terms. In line services, a total of 22,000 aircraft movements were handled in 2019, 3% more than in 2018.

TEXL

TEXL recorded a 1% decrease in profit attributable to HAECO in 2019, to HK$180 million. In 2019, TEXL performed 49 performance restoration workscopes and 39 quick turn workscopes on GE90 aircraft engines (compared with 52 performance restoration workscopes and 38 quick turn workscopes in 2018). The reduction in profit in 2019 principally reflected slightly lower demand for GE90 aircraft engine performance restoration services.

HAESL

HAESL recorded an 11% increase in profit attributable to HAECO in 2019, to HK$415 million. The increase in profit reflected an increase in engine volume and a heavier work mix. 244 engines were overhauled in 2019, compared with 212 in 2018. HAESL continues to invest heavily in new facilities and tooling, and to recruit additional manpower, in order to accommodate further growth.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for an average of 296 aircraft in 2019, 2% more than in 2018. However, its operating profit in 2019 was lower than in 2018. This mainly reflected higher operating costs. The 2019 result was also adversely affected by prior year adjustments relating to revenue.

HAECO Landing Gear Services and HAECO Composite Services both recorded higher profits in 2019 than in 2018. They did more work.

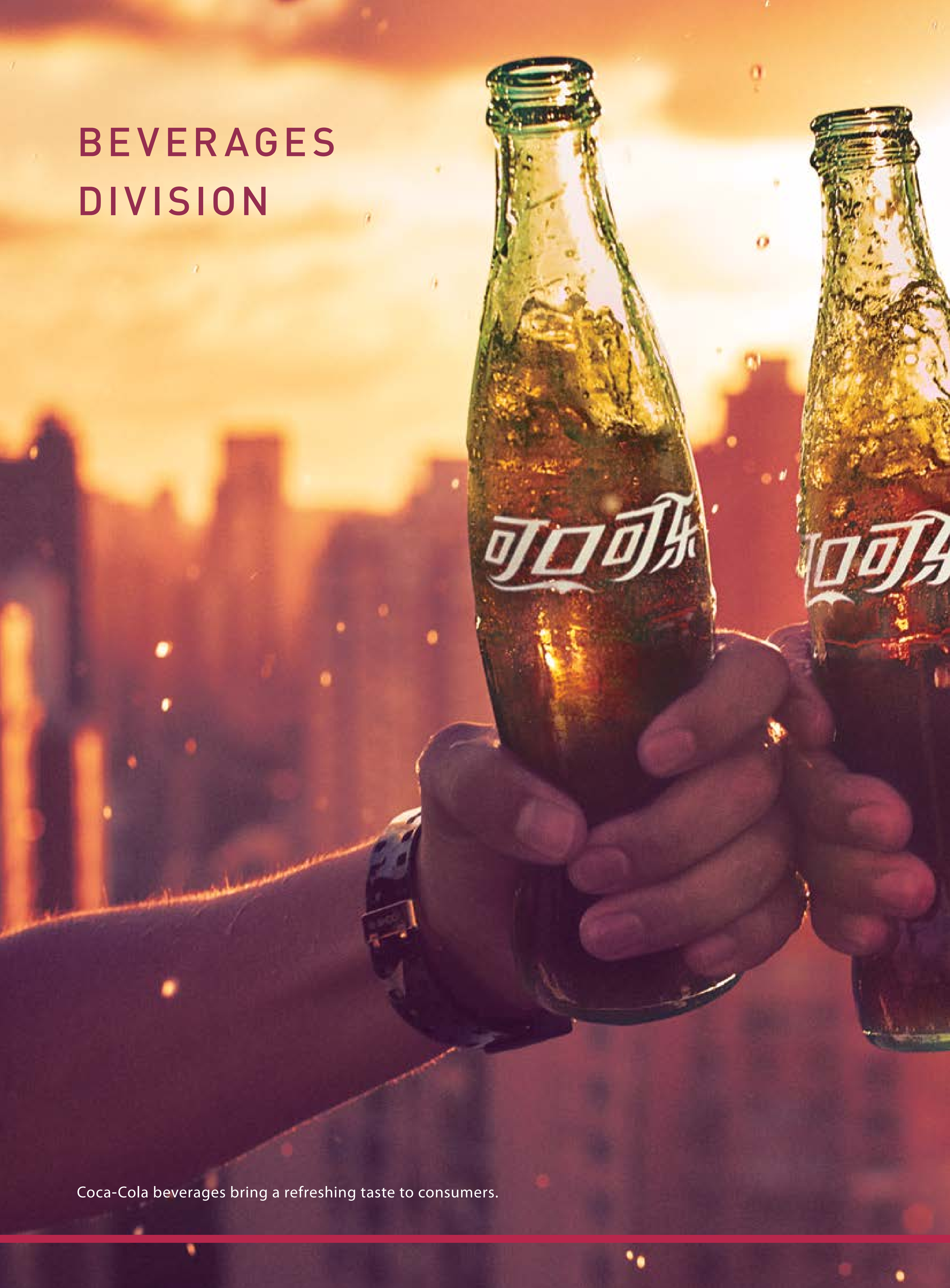
OUTLOOK

Demand for HAECO's airframe services is expected to be affected by less airframe maintenance being required as a result of COVID-19's effect on aircraft usage. Demand for line services in Hong Kong is being affected by a reduction in flights caused by COVID-19. Demand for engine services is expected to increase (though in time COVID-19's effect on aircraft usage will have some effect), with a varied mix of work. More seats are expected to be sold. Forward bookings for cabin integration work are low.

In May 2019, the Xiamen municipal government advised HAECO Xiamen that construction of a new airport in the Xiang'an district of Xiamen had been approved by the Chinese Central Government. Management is discussing with the Xiamen authorities the relocation of HAECO Xiamen's premises from the existing location to the new airport, which will be material to its operations in Xiamen.

Frank Walschot

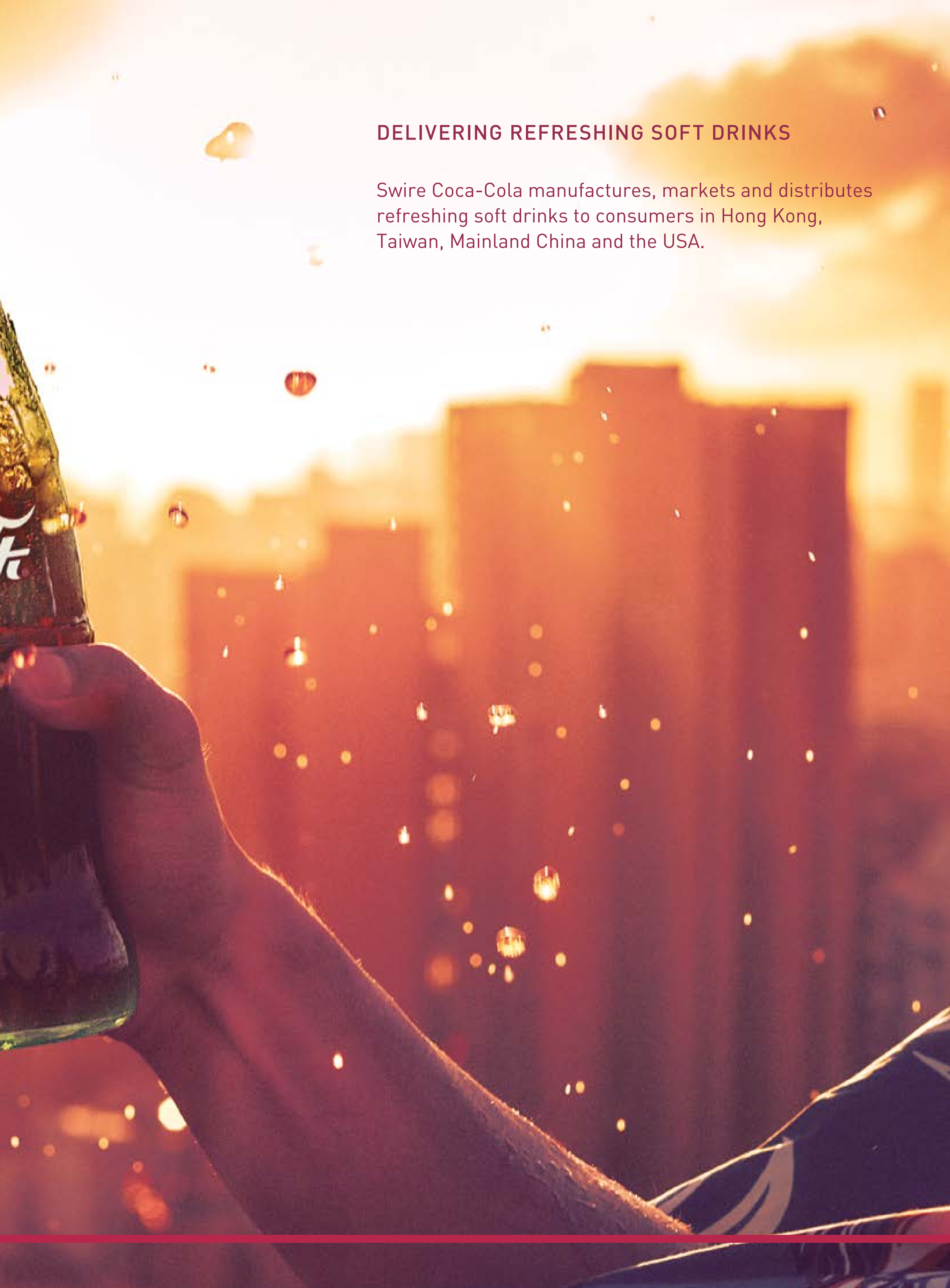
BEVERAGES DIVISION



Coca-Cola beverages bring a refreshing taste to consumers.

DELIVERING REFRESHING SOFT DRINKS

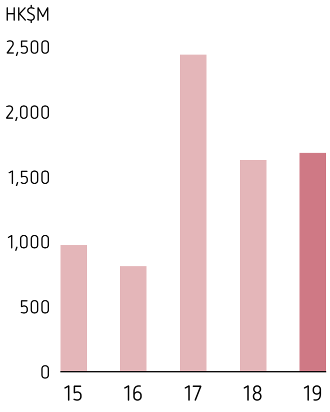
Swire Coca-Cola manufactures, markets and distributes refreshing soft drinks to consumers in Hong Kong, Taiwan, Mainland China and the USA.



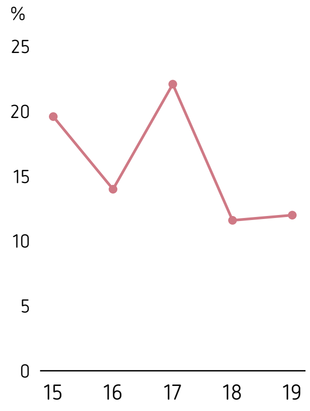
BEVERAGES DIVISION

Swire Coca-Cola (formerly Swire Beverages) has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company (TCCC) in 11 provinces and the Shanghai Municipality in Mainland China and in Hong Kong, Taiwan and an extensive area of the western USA.

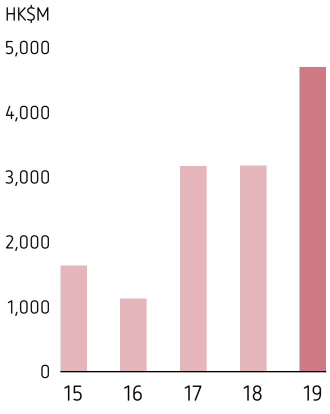
Profit Attributable to the Company's Shareholders



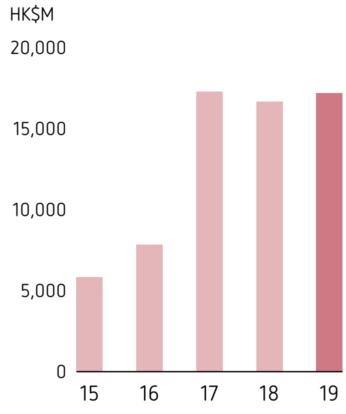
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



Swire Coca-Cola has ten wholly-owned franchise businesses (in Hong Kong, Taiwan and the USA, and in Fujian, Anhui, Guangxi, Jiangxi, Jiangsu and Hainan provinces and the cities of Zhanjiang and Maoming in Guangdong province in Mainland China) and five majority-owned franchise businesses (in Zhejiang, Guangdong (excluding the cities of Zhanjiang, Maoming and Zhuhai), Henan, Yunnan and Hubei provinces in Mainland China). It has a joint venture interest in a franchise in the Shanghai Municipality in Mainland China and an associate interest in Coca-Cola Bottlers Manufacturing Holdings Limited (CCBMH), which supplies still beverages to all Coca-Cola franchises in Mainland China.

At the end of 2019, Swire Coca-Cola manufactured 61 beverage brands and distributed them to a franchise population of 736 million people.

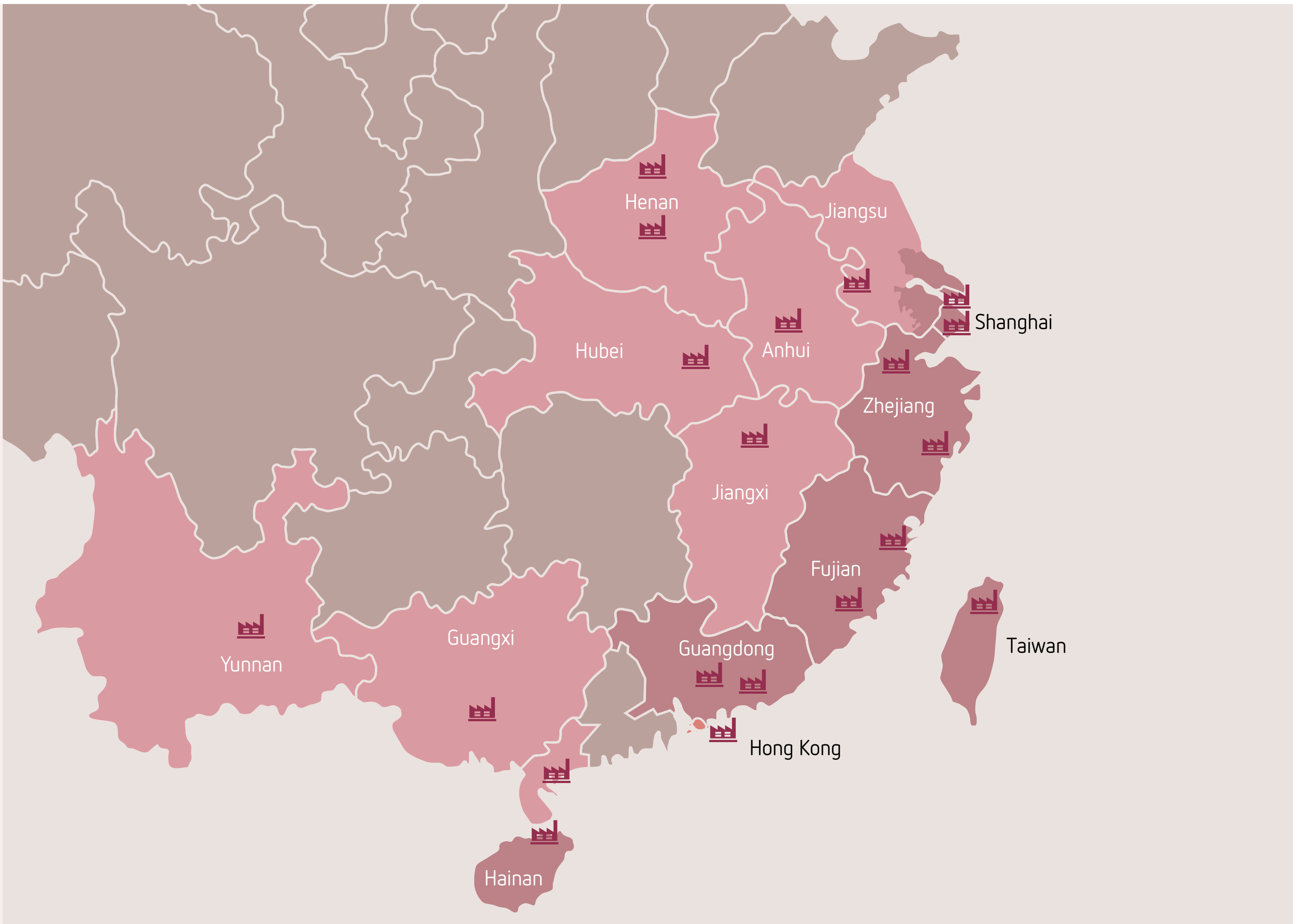
STRATEGY

The strategic objective of Swire Coca-Cola is to build a world-class bottling system which is recognised as a first class employer, a first class entity with which to do business and a first class corporate citizen in all territories where it does business. To achieve this objective, Swire Coca-Cola has five strategic priorities:

- **Portfolio Expansion**
  Alignment with The Coca-Cola Company's commitment to provide consumers everywhere with "Beverages for Life". This means increasing sales of sparkling beverages and developing sales of other beverage categories in order to increase our share of the non-alcoholic beverage market.
- **Commercial Leadership**
  Continuous improvements in execution, customer service, delivery and route-to-market metrics, with a view to being our customers' preferred supplier.
- **Digital Leadership**
  Becoming a digital leader, first in the beverage industry, then in the entire fast-moving consumer goods industry, in each of our markets.
- **Benchmarking**
  Benchmarking our operational and financial performance against peers in the Coca-Cola system and learning from such peers in order to adopt global best practices quickly.
- **Sustainability**
  Identifying and implementing sustainable practices throughout our business.

Franchise Territories

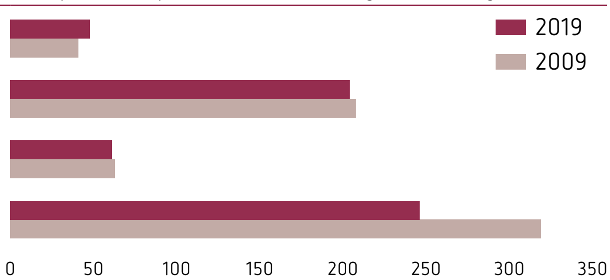
GREATER CHINA



Per Capita Consumption in Franchise Territories

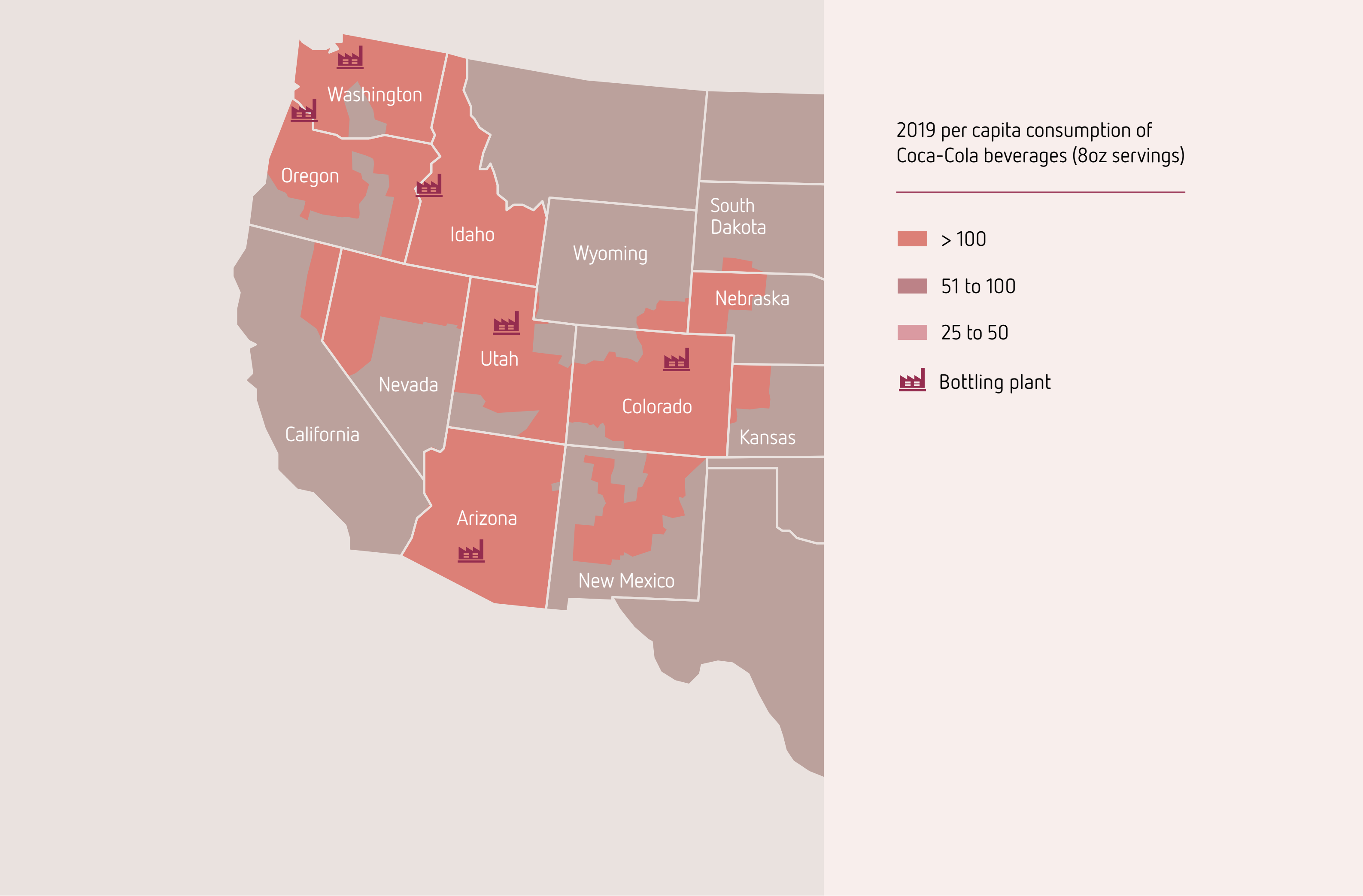
	Franchise population (millions) (end 2019)	GDP per capita (US$)	Sales volume (million unit cases) 2019	Sales volume (million unit cases) 2009
Mainland China	674.9	11,015	1,356	700
Hong Kong	7.5	48,367	64	61
Taiwan	23.6	25,932	60	61
USA	29.8	48,091	306	82

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



Note 1: A unit case comprises 24 8-ounce servings.

USA



Established in
1965

Annual Revenue
HK$43.3 billion

Annual Sales Volume
1,786 million unit cases

Present in
4 markets

Bottling Plants
26

Beverage Brands
61

Consumers
736 million

Employees
38,779

2019 PERFORMANCE

Financial Highlights

	2019 HK$M	2018 HK$M
Revenue	43,317	41,190
EBITDA	4,344	3,915
Operating profit derived from		
Operating activities	2,346	2,034
Non-recurring items	141	255
Total operating profit	2,487	2,289
Share of post-tax profits from joint venture and associated companies	153	151
Attributable profit (excluding non-recurring items)	1,584	1,354
Non-recurring items		
Gain from the acquisition of production assets in the USA	–	132
Gain on disposal of a plant in Taiwan	–	144
Gain on disposal of a plant in Yunnan, Mainland China	85	–
Gain on disposal of a sales centre in the USA	17	–
Attributable profit	1,686	1,630

Segment Financial Highlights

	Revenue		EBITDA		Attributable Profit	
	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M
Mainland China						
Operating activities	22,087	21,358	2,362	1,974	856	634
Non-recurring items	–	–	118	–	85	–
	22,087	21,358	2,480	1,974	941	634
Hong Kong	2,340	2,343	327	323	207	230
Taiwan						
Operating activities	1,694	1,551	164	129	75	67
Non-recurring items	–	–	–	148	–	144
	1,694	1,551	164	277	75	211
USA						
Operating activities	17,196	15,938	1,453	1,300	550	491
Non-recurring items	–	–	23	107	17	132
	17,196	15,938	1,476	1,407	567	623
Central costs	–	–	(103)	(66)	(104)	(68)
Beverages Division	43,317	41,190	4,344	3,915	1,686	1,630

Accounting for the Beverages Division
The non-recurring gains included under attributable profit are after the deduction of tax and non-controlling interests.

The ten wholly-owned franchise businesses (in Hong Kong, Taiwan and the USA, and in Fujian, Anhui, Guangxi, Jiangxi, Jiangsu and Hainan provinces and the cities of Zhanjiang and Maoming in Guangdong province in Mainland China) and five majority-owned franchise businesses (in Zhejiang, Guangdong (excluding the cities of Zhanjiang, Maoming and Zhuhai), Henan, Yunnan and Hubei provinces in Mainland China) were accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue and operating profit from these franchise businesses are included in the revenue and operating profit shown above. The division's joint venture interest in the Coca-Cola bottling unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. and its associate interest in CCBMH were accounted for using the equity method of accounting. Swire Pacific recognised its share of net profit or loss from each of these interests as a single line-item in the consolidated statement of profit or loss.

Segment Performance

	Note	Mainland China	Hong Kong	Taiwan	USA	Swire Coca-Cola
		Percentage Change in 2019				
Active Outlets		14%	-2%	1%	0%	13%
Revenue	1	8%	-0.4%	11%	9%	5%
Sales Volume	2	2%	-3%	8%	2%	2%
Gross Profit per unit case		10%	4%	6%	4%	4%
Water Use Ratio ^		2%	3%	-1%	-2%	2%
Energy Use Ratio ^		-3%	-2%	-3%	4%	–
LTIR		-4%	-40%	65%	27%	9%

	Note	Mainland China	Hong Kong	Taiwan	USA	Swire Coca-Cola
EBITDA Margin	3					
2019		9.4%	14.5%	9.8%	9.3%	9.6%
2018		8.5%	14.0%	8.6%	9.1%	9.0%
EBIT Margin	3					
2019		5.9%	10.6%	5.9%	5.3%	5.9%
2018		5.0%	11.2%	5.2%	5.1%	5.4%

^ Refer to the Glossary on pages 234 and 235.
Note 1: Revenue for Swire Coca-Cola, including that of a joint venture company and excluding sales to other bottlers, was HK$44,719 million (2018: HK$42,659 million).
Note 2: The sales volume for Mainland China shown in the table above represents sales in 13 franchise territories, in each case including products supplied by CCBMH.
Note 3: (i) EBITDA and EBIT for Swire Coca-Cola (including that of a joint venture company and excluding non-recurring gains and central costs) were HK$4,300 million (2018: HK$3,840 million) and HK$2,636 million (2018: HK$2,299 million) respectively.
(ii) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which includes that of a joint venture company and excludes sales to other bottlers).

2019 RESULTS SUMMARY

Swire Coca-Cola made an attributable profit of HK$1,686 million in 2019. This included a non-recurring gain of HK$85 million from the disposal of a plant in Yunnan, Mainland China and a non-recurring gain of HK$17 million on the disposal of a sales centre in the USA. This compares with an attributable profit of HK$1,630 million in 2018. The 2018 figure included a non-recurring gain of HK$144 million from the disposal of a plant in Taiwan and a non-recurring gain in relation to the acquisition of production assets in the USA of HK$132 million.

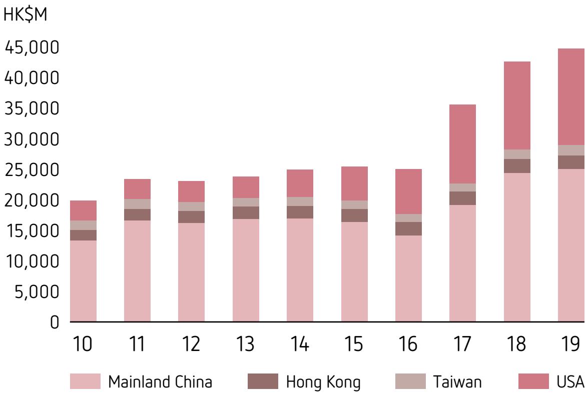
Disregarding the non-recurring gains in both years, Swire Coca-Cola made an attributable profit of HK$1,584 million in 2019, a 17% increase from its attributable profit of HK$1,354 million in 2018.

Total revenue (including that of a joint venture company and excluding sales to other bottlers) increased by 5% to HK$44,719 million. Sales volume increased by 2% to 1,786 million unit cases. Revenue and volume grew in Mainland China, Taiwan and the USA. In Hong Kong, revenue and volume declined.

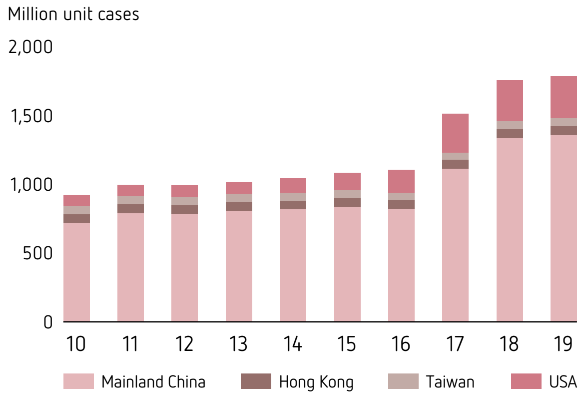
EBITDA (including that of a joint venture company and excluding non-recurring gains and central costs) increased by 12% to HK$4,300 million. Revenue growth improved EBITDA margins.

In 2019, Swire Coca-Cola continued to make significant investments in production assets, logistics infrastructure, merchandising equipment and digital capabilities. Capital commitments at 31st December 2019 were HK$1,831 million.

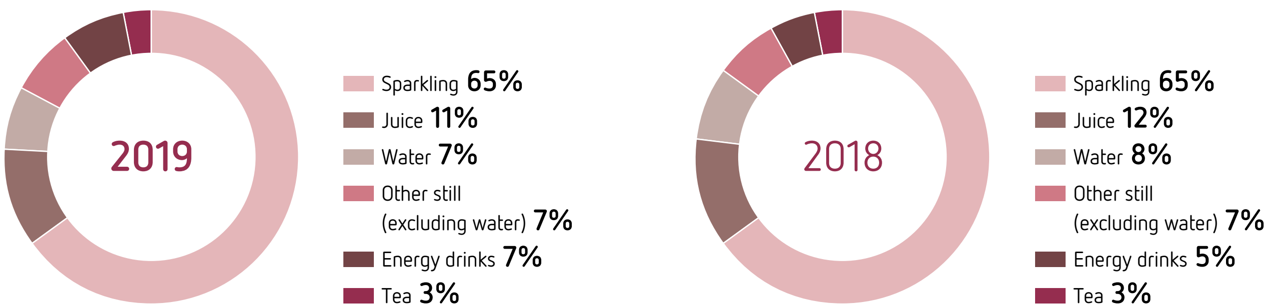
Revenue#



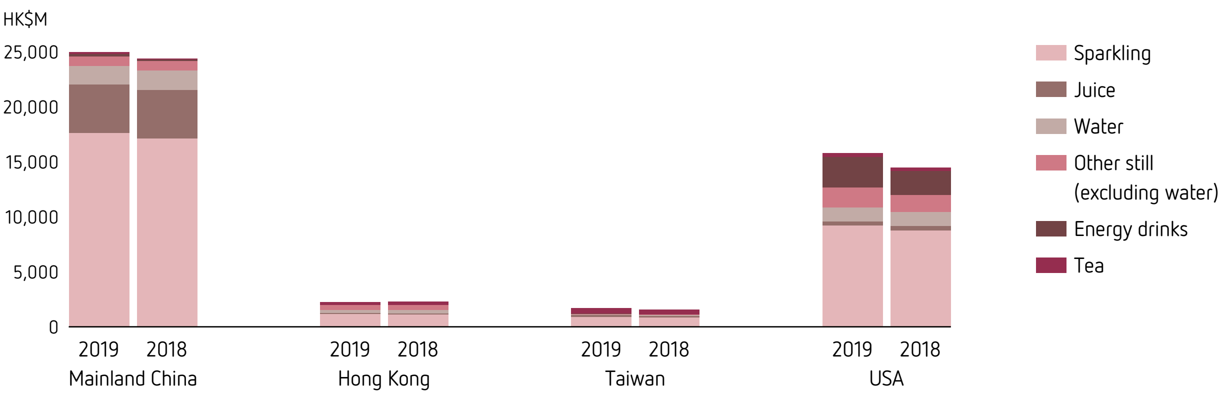
Sales Volume#



Breakdown of Total Revenue by Category#



Breakdown of Revenue by Region and Category#



Growth in Revenue and Volume in 2019 by Category##

	Mainland China		Hong Kong		Taiwan		USA	
	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume
Sparkling	9%	6%	3%	-0.1%	10%	8%	5%	3%
Juice	5%	3%	-4%	-8%	-1%	-2%	-9%	-3%
Water	-0.2%	-9%	-4%	-3%	–	1%	-1%	-7%
Other still (excluding water)	2%	-2%	-1%	-4%	-13%	-4%	18%	4%
Energy drinks	101%	99%	9%	11%	48%	49%	30%	18%
Tea	178%	33%	-7%	-10%	19%	11%	3%	-3%

Revenue and volume include those of a joint venture company and exclude sales to other bottlers.
Revenue (in local currency terms) and volume include those of a joint venture company and exclude sales to other bottlers.

Swire Coca-Cola introduces new beverage products and packaging in Mainland China.

Mainland China

Attributable profit from Mainland China was HK$941 million in 2019. Disregarding a non-recurring gain on disposal of a plant, the attributable profit was HK$856 million, a 35% increase from 2018.

Revenue (including that of a joint venture company and excluding sales to other bottlers) grew by 8% in local currency terms. Revenue grew faster than volume due to the introduction of new products and packaging and price increases.

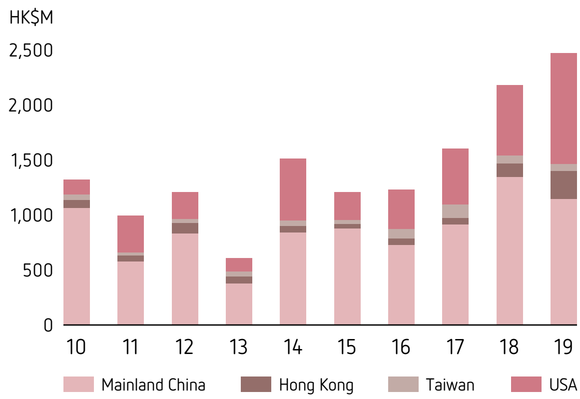
Sparkling and juice sales revenue grew by 9% and 5% respectively. Water sales revenue was similar to that in 2018. Revenue from premium categories of tea and energy drinks increased by 178% and 101% respectively. Powerade sports drinks were introduced in 2019 and sales have grown.

Total sales volume increased by 2%.

The increase in revenue was partly offset by higher operating costs and depreciation charges.

EBITDA and EBIT (including that of a joint venture company and excluding non-recurring gains and central costs) increased by 19% and 26% in local currency terms respectively. The EBITDA margin increased from 8.5% in 2018 to 9.4% in 2019. The EBIT margin increased from 5.0% to 5.9%.

Capital Expenditure



Hong Kong

Attributable profit from Hong Kong in 2019 was HK$207 million, a 10% decrease from 2018. There were higher operating expenses, infrastructure improvement costs and increased depreciation charges.

Revenue (excluding sales to other bottlers) decreased slightly by 0.4%.

Sparkling revenue increased by 3%. Still revenue decreased by 3%. Tea, juice and water revenue decreased by 7%, 4% and 4% respectively.

Total sales volume decreased by 3%.

EBITDA increased by 3% and EBIT decreased by 6%. The EBITDA margin increased from 14.0% in 2018 to 14.5% in 2019. The EBIT margin decreased from 11.2% to 10.6%, due to increased depreciation charges.

Taiwan

Attributable profit from Taiwan in 2019 was HK$75 million. Disregarding a non-recurring gain on disposal of a plant in 2018, the attributable profit increased by 12% from 2018.

Revenue in local currency terms increased by 11%, a higher growth rate than that of volume. This reflected better management of sales promotions and an improved product mix.

Sparkling revenue increased by 10%. Still revenue increased by 12%. Tea and energy drinks revenue increased by 19% and 48% respectively.

Total sales volume increased by 8%.

The increase in revenue was partly offset by higher operating costs, particularly those due to the upgrading of digital infrastructure.

EBITDA and EBIT (excluding non-recurring gains and central costs) increased by 27% and 26% in local currency terms respectively. The EBITDA margin increased from 8.6% in 2018 to 9.8% in 2019. The EBIT margin increased from 5.2% to 5.9%.

USA

Attributable profit from the USA was HK$567 million in 2019. Disregarding non-recurring gains in 2018 and 2019, the attributable profit (of HK$550 million in 2019) increased by 12% from 2018.

Swire Coca-Cola is installing Bonaqua water stations in Hong Kong.

Swire Coca-Cola uses image recognition technology to collect information about consumer preferences.

Revenue in local currency terms (excluding sales to other bottlers) grew by 9%. The revenue increase reflected price increases, a favourable product mix and the inclusion of sales of Monster products in the Arizona franchise territory from March 2019.

Sparkling revenue increased by 5%. Still revenue increased by 15%. The latter increase included increases in revenue from energy and sports drinks of 30% and 25% respectively.

Total sales volume increased by 2%.

The increase in revenue was partly offset by higher cost of goods sold and operating expenses.

EBITDA and EBIT (excluding non-recurring gains and central costs) increased by 12% and 13% in local currency terms respectively. The EBITDA margin increased from 9.1% in 2018 to 9.3% in 2019. The EBIT margin increased from 5.1% in 2018 to 5.3% in 2019.

OUTLOOK

Under normal circumstances, revenue in Mainland China would be expected to continue to grow in 2020 and to grow faster than volume, reflecting better product and package mixes, and improved market execution. However, the results in Mainland China are being adversely affected by COVID-19. Increased operating costs, particularly staff costs, will put pressure on profits.

In Hong Kong, the beverages market is expected to be difficult in 2020. Operating costs are expected to increase. Increased depreciation charges and operating costs due to the enhancement of distribution and production facilities will put pressure on profits. As in Mainland China, the results in Hong Kong are being adversely affected by COVID-19.

Revenue is expected to continue to grow faster than volume in Taiwan, reflecting improvements in product and package mixes and in the management of sales channels. Capacity constraints should be alleviated by a hybrid line being brought into full operation and by increased production by a contract packer.

In the USA, the beverages market is expected to grow moderately in 2020. Expansion of production and logistics facilities in Fruitland will improve operational efficiency but will add depreciation charges and operating costs.

Patrick Healy

MARINE SERVICES DIVISION

Pacific Dolphin, one of Swire Pacific Offshore's D-class vessels

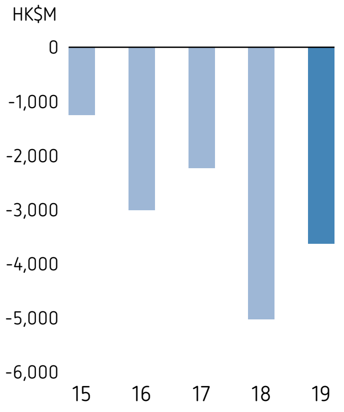
PROVIDING EXCELLENT OFFSHORE SUPPORT

We aim to provide outstanding specialised offshore support to the global oil and gas industry.

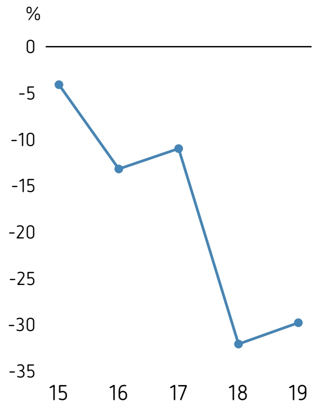
MARINE SERVICES DIVISION

The Marine Services Division, through Swire Pacific Offshore, owns and operates offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA. SPO also has a windfarm installation business.

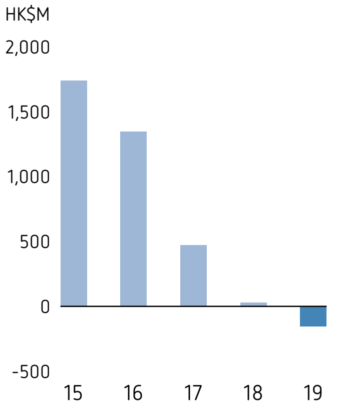
Loss Attributable to the Company's Shareholders



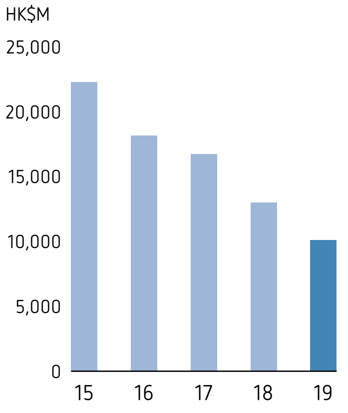
Return on Capital Employed



Net Cash Generated from/(Used in) Operating Activities



Capital Employed



SPO supports offshore drilling, production, exploration, platform construction, subsea inspection, maintenance and repair (IMR) and light construction work. SPO also carries out seismic survey support, marine salvage, oil spill preparedness and response, offshore wind farm construction and servicing and oil rig decommissioning.

SPO's Norway based Swire Seabed companies were closed in February 2020. Their IMR and light construction vessels are now operated and marketed as part of SPO's core fleet from the Singapore head office.

HUD, a joint venture between CK Hutchison and Swire Pacific, provides engineering, harbour towage and salvage services from its facilities on Tsing Yi Island in Hong Kong. It is the largest towage operator in Hong Kong, operating 13 tugs and six container vessels, providing a 24-hour service.

SPO

SPO's Fleet

At 31st December 2019, SPO operated a fleet of 73 vessels. The fleet consists of anchor handling tug supply vessels (AHTSs), platform supply vessels (PSVs) and construction and specialist vessels (CSVs). The CSVs consist of IMR vessels, a seismic survey vessel, wind farm installation vessels (WIVs), accommodation barges, a light construction subsea vessel and a high speed catamaran crew boat.

Except for those committed to long-term charters, SPO's vessels can be relocated from one operating region to another to take advantage of the most favourable employment opportunities.

SPO's Geographical Distribution

SPO is headquartered in Singapore, with regional support for its vessels provided by offices in Angola, Australia, Brazil, Brunei, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Malaysia, New Zealand, Qatar, the Philippines, Scotland and the United Arab Emirates. SPO also has a representative office in the USA.

SPO – Fleet Size

Vessel class	Year-end 2018	Disposals	Year-end 2019
Anchor Handling Tug Supply Vessels	44	(3)	41
Platform Supply Vessels	22	–	22
Construction and Specialist Vessels (Note)	11	(1)	10
	77	(4)	73

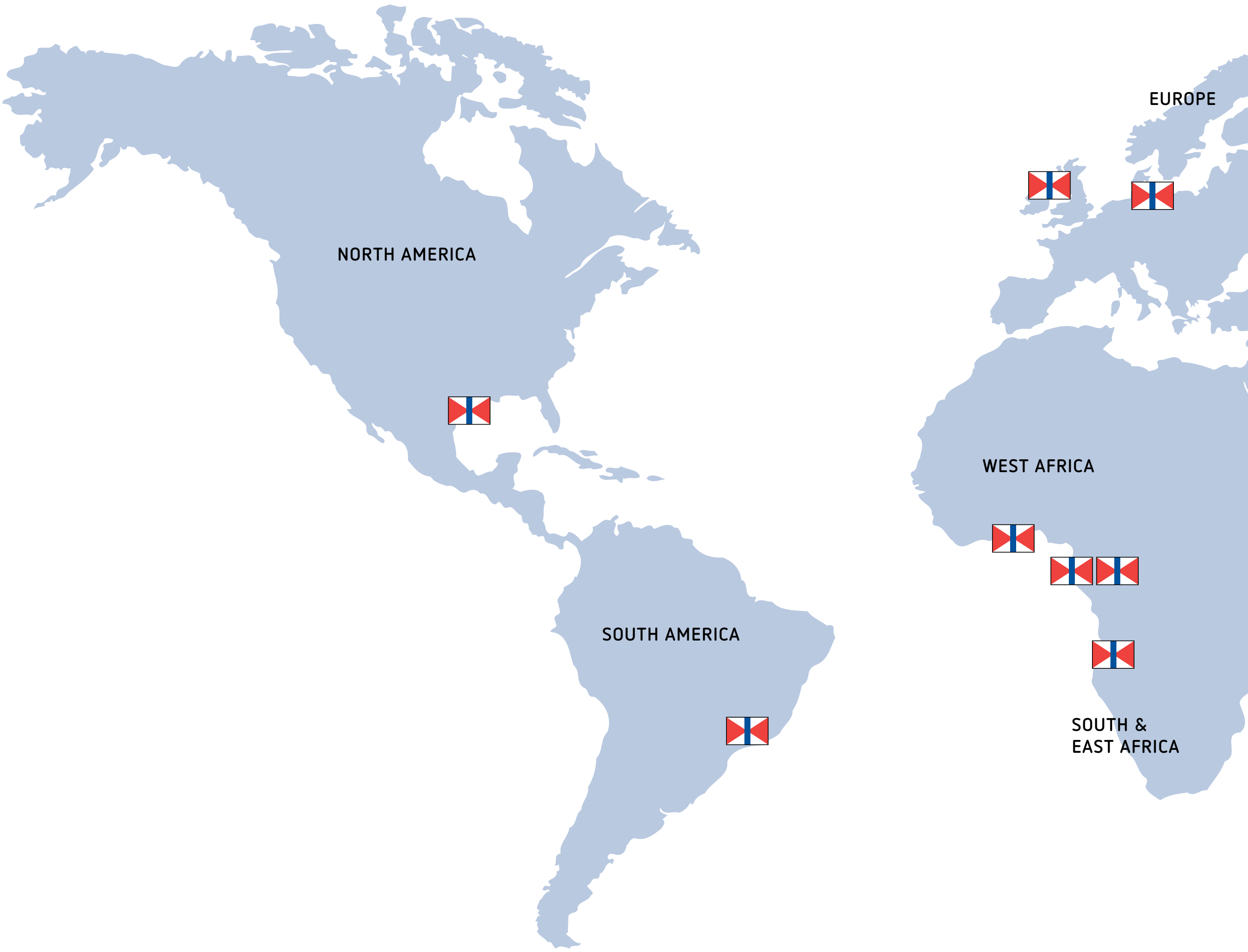
Note: One vessel is subject to an operating lease.

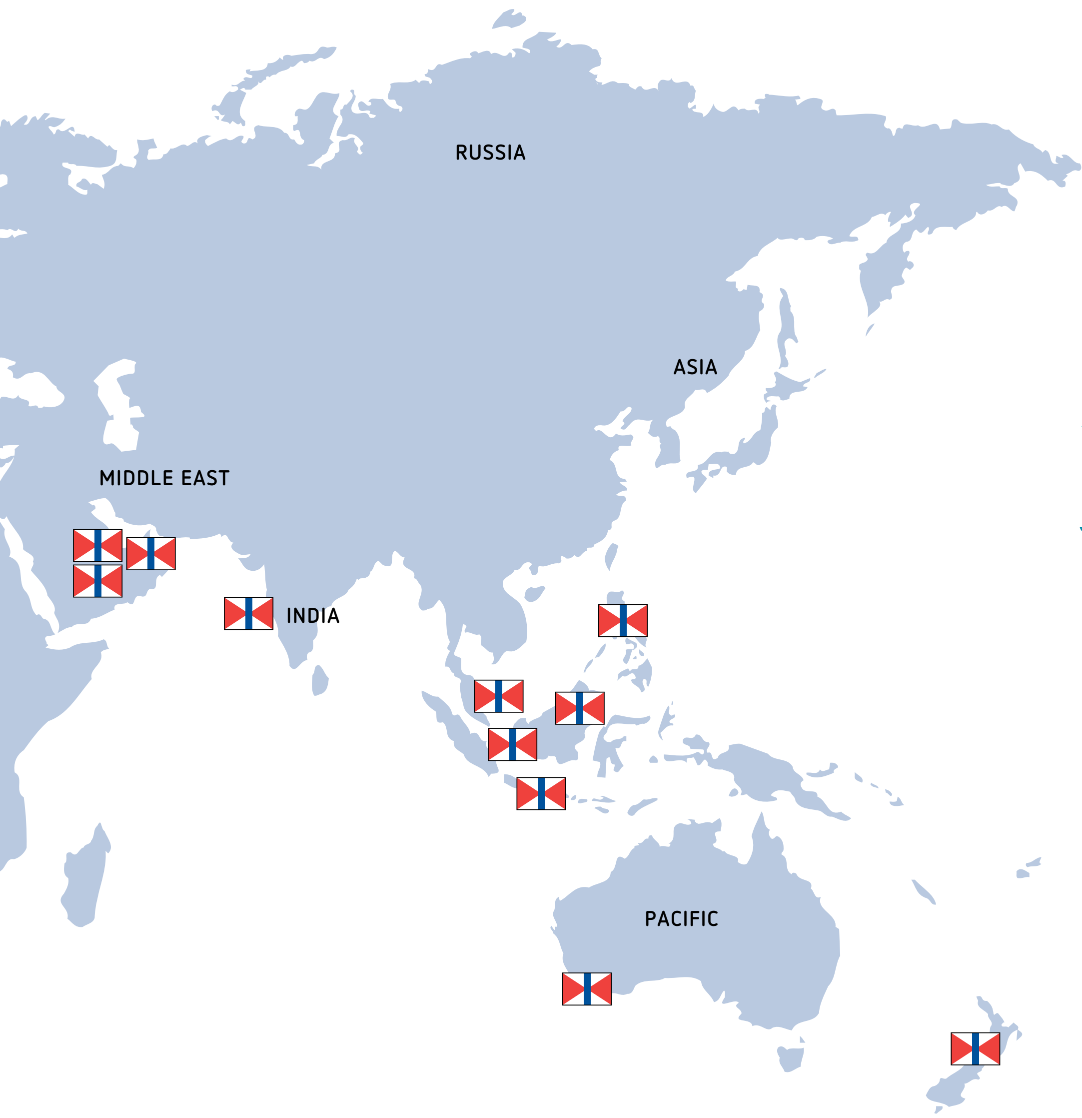
STRATEGY

The principal strategic objective of the Marine Services Division is to maintain and strengthen SPO's position as a leading supplier of marine services, focusing primarily on the offshore energy industry. The strategies employed in order to achieve this objective are:

- **Ensuring safety always comes first in every aspect of the business.**
- **Delivering a consistently high level of reliability and quality.**
- **Efficient and productive fleet operations.**
- **Managing the business sustainably.**
- **Developing an industry leading team recognised for quality and professionalism.**
- **Operating to the highest standards of corporate governance.**

SPO – Global Footprint





SPO Group Office

Number of Vessels at 31st December 2019

Anchor Handling Tug Supply Vessels	41
Platform Supply Vessels	22
Inspection, Maintenance and Repair Vessels	4
Accommodation Barges	2
Windfarm Installation Vessels	2
Seismic Survey Vessels	1
Fast Catamaran	1

2019 PERFORMANCE

Financial Highlights

	2019 HK$M	2018 HK$M
Swire Pacific Offshore group		
Revenue	2,452	3,019
Operating loss derived from		
Operating activities	(1,134)	(915)
Loss on disposal of vessels	(41)	–
Impairment charges	(2,121)	(3,872)
Restructuring provision	(125)	–
Total operating loss	(3,421)	(4,787)
Attributable loss	(3,672)	(5,070)
HUD group		
Share of post-tax profits from joint venture companies	38	37
Attributable loss	(3,634)	(5,033)
Non-recurring items		
Loss on disposal of vessels	(41)	–
Impairment charges on vessels and goodwill	(2,121)	(3,872)
Restructuring provision	(125)	–
Associated write-off of deferred tax asset	–	(39)
	(2,287)	(3,911)
Recurring loss	(1,347)	(1,122)

Fleet Size

	2019	2018
Number of vessels operated:		
Swire Pacific Offshore group	73	77
HUD group	19	19
Total	92	96

SPO has a modern, highly specified and fuel-efficient fleet which is capable of meeting the needs of its customers.

SWIRE PACIFIC OFFSHORE GROUP

2019 OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY REVIEW

Industry conditions remain difficult, although the market appears to have bottomed out. Offshore oil and gas spending increased modestly in 2019, which was reflected in higher vessel utilisation. However, the oversupply of offshore support vessels continued to put pressure on charter hire rates.

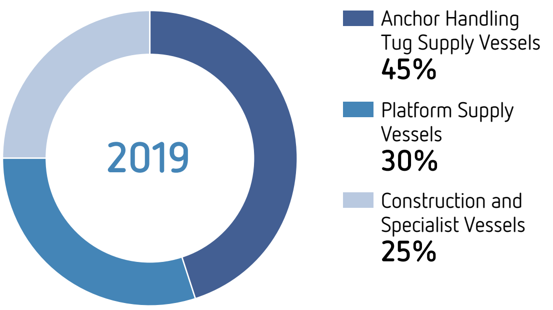
2019 RESULTS SUMMARY

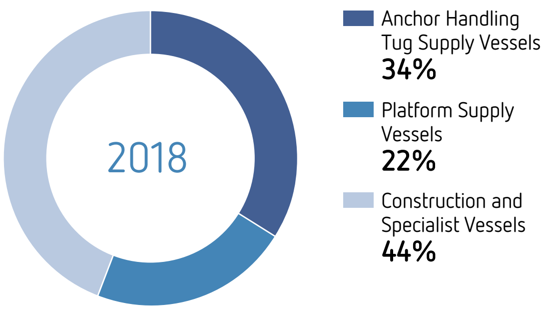
SPO reported an attributable loss of HK$3,672 million in 2019, compared to a loss of HK$5,070 million in 2018. The loss for 2019 included impairment charges in respect of the carrying value of vessels and a restructuring provision aggregating HK$2,246 million.

Significant impairment charges were made by SPO in previous years. These impairment charges reflected reviews of the carrying value of SPO's fleet, as required by applicable accounting standards. A significant influence on the value of the fleet is the outlook for the offshore industry in which SPO operates. The reviews performed in previous years reflected the outlook at the times when they were made. They took into account an expectation that a recovery in the oil price would result in increased offshore exploration and therefore increased utilisation of SPO's fleet and an increase in the charter hire rates which SPO could secure.

A further review of the carrying value of SPO's fleet was undertaken in 2019. This review resulted in the impairment charges and restructuring provision aggregating HK$2,246 million referred to above. There was higher utilisation of SPO's fleet in 2019. However, despite a recovery in the oil price (from a low in 2016 of US$28 per barrel to US$66 per barrel at the end of 2019), there was no corresponding increase in overall average charter hire rates. Too many vessels, including some being brought out of cold stack, are competing for the available work. Accordingly, the 2019 review of the carrying value of SPO's fleet took into account a downward revision of expected future charter hire rates, as compared to those expected in previous reviews.

SPO – Charter Hire Revenue by Vessel Class





Excluding impairment charges (and the associated restructuring provision, loss on disposal of vessels and write-offs) in both years, SPO reported an attributable loss of HK$1,385 million in 2019 (compared to a loss of HK$1,159 million in 2018). These losses reflect the difficult market conditions in the offshore energy industry.

SPO's net cash outflow from operating activities was HK$187 million in 2019, compared to an inflow of HK$52 million in 2018.

Charter Hire

Charter hire revenue decreased by 14% to HK$2,263 million in 2019. The decrease principally reflected reduced charter hire rates for specialist vessels.

SPO had a fleet utilisation rate of 76.9% in 2019, an increase of 7.0 percentage points from 2018. Average charter hire rates declined by 21% to US$13,600 per day.

Core Fleet (AHTSs and PSVs)

The utilisation rate for SPO's core fleet increased by 8.2 percentage points from 2018, to 82.3% in 2019. Charter hire rates for the core fleet increased by 5%, to US$11,100 per day.

One AHTS was in warm stack and no vessel was in cold stack at 31st December 2019.

Specialist Fleet

The utilisation rate of SPO's CSVs was 44.7% in 2019, similar to that in 2018. Charter hire rates for the CSVs decreased by 51%, to US$41,100 per day.

One accommodation barge was in cold stack at 31st December 2019.

One accommodation barge, one high speed crew catamaran and one windfarm installation vessel were in warm stack at 31st December 2019.

Non-charter Hire

Non-charter hire income was HK$189 million in 2019, a decrease of 50% compared to 2018. Non-charter hire income was mainly derived from consultancy and engineering services provided by subsea vessels.

Operating Costs

Total operating costs in 2019 decreased by HK$358 million (or 9%) to HK$3,548 million. This decrease principally reflected savings in manning costs and a different fleet mix.

FLEET

SPO had 73 vessels at the end of 2019, compared with 77 at the end of 2018.

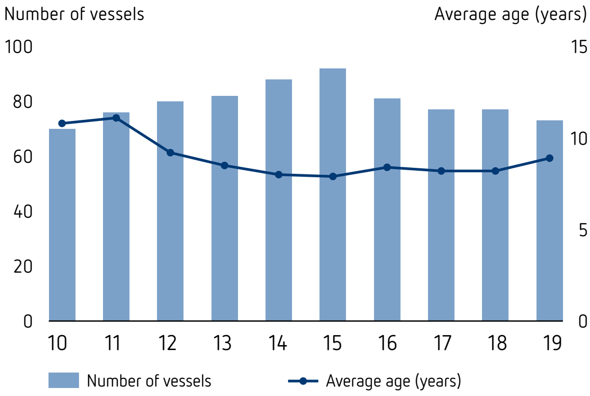
SPO disposed of three older AHTSs in 2019 and one seismic survey vessel. Total capital expenditure on vessels and other fixed assets in 2019 was HK$402 million, compared to HK$1,103 million in 2018.

At 31st December 2019, SPO had total capital expenditure commitments of HK$392 million (31st December 2018: HK$473 million).

SPO – Profile of Capital Commitments

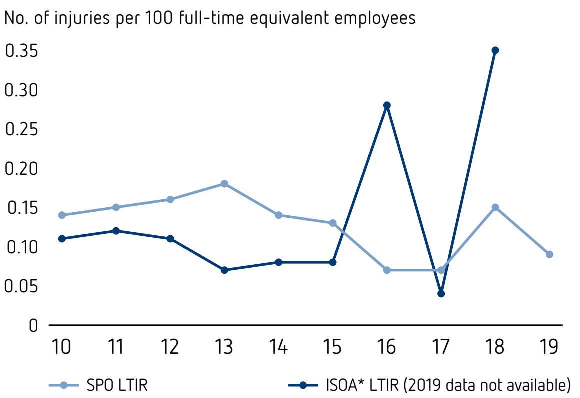
	Expenditure 2019 HK$M	Commitments at 31st December 2019 HK$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**239**	**226**
Construction and Specialist Vessels	**89**	**158**
Other fixed assets	**74**	**8**
Total	**402**	**392**

SPO – Fleet Size and Average Age of Vessels*



* Including vessels chartered from external parties.

SPO – LTIR



* ISOA – International Support Vessel Owners' Association

OUTLOOK

SPO's 2019 vessel utilisation was the highest since 2014, but charter hire rates are depressed by the oversupply of vessels. Trade tensions and COVID-19 are adversely affecting the recovery of the offshore support industry. In any event, a significant overall increase in rates will be required to restore SPO's business to profitability. SPO continues to evaluate the composition of its fleet with a view to being in the best position to take advantage of market opportunities as they materialise. SPO remains vigilant on costs.

HONGKONG UNITED DOCKYARDS GROUP

2019 INDUSTRY REVIEW

The shipping industry is suffering from over-capacity and competition for harbour towage business in Hong Kong is fierce.

There were fewer relevant engineering contracts awarded in 2019 than expected, but margins were better than in 2018.

2019 RESULTS SUMMARY

The attributable profit of the HUD group for 2019 was HK$38 million compared to HK$37 million in 2018.

The salvage and towage division's 2019 profit (before tax and interest and on a 100% basis) was HK$146 million (2018: HK$135 million). The increase reflected gains on the disposal of two tug boats and unscheduled emergency oil spill response services, partly offset by a reduction in towage activity.

The engineering division recorded a loss (before tax and interest and on a 100% basis) of HK$57 million compared to a loss of HK$53 million in 2018.

The salvage and towage division has 19 vessels, including six container vessels. Two new tugs were acquired and two old tugs were sold in 2019.

OUTLOOK

Container liner activity and land-based engineering projects are being adversely affected by COVID-19, the former because of the effect of the virus on trade with Mainland China.

Peter Langslow
Derrick Chan

TRADING & INDUSTRIAL DIVISION

Taikoo Motors is a Volkswagen dealer in Taiwan.

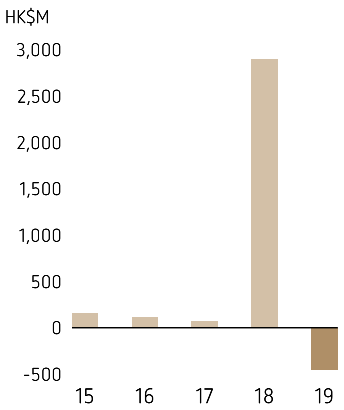
DEVELOPING CORE BUSINESSES

We aim to strengthen the capabilities of our retail, motors and food businesses.

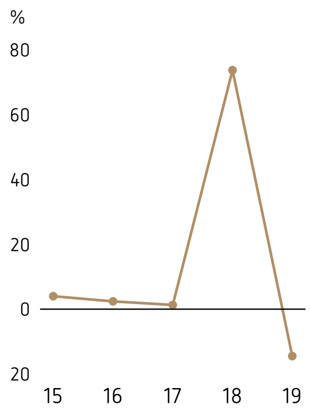
TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in the following companies: Swire Resources, Taikoo Motors, Swire Foods and Swire Environmental Services.

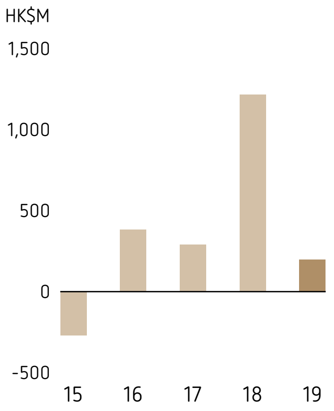
Profit/(Loss) Attributable to the Company's Shareholders



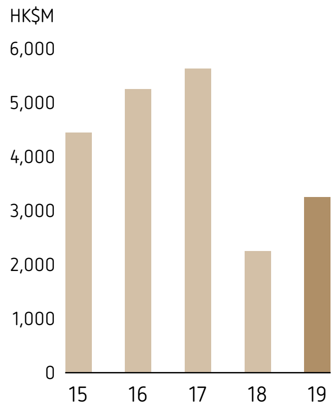
Return on Capital Employed



Net Cash Generated from/ (Used in) Operating Activities



Capital Employed



SWIRE RESOURCES

Swire Resources retails and distributes footwear, apparel and related accessories. At 31st December 2019, it operated 191 retail outlets in Hong Kong and Macau and 13 retail outlets in Mainland China.

SWIRE FOODS

Chongqing New Qinyuan Bakery

Qinyuan Bakery is a leading bakery chain in southwest China, with 571 stores in Chongqing, Guiyang and Chengdu at the end of 2019.

Taikoo Sugar

Taikoo Sugar packages and sells sugar in Hong Kong and Mainland China under the Taikoo Sugar brand.

TAIKOO MOTORS

Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. Almost all of Taikoo Motors' business is in Taiwan, where it sells Volkswagen, Mercedes-Benz and Mazda cars, Volkswagen light commercial vehicles, Volvo trucks and buses, Harley-Davidson motorcycles and Vespa scooters.

SWIRE ENVIRONMENTAL SERVICES

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

STRATEGY

The strategic objective of the Trading & Industrial Division is (after a period of divestment) to develop its retail, motors and food businesses. The strategies employed in order to achieve this objective are these:

- Strengthening the capability of Swire Resources in branded footwear, apparel and related accessories by expanding the range and quality of those branded goods.
- Opening new stores for key brands sold by Swire Resources in Hong Kong and Macau.
- Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to brands represented.
- Using Taikoo Motors' existing capability in order to expand into other motor-related businesses.
- Expanding the distribution network of Taikoo Sugar in Mainland China.
- Strengthening Qinyuan Bakery by increasing the range of its products and the number of its stores.
- Increasing the number of waste management contracts awarded to Swire Waste Management.

2019 PERFORMANCE

Financial Highlights

	2019 HK$M	2018 HK$M
Revenue		
Swire Resources	3,113	3,338
Taikoo Motors	5,190	5,810
Swire Foods	1,605	1,748
Swire Pacific Cold Storage	–	82
	9,908	10,978
Operating (losses)/profits		
Swire Resources	(3)	69
Taikoo Motors	173	155
Swire Foods	(348)	(30)
Swire Pacific Cold Storage*	104	24
Swire Environmental Services	(285)	(24)
Others, including central costs	(20)	3,061
	(379)	3,255
Attributable (losses)/profits		
Swire Resources	(24)	102
Taikoo Motors	132	123
Swire Foods	(365)	(91)
Swire Pacific Cold Storage*	140	(45)
Swire Environmental Services	(315)	(54)
Akzo Nobel Swire Paints*	–	2,894
Central costs	(20)	(25)
Attributable (loss)/profit	(452)	2,904
Non-recurring items		
Gain on disposal of businesses	140	2,792
Provision for termination of businesses	–	(52)
Provision for business rationalisation in Qinyuan Bakery	(152)	–
Write-off of:		
– Goodwill in respect of Qinyuan Bakery	(200)	–
– An associated company	(281)	–
	(493)	2,740
Recurring profit	41	164

* Including gains on disposal of interests in the relevant companies

2019 INDUSTRY REVIEW

Footwear and apparel business in Hong Kong and Mainland China

Footwear and apparel sales in Hong Kong and Mainland China decreased by 7% in 2019.

Car sales in Taiwan

Car registrations in Taiwan increased by 1% to 439,813 units in 2019.

Sugar sales in Mainland China

The volume of sugar sold in Mainland China was little changed at 33,510 million pounds in 2019.

Bakery sales in Mainland China

Retail sales of bakery products sold in Mainland China increased by 11% in 2019.

2019 RESULTS SUMMARY

The attributable loss of the Trading & Industrial Division in 2019 was HK$452 million compared to an attributable profit of HK$2,904 million in 2018. The 2019 results included a write-off of the investment in an associated company of HK$281 million, an impairment charge of HK$200 million in respect of goodwill and other provisions of HK$152 million at the Qinyuan Bakery, and the write-back of provisions (of HK$140 million) relating to the disposal of the cold storage business. The 2018 results included non-recurring gains of HK$2,792 million on the disposals of the Akzo Nobel paints business and the cold storage business. Disregarding these items and other non-recurring items, the Division's attributable profit in 2019 was HK$41 million, compared with an attributable profit of HK$164 million in 2018. The deterioration mainly reflects worse results from Swire Resources in the second half of the year and the disposal of the paints business (which was profit making), partly offset by the absence of losses from the cold storage business (which was loss making before its disposal).

Swire Resources

The attributable loss of Swire Resources in 2019 was HK$24 million, compared to a profit of HK$102 million in 2018. In the second half of 2019, sales at the retail outlets of Swire Resources were significantly affected by social unrest in Hong Kong.

The revenue of Swire Resources in Hong Kong and Macau in 2019 was 7% lower than in 2018. Gross margins were also lower. During the period of social unrest, there were fewer tourists in Hong Kong (especially from Mainland China), local consumers spent less and margins were affected by discounting and sales promotions.

191 retail outlets were operated in Hong Kong and Macau at the end of 2019, two fewer than at the end of 2018. 13 retail outlets were operated in Mainland China at the end of 2019, five more than at the end of 2018.

Taikoo Motors

The attributable profit of Taikoo Motors increased to HK$132 million in 2019 from HK$123 million in 2018. The 2019 and 2018 results included termination costs arising from the closure of the Malaysia business of HK$2 million and HK$14 million respectively.

17,522 cars, commercial vehicles and motorcycles were sold in 2019, 9% fewer than in 2018. 98% of these units were sold in Taiwan. The gross profit margin was higher than in 2018, due to a favourable product mix. Operating costs as a percentage of revenue were similar to that in 2018.

Swire Foods group

Swire Foods reported an attributable loss of HK$365 million in 2019, compared with an attributable loss of HK$91 million in 2018.

Qinyuan Bakery recorded an attributable loss of HK$389 million in 2019. The 2019 results included an impairment charge in respect of goodwill of HK$200 million and other business rationalisation costs of HK$152 million. Excluding these non-recurring items, the loss of Qinyuan Bakery reduced to HK$37 million from a loss of HK$66 million in 2018.

The 2019 revenue and gross profit of Qinyuan Bakery decreased by 11% and 9% respectively. This primarily reflected lower store numbers. Qinyuan Bakery operated 571 stores at the end of 2019, compared to 651 stores at the end of 2018.

The 2019 volumes of sugar sold by Taikoo Sugar decreased by 3% and 5% in Hong Kong and Mainland China respectively. Margins benefited from lower sugar costs. Operating costs increased because more sales staff were recruited in Mainland China.

The 34% owned sugar refinery business in Guangdong, Mainland China was disposed of in November 2019.

Swire Environmental Services

Swire Environmental Services made an attributable loss of HK$315 million in 2019, which included a write-off of the investment in an associated company of HK$281 million.

OUTLOOK

The results of Swire Resources are being very badly affected by COVID-19.

Taikoo Motors is upgrading its outlets and developing motor related businesses. Its results are expected to be stable in 2020.

Qinyuan Bakery is upgrading its existing stores. The range and quality of its products are improving. Its supply chain is becoming more agile and efficient. However, its results are being adversely affected by COVID-19.

Taikoo Sugar is expanding its distribution network in Mainland China and is improving its supply chain. However, its results in Hong Kong and Mainland China are being adversely affected by COVID-19.

David Cogman / Ivan Chu

Financial Review

Additional information is provided below to reconcile reported and underlying profit attributable to the Company's shareholders. The reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the USA, and for other deferred tax provisions in relation to investment properties. Amortisation of right-of-use assets classified as investment properties is charged to underlying profit.

Audited Financial Information

	Note	2019 HK$M	2018 HK$M
Underlying profit			
Profit attributable to the Company's shareholders		9,007	23,629
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(4,571)	(20,722)
Deferred tax on investment properties	(b)	1,138	935
Valuation gains realised on sales of interests in investment properties	(c)	14,159	1,351
Depreciation of investment properties occupied by the Group	(d)	32	28
Non-controlling interests' share of adjustments		(1,955)	3,302
Less: amortisation of right-of-use assets reported under investment properties	(e)	(13)	–
Underlying profit attributable to the Company's shareholders		17,797	8,523

Notes:

(a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss plus the Group's share of net revaluation movements of joint venture companies.

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

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

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

(e) HKFRS 16 amends the definition of investment property under HKAS 40 to include properties held by lessees as right-of-use assets to earn rentals or for capital appreciation or both, and requires the Group to account for such right-of-use assets at their fair value. The amortisation of such right-of-use assets is charged to underlying profit.

Recurring underlying profit is provided below to show the effect of significant non-recurring items.

	2019 HK$M	2018 HK$M
Underlying profit attributable to the Company's shareholders	17,797	8,523
Significant non-recurring items:		
Profit on sales of interests in investment properties	(13,528)	(2,155)
Profit on acquisition/sale of businesses	–	(35)
Profit on sale of businesses in Trading & Industrial Division	(140)	(2,792)
Profit on sale of property, plant and equipment and other investments	(145)	(105)
Gain by Swire Coca-Cola from the acquisition of production assets in the USA	–	(132)
Impairment of property, plant and equipment and intangible assets and write-off of investments and deferred tax assets	3,237	4,185
Recurring underlying profit*	7,221	7,489

* A more detailed definition is provided in the Glossary on page 234.

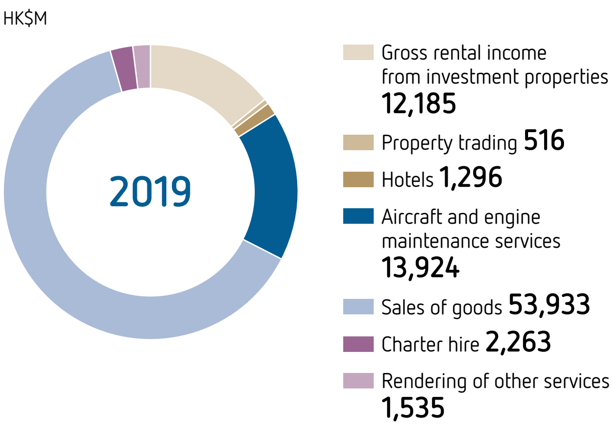
Commentary on and Analysis of Major Balances and Year on Year Variances in the Financial Statements

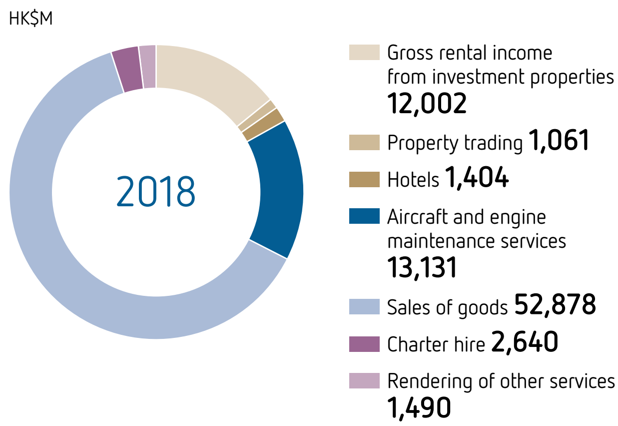
Consolidated Statement of Profit or Loss

	Notes to the Financial Statements	2019 HK$M	2018 HK$M	Increase / (Decrease) HK$M	%
Revenue	4	85,652	84,606	1,046	1%
Cost of sales	6	(53,831)	(53,739)	92	–
Expenses	6	(21,432)	(20,815)	617	3%
Other net (losses)/gains	5	(325)	1,458	(1,783)	N/A
Change in fair value of investment properties		3,728	19,378	(15,650)	-81%
Operating profit		13,792	30,888	(17,096)	-55%
Net finance charges	9	(2,042)	(2,324)	(282)	-12%
Share of profits less losses of joint venture companies	20(a)	1,949	2,458	(509)	-21%
Share of profits less losses of associated companies	20(b)	885	1,324	(439)	-33%
Taxation	10	(2,746)	(2,926)	(180)	-6%
Profit for the year		11,838	29,420	(17,582)	-60%
Profit attributable to the Company's shareholders	35	9,007	23,629	(14,622)	-62%
Underlying profit attributable to the Company's shareholders	11	17,797	8,523	9,274	109%

Revenue

Revenue by Category





The increase in revenue of HK$1,046 million compared to 2018 reflected higher revenue from the Beverages Division (HK$2,127 million) and the Aviation Division (HK$1,009 million). These improvements were partly offset by decreases in revenue from the Trading & Industrial Division (HK$1,053 million), the Marine Services Division (HK$567 million) and the Property Division (HK$469 million).

In the Property Division, gross rental income from property investment increased by HK$183 million in 2019. In Hong Kong, gross rental income from office properties increased by 4%, principally reflecting positive rental reversions, firm occupancy and a full year of rental income from One Taikoo Place, which opened in the last quarter of 2018 and more than offset the loss of rental income from Cityplaza Three and Cityplaza Four in Hong Kong, which were sold in April 2019. Retail properties in Hong Kong recorded a drop in rental income due to rental subsidies offered to tenants and lower retail sales because of social unrest in the second half of 2019. In Mainland China, there was higher rental income from the retail portfolio, reflecting positive rental reversions, higher retail sales and firm occupancy. In the USA, there was higher rental income because of improved occupancy and higher retail sales. Revenue from property trading decreased by HK$545 million compared to 2018. The property trading revenue in 2019 represented the proceeds of sales of carparks at ALASSIO in Hong Kong and from two Reach units and 38 Rise units at the Brickell City Centre development and the last unit in the ASIA development in the USA. The property trading revenue in 2018 represented the proceeds of sales of carparks at AZURA and 12 WHITESANDS houses in Hong Kong and from 37 Reach and Rise units in the USA. Revenue from hotels decreased by HK$108 million in 2019, largely due to social unrest in Hong

Kong during the second half of 2019, which adversely affected the occupancy and room rates of Hong Kong hotels. The hotel revenue from the USA improved.

In the Aviation Division, the increase in revenue from the HAECO group was principally due to increases in airframe services revenue and line services revenue at HAECO Hong Kong and in airframe services revenue at HAECO Americas, partly offset by lower revenue from HAECO Xiamen and cabin solutions at HAECO Americas.

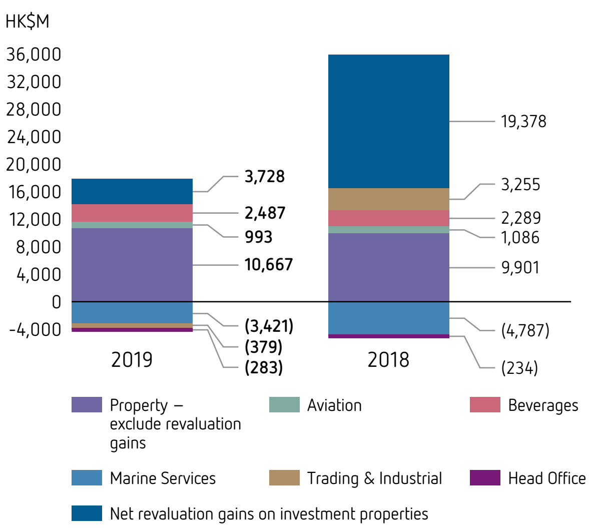
In the Beverages Division, the increase in revenue was due to increased sales volumes in all areas other than Hong Kong. The revenue increase in Mainland China reflected the introduction of new products and packaging and price increases. The revenue increase in the USA reflected price increases, a favourable product mix and the inclusion of sales of Monster products in the Arizona franchise territory from March 2019. The higher revenue in Taiwan reflected better management of sales promotions and an improved product mix.

In the Marine Services Division, the decrease in revenue at SPO principally reflected lower charter hire rates for specialist vessels, partly offset by higher utilisation and charter hire rates for the core fleet. Non-charter hire income was 50% lower than in 2018.

In the Trading & Industrial Division, there were decreases in revenue at Taikoo Motors, Swire Resources and Swire Foods. There was no revenue from Swire Pacific Cold Storage during 2019 following its sale in July 2018. Retail sales at Swire Resources reduced significantly, due to social unrest in Hong Kong in the second half of 2019.

Operating Profit

Operating Profit/(Loss) by Division



The operating profits in 2019 and 2018 included net valuation gains on investment properties of HK$3,728 million and HK$19,378 million, respectively. The net revaluation gains on investment properties in 2019 principally reflected modest increases in the valuation of the office properties in Hong Kong and of the investment properties in Mainland China following rental increases, partly offset by a decrease in the valuation of retail properties in Hong Kong. Excluding net revaluation gains, operating profit decreased by HK$1,446 million. This reflected a movement from operating profit to operating loss in the Trading & Industrial Division and lower operating profit in the Aviation Division, partly offset by increases in operating profit in the Property and Beverages Divisions and reduced vessel impairment charges in the Marine Services Division.

The Property Division's operating profit (excluding net valuation gains) increased by HK$766 million. Profit from property investment increased by HK$864 million. This reflected a higher profit on the sales of interests in investment properties of HK$1,062 million and higher net rental income from office properties in Hong Kong and from the retail properties in Mainland China and the USA, partly offset by lower net rental income from retail properties in Hong Kong. Profit from property trading decreased by HK$61 million, principally reflecting the absence in 2019 of profit on sales at the WHITESANDS development in Hong Kong. The operating loss from hotels increased by HK$37 million, principally due to a poor performance by the managed hotels in Hong Kong during the second half of 2019 (reflecting social unrest), partly offset by better performances at EAST, Miami in the USA.

In the Aviation Division, the HAECO group's 2019 operating profit included non-recurring impairment charges in respect of the cabin solutions business in HAECO Americas aggregating HK$234 million. Disregarding these non-recurring items, the HAECO group recorded an improved operating profit in 2019. This reflected a reduced loss at HAECO Americas and higher profits at HAECO Hong Kong and HAECO Composite Services, partly offset by a lower profit at HAECO Xiamen.

In the Beverages Division, the 2019 operating profit included the following non-recurring items on a pre-tax basis: (a) a HK$118 million gain from the disposal of a plant in Yunnan, Mainland China and (b) a HK$23 million gain from the disposal of a sales centre in the USA. Disregarding these non-recurring gains (which aggregated HK$141 million) and non-recurring gains aggregating HK$255 million in 2018 (mainly arising from the disposal of a plant in Taiwan and from the acquisition of production and distribution assets in the USA), the 2019 operating profits of the Beverages Division increased by HK$312 million. Profits were higher in Mainland China, Taiwan and the USA. This reflected revenue growth in Mainland China, Taiwan and the USA, partly offset by higher operating costs in all areas, higher depreciation charges in Mainland China and higher cost of goods sold in the USA. The reduced profit in Hong Kong was due to higher depreciation charges.

In the Marine Services Division, the operating loss at SPO included an impairment charge of HK$2,121 million in respect of vessels (2018: HK$3,872 million, including a write-off of associated goodwill), a HK$125 million restructuring provision in respect of the seabed business and a HK$41 million loss relating to disposal of vessels. Disregarding non-recurring items in both years, operating losses of SPO increased from HK$915 million in 2018 to HK$1,134 million in 2019. This principally reflected lower charter hire rates for specialist vessels, partly offset by higher utilisation and charter hire rates at the core fleet, savings in manning costs and a different fleet mix.

In the Trading & Industrial Division, the 2019 operating profit included the following non-recurring items: (a) a write-off of investment in an associated company, (b) impairment charges and other provisions at Qinyuan Bakery and (c) a write-back of provisions relating to the sale of Swire Pacific Cold Storage which took place in 2018. Disregarding these non-recurring items (which resulted in net aggregate losses of HK$529 million) and the non-recurring gains on disposals of Akzo Nobel Swire Paints and Swire Pacific Cold Storage of HK$3,173 million in 2018, the Division reported an operating profit of HK$150 million in 2019 compared to an operating profit of HK$82 million in 2018. There were higher operating profits at Taikoo Motors and Swire Pacific Cold Storage business did not contribute a loss in 2019 following its disposal in July 2018. The recurring loss at Qinyuan Bakery reduced. Swire Resources made an operating loss in 2019 due to fewer customers, especially tourists from Mainland China, and reduced margins during the period of social unrest in Hong Kong.

Net Finance Charges

The decrease in net finance charges mainly reflected (a) higher interest income and lower finance charges resulting from the receipt of proceeds from the sales of interests in investment properties in the Property Division, (b) fair value gains (instead of 2018's fair value losses) on put options over interests in a joint venture company in the Beverages Division, partly offset by (c) finance charges in respect of lease liabilities following the adoption of HKFRS 16 "Leases" effective from 1st January 2019.

Share of Profits Less Losses of Joint Venture Companies

In the Property Division, the decrease of HK$466 million principally reflected lower net revaluation gains of HK$630 million and decreased profit from the sale of offices at Pinnacle One in Mainland China, partly offset by higher net rental income from HKRI Taikoo Hui and South Island Place. The decrease in hotel losses in 2019 reflected reduced pre-opening expenses at the two hotels at HKRI Taikoo Hui.

In the Aviation Division, profits from joint venture companies in the HAECO group increased by HK$32 million, principally reflecting an increase in engine volume and a heavier work mix at HAESL.

In the Beverages Division, profit from a joint venture company in Shanghai was higher than that in 2018.

In the Trading & Industrial Division, the decrease in the share of profit from joint venture companies was mainly due to the absence of the profit-making Akzo Nobel Swire Paints business in 2019 following its disposal in December 2018. At Swire Foods, the interest in a loss-making sugar refinery joint venture was disposed of in November 2019.

Share of Profits Less Losses of Associated Companies

The Cathay Pacific group contributed a profit of HK$761 million in 2019 compared to a profit of HK$1,056 million in 2018. Passenger and cargo yields were below those in 2018 due to trade tensions and social unrest in Hong Kong during the second half of the year. Load factors and the number of passengers carried significantly reduced. Cargo demand was depressed as a result of US-China trade tensions, but did pick up during the high season later in 2019. The airlines benefited from lower fuel prices, but were adversely affected by a strong US dollar.

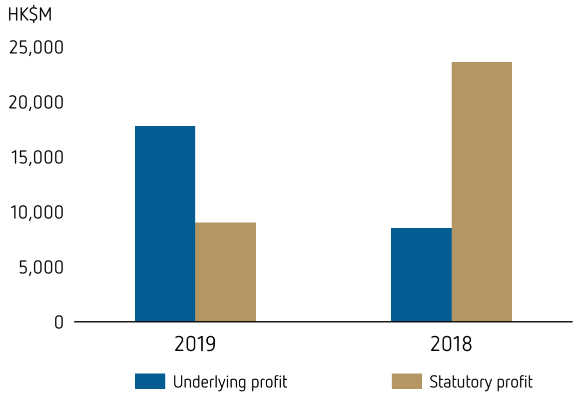
In the Property Division, profits from the three associate hotels at Pacific Place in Hong Kong decreased significantly due to social unrest in the second half of 2019.

In the Beverages Division, there was a decrease in the contribution from Coca-Cola Bottlers Manufacturing Holdings Limited in Mainland China. This was principally due to higher raw material costs and impairment charges in respect of production assets, partly offset by higher revenue.

Taxation

The decrease in taxation reflected lower pre-tax profit after excluding non-assessable income.

Statutory Profit and Underlying Profit Attributable to the Company's Shareholders



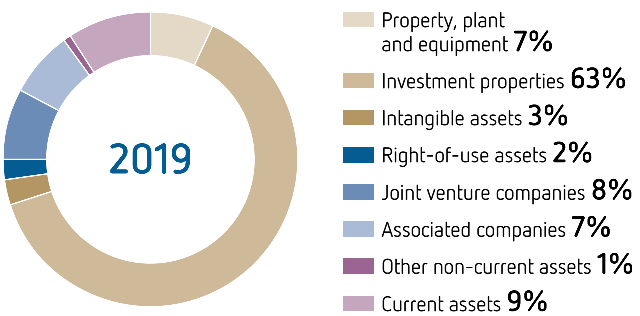
Excluding net investment property valuation adjustments, underlying profit increased by HK$9,274 million. The increase principally reflected better results from the Property (mainly due to the sales of Cityplaza Three and Four and other investment properties in Hong Kong) and Beverages Divisions and a lower impairment charge at SPO in the Marine Services Division. This was partly offset by lower profits from the Aviation and Trading & Industrial Divisions.

Consolidated Statement of Financial Position

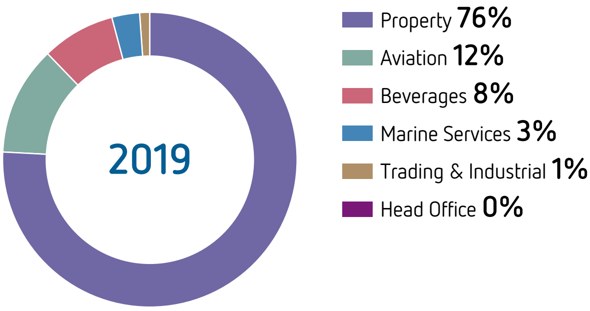
	Notes to the Financial Statements	2019 HK$M	2018 HK$M	Increase / (Decrease) HK$M	%
Property, plant and equipment	14	32,680	39,644	(6,964)	-18%
Investment properties	15	276,250	271,515	4,735	2%
Intangible assets	17	12,852	12,918	(66)	-1%
Right-of-use assets	18	9,899	–	9,899	N/A
Joint venture companies	20(a)	35,939	34,340	1,599	5%
Associated companies	20(b)	30,704	31,700	(996)	-3%
Properties for sale	24	3,604	1,469	2,135	145%
Stocks and work in progress	25	5,539	5,242	297	6%
Contract assets		1,301	1,176	125	11%
Trade and other receivables	26	8,685	10,012	(1,327)	-13%
Bank balances and short-term deposits	27	21,345	9,112	12,233	134%
Assets classified as held for sale	28	–	15,526	(15,526)	-100%
Other assets		2,599	3,751	(1,152)	-31%
Total Assets		441,397	436,405	4,992	1%
Trade and other payables	29	24,325	26,781	(2,456)	-9%
Loans and bonds	30	68,033	71,779	(3,746)	-5%
Lease liabilities	31	5,375	–	5,375	N/A
Deferred tax liabilities	32	11,014	10,034	980	10%
Liabilities classified as held for sale	28	–	207	(207)	-100%
Other liabilities		3,156	2,489	667	27%
Total Liabilities		111,903	111,290	613	1%
Net Assets		329,494	325,115	4,379	1%
Equity attributable to the Company's shareholders	34, 35	273,352	270,424	2,928	1%
Non-controlling interests	36	56,142	54,691	1,451	3%
Total Equity		329,494	325,115	4,379	1%

Total Assets

Total Assets by Category



Total Assets by Division



Property, Plant and Equipment

The decrease in property, plant and equipment principally reflected an impairment charge at SPO and the reallocation of leasehold land held for own use to right-of-use assets upon adoption of HKFRS 16, partly offset by capital expenditure (net of disposals and depreciation).

Investment Properties

The increase in investment properties principally reflected net revaluation gains, construction costs incurred on new investment properties and renovation costs incurred on existing investment properties. The increase also reflected the reclassification of some previously owner-occupied properties from leasehold land held for own use (under right-of-use assets) to investment properties. The increases were partly offset by foreign exchange translation losses in respect of investment properties in Mainland China and the transfer of the EDEN development in Singapore to properties for sale.

Intangible Assets

The decrease in intangible assets in 2019 includes impairment charges in respect of (a) goodwill and customer relationships at HAECO Americas (HK$234 million) and (b) goodwill at Qinyuan Bakery (HK$200 million), and amortisation during the year. These decreases were largely offset by the recognition of franchise rights relating to the Monster brand by the Beverages Division in the USA (HK$573 million).

Right-of-Use Assets

This item represents the recognition of leased assets (effective from 1st January 2019 by reason of the adoption of HKFRS 16) which were previously accounted for as operating leases and therefore not recorded in the balance sheet. It also includes the reallocation of leasehold land held for own use (previously grouped under property, plant and equipment) and land use rights since all these balance sheet items are used by the Group itself.

Joint Venture Companies and Loans Due from Joint Venture Companies

The increase principally reflected equity and debt funding to joint venture property projects. There were also increases in retained profits in the Property Division (principally as a result of valuation gains on investment properties held by joint venture companies) and at HAESL. Major additions during 2019 were the acquisition of a 25% equity interest in a residential property development at Wong Chuk Hang in Hong Kong (HK$2,161 million) and a further capital injection into a 50% owned joint venture (HK$214 million) made in order to purchase a land for residential development in Jakarta, Indonesia. These increases were partly offset by dividends paid, foreign exchange translation losses from joint venture companies in Mainland China and the disposal of an interest in a property at 625 King's Road in Hong Kong.

Associated Companies and Loans Due from Associated Companies

The decrease principally reflected a reduction in the share of net assets of the Cathay Pacific group, the sale of Columbia China and the write-off of the Group's interest in an unlisted associated company in the Trading & Industrial Division. The reduction in net assets of the Cathay Pacific group principally reflected a negative adjustment to the Cathay Pacific group's equity at 1st January 2019 (upon adoption of HKFRS 16) which more than offset its retained profit and gains in other comprehensive income during the year.

Properties for Sale

The increase in properties for sale principally reflected further investment in a residential development in Chai Wan, Hong Kong (HK$924 million) and the transfers of the EDEN development in Singapore from investment properties (HK$1,039 million) and of Fort Lauderdale in Miami, USA from properties held for development (HK$148 million). These additions were partly offset by sales of units at the Reach and Rise developments at Brickell City Centre in the USA and of carparks at the ALASSIO development in Hong Kong.

Stocks and Work in Progress

The increase in stocks and work in progress was principally due to the higher level of completed goods for sale in the Beverages Division.

Trade and Other Receivables

The decrease in trade and other receivables was mainly due to the receipt of outstanding receivables in respect of the proceeds of sale of Swire Pacific Cold Storage recognised in 2018 and a decrease in trade debtors and prepayments.

Assets Classified as Held for Sale

Assets classified as held for sale were fully derecognised during the year upon completion of the related sales of interests in investment properties.

Trade and Other Payables

The decrease in trade and other payables principally reflected the derecognition of deposits received from the sale of subsidiary companies in the Property Division (HK$3,238 million) upon completion of contracts during the year, partly offset by an increase in trade creditors (HK$330 million) and in other accruals (HK$190 million).

Bank Balances and Short-Term Deposits/Loans and Bonds

The decrease in net borrowings of HK$15,979 million reflected the proceeds received from sales of the Group's interests in the Cityplaza Three and Four, 625 King's Road and other properties in Hong Kong. These proceeds exceeded the funds used to finance the Group's property developments and the purchase of other fixed assets and investments in joint venture companies.

Lease Liabilities

This item represents the recognition of liabilities relating to leased assets (effective from 1st January 2019 by reason of the adoption of HKFRS 16) which were previously accounted for as operating leases and therefore not recorded in the balance sheet.

Deferred Tax Liabilities

The increase in deferred tax liabilities was principally attributable to higher deferred tax relating to depreciation allowances on investment properties and on revaluation gains in respect of investment properties held by the Group in Mainland China and the USA.

Equity Attributable to the Company's Shareholders

In each year, the movement in equity attributable to the Company's shareholders consists of the total comprehensive income for the year attributable to the Company's shareholders (HK$9,000 million in 2019) less dividends paid to shareholders (HK$4,730 million in 2019). In 2019, it also included a negative adjustment of HK$1,279 million to the Group's reserves at 1st January 2019 by reason of the adoption of HKFRS 16.

Non-Controlling Interests

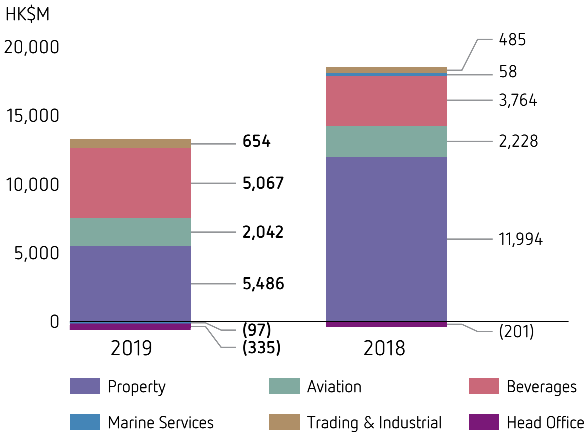
Non-controlling interests principally reflect the 18% non-controlling interest in Swire Properties.

Consolidated Statement of Cash Flows

	Notes to the Financial Statements	2019 HK$M	2018 HK$M	Increase/(Decrease) HK$M
Cash generated from operations	42(a)	12,817	18,328	(5,511)
Net interest paid		(2,206)	(2,428)	(222)
Tax paid		(1,397)	(2,180)	(783)
Dividends received		1,327	1,716	(389)
Investing activities				
Purchase of property, plant and equipment	42(b)	(3,782)	(4,103)	(321)
Additions of investment properties		(1,962)	(3,917)	(1,955)
Additions of other current assets		–	(88)	(88)
Additions of assets classified as held for sale		–	(364)	(364)
Purchase of intangible assets		(736)	(126)	610
Proceeds from disposals of property, plant and equipment		303	450	(147)
Proceeds from disposals of investment properties		295	350	(55)
Proceeds from disposals of subsidiary companies, net of cash disposed of	42(d)	17,534	9,584	7,950
Proceeds from disposal of a joint venture company	42(e)	2,352	3,594	(1,242)
Proceeds from disposal of an associated company		140	–	140
Purchase of shares in new subsidiary companies		–	(14)	(14)
Purchase of shares in joint venture companies		(276)	(1,670)	(1,394)
Adjustment for previous year's purchase of new businesses		–	187	(187)
Net loans to joint venture companies		(1,468)	(1,272)	196
Others		(31)	(128)	(97)
Net cash generated from businesses and investments		22,910	17,919	4,991
Dividends paid	35, 36	(5,976)	(4,582)	1,394
Loans drawn and refinancing	42(c)	10,564	10,624	(60)
Repayment of loans and bonds	42(c)	(14,135)	(17,571)	(3,436)
Principal elements of lease payments	42(c)	(950)	–	950
Repurchase of the Company's shares	34	–	(21)	(21)
Purchase of shares in existing subsidiary companies		(226)	(3,018)	(2,792)
Proceeds from partial disposal of interest in a subsidiary company		171	–	171
Cash paid to shareholders and net funding by external debt/lease liabilities		(10,552)	(14,568)	(4,016)
Increase in cash and cash equivalents		12,358	3,351	9,007

Cash Generated from Operations

Cash generated from operations by Division



Cash generated from operations in the Property Division takes into account (i) HK$3.3 billion deposits received in 2018 in respect of sales of interests in investment properties and (ii) the derecognition of those deposits in 2019 on completion of those sales.

Dividends Received

Dividends received in 2019 principally comprised dividends from Cathay Pacific and HAESL, and from the Property Division's associated hotel companies and joint venture investment property companies in Hong Kong.

Purchase of Property, Plant and Equipment

Purchase of property, plant and equipment in 2019 principally reflected the purchase of new production and marketing equipment in the Beverages Division, the purchase of equipment, tools and rotable parts at the HAECO group and capital expenditure at SPO.

Additions of Investment Properties

The additions of investment properties in 2019 principally reflected capital expenditure on the Taikoo Place office redevelopment and other projects in Hong Kong, the USA and Singapore (before the transfer of the EDEN development to properties for sale). The decrease in expenditure for 2019 was mainly due to the completion of One Taikoo Place in late 2018.

Purchase of Intangible Assets

The increase in the amount spent during the year was mainly due to the purchase of franchise rights relating to the Monster brand by the Beverages Division in the USA (HK$573 million).

Proceeds from Disposals of Investment Properties

The proceeds from disposals of investment properties included proceeds from the disposal of units at Eredine in Hong Kong.

Proceeds from Disposals of Subsidiary Companies

The proceeds from disposals of subsidiary companies principally comprised the proceeds received from the disposal of property-owning subsidiary companies (mainly those with interests in the Cityplaza Three and Four properties in Hong Kong) in the Property Division.

Proceeds from Disposal of a Joint Venture Company

In 2019, the proceeds of HK$2,352 million (net of transaction costs) represented the sale of interests in a joint venture company (owning an interest in the property at 625 King's Road in Hong Kong) in the Property Division.

Proceeds from Disposal of an Associated Company

In 2019, the proceeds of HK$140 million (net of transaction costs) represented the sale of interests in Columbia China in the Trading & Industrial Division.

Net Loans to Joint Venture Companies

Loans to joint venture companies in 2019 principally reflected net funding made available to joint venture property projects in Hong Kong and Mainland China. HK$2,161 million was lent to a newly acquired 25% owned joint venture company formed to undertake a residential property development at Wong Chuk Hang in Hong Kong.

Loans Drawn and Refinancing

In 2019, loans drawn and refinancing comprised new financing under the Group's medium term note programmes and new loans and drawdowns under financing facilities from banks.

Purchase of Shares in Existing Subsidiary Companies

The remaining 20% non-controlling interest in a Mainland China subsidiary in the Beverages Division was acquired by the Group.

Investment Appraisal and Performance Review

	Capital employed		Capital commitments*	
	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M
Property investment	288,931	299,126	16,340	17,407
Property trading	7,789	4,143	–	–
Hotels	7,229	7,394	263	215
Property – overall	303,949	310,663	16,603	17,622
Aviation	47,187	45,449	5,686	622
Beverages	17,177	16,657	1,831	931
Marine Services	10,120	13,014	421	543
Trading & Industrial	3,249	2,252	75	71
Head Office	(125)	(253)	–	–
Total capital employed	381,557	387,782	24,616	19,789
Less: net debt	(46,688)	(62,667)		
Less: lease liabilities	(5,375)	–		
Less: non-controlling interests	(56,142)	(54,691)		
Equity attributable to the Company's shareholders	273,352	270,424		

	Equity attributable to the Company's shareholders		Return on average equity attributable to the Company's shareholders	
	2019 HK$M	2018 HK$M	2019	2018
Property investment	226,283	221,214	5.0%	11.0%
Property trading	3,799	2,141	-0.5%	4.4%
Hotels	4,991	5,213	-1.1%	-0.6%
Property – overall	235,073	228,568	4.7%	10.7%
Aviation	41,855	42,326	3.7%	4.4%
Beverages	12,819	11,976	13.6%	14.0%
Marine Services	5,214	8,681	-52.3%	-59.1%
Trading & Industrial	2,320	3,210	-16.3%	64.9%
Head Office	(23,929)	(24,337)		
Total	273,352	270,424	3.3%	9.0%

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

Financing

Following the adoption of HKFRS 16 "Leases", lease liabilities were included in the balance sheet at 1st January 2019. Lease liabilities represent the present value of the remaining lease payments due by the lessees. Lease liabilities are shown separately as appropriate in this section.

Capital Structure

The Group aims to maintain a capital structure that is appropriate for long-term credit ratings of A1 to A3 on Moody's scale, A+ to A- on Standard & Poor's scale and A+ to A- on Fitch's scale. Actual credit ratings may depart from these levels from time to time due to macro-economic or other circumstances. At 31st December 2019 the Company's long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch, and Swire Properties' long-term credit ratings were A2 from Moody's and A from Fitch.

Changes in Financing

Analysis of changes in financing during the year

Audited Financial Information

	Loans and bonds				
	due within one year HK$M	due after one year HK$M	Lease liabilities HK$M	Total 2019 HK$M	2018 HK$M
At 1st January					
as originally stated	11,528	60,251	–	71,779	78,586
adjustment on adoption of HKFRS 16	–	(4)	5,659	5,655	–
as restated	11,528	60,247	5,659	77,434	78,586
Loans drawn and refinancing	43	10,521	–	10,564	10,624
Repayment of loans and bonds	(12,062)	(2,073)	–	(14,135)	(17,571)
Principal elements of lease payments	–	–	(950)	(950)	–
New leases arranged during the year	–	–	763	763	–
Change in composition of the Group	–	–	–	–	45
Reclassification	12,062	(12,062)	–	–	–
Effect of exchange differences	(31)	(257)	(6)	(294)	(29)
Other non-cash movements	29	88	(91)	26	124
At 31st December	11,569	56,464	5,375	73,408	71,779

Sources of Finance

Audited Financial Information

At 31st December 2019, committed loan facilities and debt securities amounted to HK$86,835 million, of which HK$18,686 million (22%) were undrawn. In addition, there were lease liabilities amounting to HK$5,375 million. The Group had undrawn uncommitted facilities totalling HK$7,829 million. Sources of gross borrowings at 31st December 2019 comprised:

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M	Total undrawn HK$M
Committed facilities					
Loans and bonds					
Fixed/floating rate bonds	46,394	46,394	–	–	–
Bank loans, overdrafts and other loans	40,441	21,755	9,403	9,283	18,686
Total committed facilities	86,835	68,149	9,403	9,283	18,686
Uncommitted facilities					
Bank loans, overdrafts and other loans	7,939	110	7,829	–	7,829
Total	94,774	68,259	17,232	9,283	26,515

Note: The figures above are stated before unamortised loan fees of HK$226 million.

i) Loans and Bonds

Audited Financial Information

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

	2019			2018		
	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M
Short-term loans – unsecured	110	–	110	3,227	–	3,227
Long-term loans and bonds at amortised cost – unsecured	68,149	(226)	67,923	68,874	(322)	68,552
Less: amount due within one year included under current liabilities	(11,479)	20	(11,459)	(8,310)	9	(8,301)
	56,670	(206)	56,464	60,564	(313)	60,251

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

	2019 HK$M	2018 HK$M
Bank loans (unsecured)		
Repayable within one year	7,567	4,086
Repayable between one and two years	6,804	5,844
Repayable between two and five years	7,291	9,345
Repayable after five years	–	3
Other borrowings (unsecured)		
Repayable within one year	3,892	4,215
Repayable between one and two years	1,799	3,911
Repayable between two and five years	21,960	19,715
Repayable after five years	18,610	21,433
	67,923	68,552
Amount due within one year included under current liabilities	(11,459)	(8,301)
	56,464	60,251

	2019 HK$M
The maturity of lease liabilities at 31st December 2019 is as follows:	
Within one year	858
Between one and two years	733
Between two and five years	1,096
Over five years	2,688
	5,375
Amount due within one year included under current liabilities	(858)
	4,517

ii) Bank Balances and Short-Term Deposits

The Group had bank balances and short-term deposits of HK$21,345 million at 31st December 2019 compared to HK$9,112 million at 31st December 2018.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2030 (2018: same).

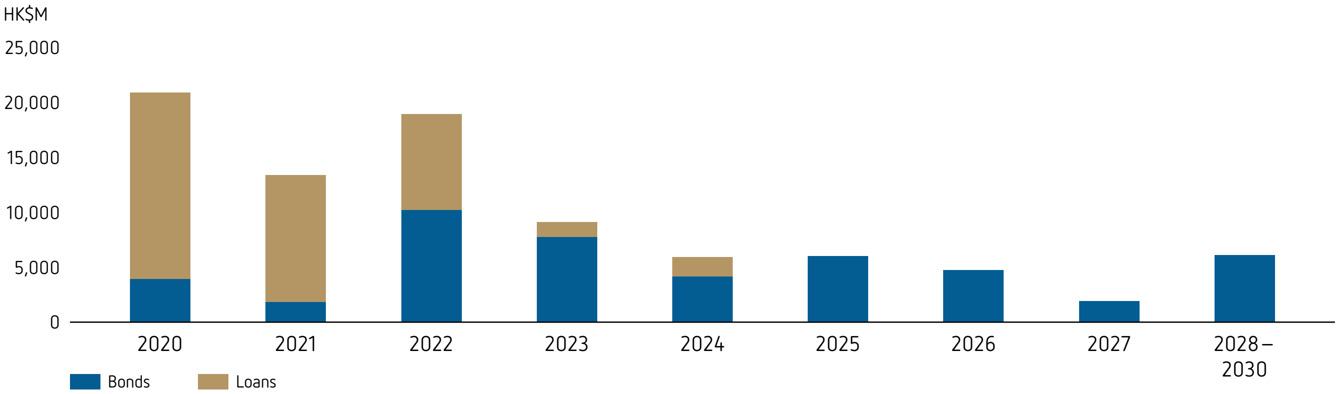
The weighted average term and cost of the Group's debt is:

	2019	2018
Weighted average term of debt	3.2 years	3.5 years
Weighted average cost of debt	3.6%	3.5%

(The weighted average cost of debt is stated on a gross debt basis.)

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

Total Available Committed Facilities by Maturity
(at 31st December 2019)



Currency Profile

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

Audited Financial Information

	2019					2018	
	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M	Loans and bonds HK$M	%
Currency							
Hong Kong dollar	50,469	74%	3,425	64%	53,894	49,653	69%
United States dollar	16,190	24%	400	7%	16,590	20,566	29%
Renminbi	610	1%	1,036	19%	1,646	1,079	1%
Others	764	1%	514	10%	1,278	481	1%
Total	68,033	100%	5,375	100%	73,408	71,779	100%

Finance Charges

Audited Financial Information

At 31st December 2019, 73% of the Group's gross borrowings were on a fixed rate basis and 27% were on a floating rate basis (2018: 74% and 26%).

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

		Fixed interest rate maturing in:			
	Floating interest rate HK$M	1 year or less HK$M	1 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31st December 2019	18,232	5,494	25,697	18,610	68,033
At 31st December 2018	18,638	4,527	27,178	21,436	71,779

Audited Financial Information

Interest charged and earned during the year was as follows:

	2019 HK$M	2018 HK$M
Interest charged		
Bank loans and overdrafts	597	639
Other loans and bonds	1,792	1,970
Fair value (gain)/loss on derivative instruments		
Cross-currency and interest rate swaps: cash flow hedges, transferred from other comprehensive income	(61)	(77)
Cross-currency and interest rate swaps not qualifying as hedges	(6)	2
Amortised loan fees – loans at amortised cost	120	124
	2,442	2,658
Lease liabilities	206	–
Fair value gain on put options over non-controlling interests in subsidiary companies	(3)	(23)
Fair value (gain)/loss on put options over other partners' interests in a joint venture company	(24)	15
Other financing costs	147	145
Capitalised on		
Investment properties	(242)	(265)
Properties for sale	(32)	(2)
Vessels	–	(3)
	2,494	2,525
Less: interest income		
Short-term deposits and bank balances	371	115
Other loans	81	86
	452	201
Net finance charges	2,042	2,324

The capitalised interest charges on loans and bonds borrowed for the development of investment properties, properties for sale, hotel and other properties and vessels were between 2.60% and 3.70% per annum (2018: 2.10% and 3.90% per annum).

The amount transferred from other comprehensive income in respect of cash flow hedges in 2019 included HK$15 million relating to currency basis (2018: HK$2 million).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$2,442 million (2018: HK$2,658 million).

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

	2019				2018			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Short-term loans	–	–	–	0.81-2.55	2.35-2.75	–	4.35	0.80-2.45
Long-term loans and bonds	1.80-4.00	1.94-4.50	3.90-4.00	2.40	1.80-4.00	1.94-5.50	3.90-4.41	2.41

Covenants and Credit Triggers

Audited Financial Information

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

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

	Covenant requirements	2019	2018
Gearing			
Consolidated borrowed money/consolidated net worth	≤200%	14.2%	19.3%
Consolidated borrowed money and lease liabilities/consolidated net worth	≤200%	15.8%	–

	HK$M	HK$M	HK$M
Maintenance of minimum consolidated tangible net worth			
Consolidated tangible net worth	≥20,000	316,642	312,197

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

To date, none of the covenants have been breached.

Capital Management

Audited Financial Information

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

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

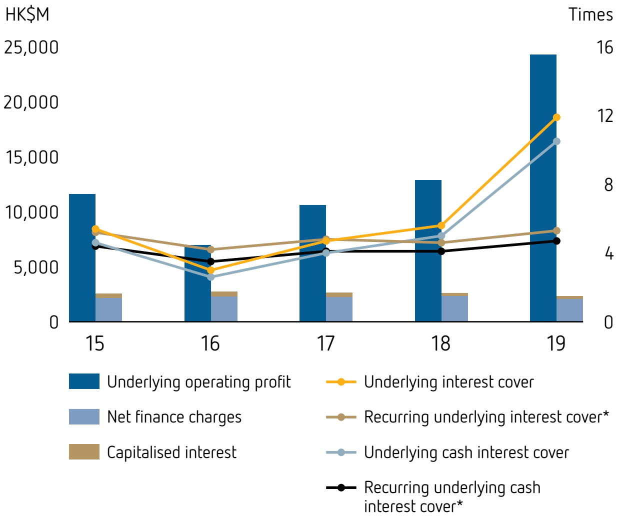
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2019 and 31st December 2018 were as follows:

	2019 HK$M	2018 HK$M
Total borrowings	68,033	71,779
Less: Short-term deposits and bank balances	(21,345)	(9,112)
Net debt	46,688	62,667
Total equity	329,494	325,115
Gearing ratio	14.2%	19.3%
Gearing ratio – including lease liabilities#	15.8%	–
Interest cover – times	6.8	13.3
Cash interest cover – times	6.0	11.9
Underlying cash interest cover – times	10.5	5.0
Return on average equity attributable to the Company's shareholders	3.3%	9.0%

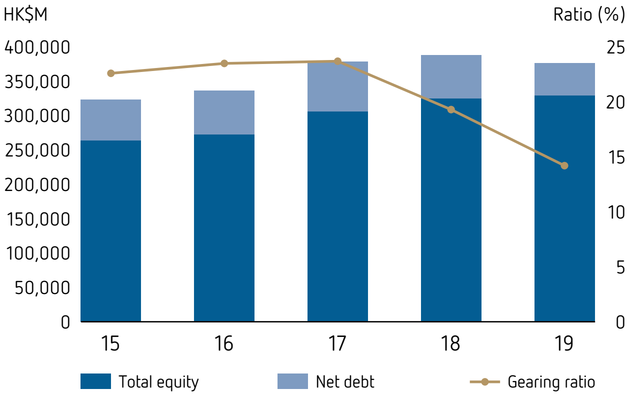
Lease liabilities amounted to HK$5,375 million at 31st December 2019. (refer to note 31 to the financial statements).

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

Underlying Interest Cover



Gearing Ratio



* Calculated using recurring underlying operating profit.

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the share of net debt in its joint venture and associated companies. These companies had the following net debt positions at the end of 2019 and 2018:

	Total net debt/(cash) of joint venture and associated companies		Portion of net debt/(cash) shared by the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M
Property Division	18,512	17,024	7,307	6,765	1,878	1,771
Aviation Division						
Cathay Pacific group	41,904	58,580	18,857	26,361	–	–
HAECO group	461	105	318	118	–	–
Beverages Division	(1,241)	(747)	(545)	(343)	3	–
Marine Services Division	721	775	361	388	500	500
Trading & Industrial Division	(62)	(245)	(27)	(99)	–	14
	60,295	75,492	26,271	33,190	2,381	2,285

If the share of net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 22.1% at 31st December 2019 (2018: 29.5%).

The net debt position and lease liabilities at 31st December 2019 were as follows:

	Total net debt/(cash) and lease liabilities of joint venture and associated companies			Portion of net debt/(cash) and lease liabilities shared by the Group		
	31st December 2019			31st December 2019		
	Net debt HK$M	Lease liabilities HK$M	Total HK$M	Net debt HK$M	Lease liabilities HK$M	Total HK$M
Property Division	18,512	241	18,753	7,307	98	7,405
Aviation Division						
Cathay Pacific group	41,904	40,492	82,396	18,857	18,221	37,078
HAECO group	461	62	523	318	30	348
Beverages Division	(1,241)	245	(996)	(545)	106	(439)
Marine Services Division	721	1	722	361	–	361
Trading & Industrial Division	(62)	–	(62)	(27)	–	(27)
	60,295	41,041	101,336	26,271	18,455	44,726

Corporate Governance Report

Governance Culture

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

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders
- that the interests of those who deal with the Company are safeguarded
- that overall business risk is understood and managed appropriately
- the delivery of high-quality products and services to the satisfaction of customers and
- that high standards of ethics are maintained.

Corporate Governance Statement

The Corporate Governance Code (the CG Code) as published by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:

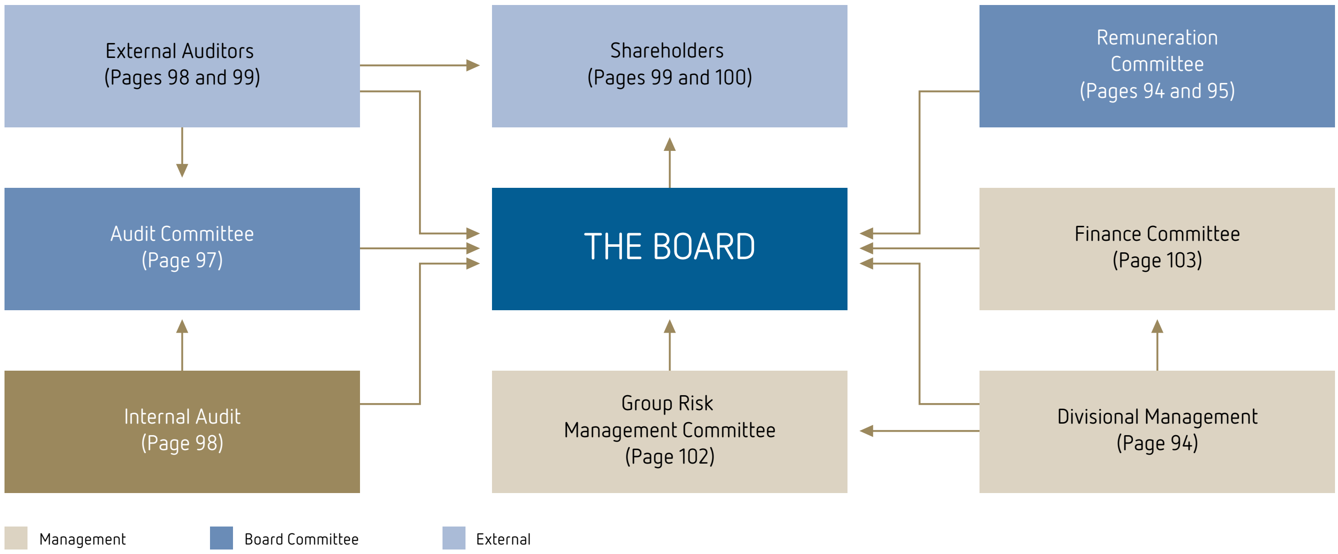
- code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
- recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only

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

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

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

Governance Structure



Note: The Group Risk Management Committee and the Finance Committee report to the Board through the Audit Committee.

The Board of Directors

Role of the Board

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

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

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

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see page 97) and the Remuneration Committee (see pages 94 and 95).

Chairman and Chief Executive

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

M B Swire, the Chairman, is responsible for:

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

Each division of the Group has one or more executive directors who are responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's individual businesses (see page 94).

Throughout the year, there was a clear division of responsibilities between the Chairman and the management executives responsible for the divisions of the Group.

Board Composition

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

The Board comprises the Chairman, three other Executive Directors and seven Non-Executive Directors. Their biographical details are set out in the section of this annual report headed Directors and Officers and are posted on the Company's website.

I K L Chu, D P Cogman, M Cubbon and M M S Low are, and Z P Zhang will be, directors and/or employees of the John Swire & Sons Limited (Swire) group. M B Swire and S C Swire are shareholders, directors and employees of the Swire group.

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

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

Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules. None of the Independent Non-Executive Directors holds cross-directorships or has significant links with other Directors through involvements in other companies or bodies.

The Independent Non-Executive Directors:

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

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

Appointment and Re-election

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

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

On 12th March 2020, the Board, having reviewed the Board's composition, nominated P K Etchells, T G Freshwater, C Lee and Z P Zhang for recommendation to shareholders for election/re-election at the 2020 Annual General Meeting. The nominations were made in accordance with objective criteria (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders), with due regard for the benefits of diversity, as set out in the board diversity policy. The Board also took into account the respective contributions of P K Etchells, T G Freshwater and C Lee to the Board and their firm commitment to their roles. The Board is satisfied with the independence of P K Etchells, T G Freshwater and C Lee having regard to the criteria laid down in the Listing Rules. The particulars of the Directors standing for election/re-election are set out in the section of this annual report headed Directors and Officers and will also be set out in the circular to shareholders to be distributed with this annual report and posted on the Company's website.

Full details of changes in the Board during the year and to the date of this report are provided in the section of this annual report headed Directors' Report.

Board Diversity

The Board has adopted a board diversity policy, which is available on the Company's website. The Board's composition reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Company's strategy, governance and business and contribute to the Board's effectiveness. A summary is set out in the table below:

Age	Gender	Ethnicity	Years of service as Director	Skills, expertise and experience
40-51 years (28%)	Male (82%) Female (18%)	American (9%)	1-5 years (55%)	company executive (36%)
52-63 years (36%)		British (64%)	6-10 years (18%)	accounting, banking and finance (46%)
64-75 years (36%)		Chinese (27%)	over 10 years (27%)	management consultancy (18%)

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

Responsibilities of Directors

On appointment, the Directors receive information about the Group including:

- the role of the Board and the matters reserved for its attention
- the role and terms of reference of Board Committees
- the Group's corporate governance practices and procedures
- the powers delegated to management and
- the latest financial information.

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

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

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

Details of Directors' other appointments are shown in their biographies in the section of this annual report headed Directors and Officers.

Board Processes

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

The dates of the 2019 Board meetings were determined in 2018 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met five times in 2019. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 93. Average attendance at Board meetings was 96%. All Directors attended Board meetings in person or through electronic means of communication during the year.

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

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

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

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

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

A typical Board meeting would consist of:

– review by the Finance Director of quarterly and annual financial results, the operating environment for the businesses and the budget outlook for their performance
– review and discussion of longer-term financial plans for the Group, including discussion of capital allocation and portfolio investment plans over a ten-year horizon
– discussion of group strategy, including major investments, divestments and strategic initiatives within the businesses
– the presentation of papers to support decisions requiring Board approval
– an update of legal and compliance matters for the Board's consideration
– any declarations of interest.

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

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. One such meeting was held in 2019.

The Chairman meets at least annually with the Independent Non-Executive Directors without the presence of other Directors.

	Meetings Attended/Held				Continuous Professional Development
Directors	Board	Audit Committee	Remuneration Committee	2019 Annual General Meeting	Type of Training (Note)
Executive Directors					
M B Swire – Chairman	5/5			√	A
I K L Chu	4/5			√	A
D P Cogman	5/5			√	A
M M S Low	5/5			√	A
Non-Executive Directors					
M Cubbon	5/5			√	A
S C Swire	5/5		2/2	√	A
Independent Non-Executive Directors					
P K Etchells	5/5	3/3		√	A
T G Freshwater	5/5			√	A
C Lee	5/5	3/3	2/2	√	A
R W M Lee	5/5		2/2	√	A
M X Z Ma (appointed on 1st August 2019 and passed away on 31st August 2019)	0/1			N/A	A
G R H Orr	5/5	3/3		√	A
Average attendance	96%	100%	100%	100%	

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

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

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

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

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

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

– detailed monthly management accounts consisting of statements of profit or loss, financial position and cash flows compared to budget, together with forecasts
– internal and external audit reports
– feedback from external parties such as customers, others with whom the Group does business, trade associations and service providers.

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

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

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

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

Directors' interests at 31st December 2019 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out in the section of this annual report headed Directors' Report.

Remuneration Committee

Full details of the remuneration of the Directors are provided in note 8 to the financial statements.

The Remuneration Committee comprises three Non-Executive Directors, C Lee, R W M Lee and S C Swire. Two of the Committee members are Independent Non-Executive Directors, one of whom, C Lee, is Chairman. All the members served for the whole of 2019.

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

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

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

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave-passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire Pacific Group. Although the remuneration of executives is not entirely linked to the profits of the businesses in which they are working, it is considered that, given the different profitability profiles of businesses within the Group, these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors at its meeting in October 2019. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 8 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

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

The following fee levels have been approved by the Board:

Fee	2019 HK$	2020 HK$
Director's Fee	690,000	690,000
Fee for Audit Committee Chairman	268,000	268,000
Fee for Audit Committee Member	186,000	186,000
Fee for Remuneration Committee Chairman	83,000	83,000
Fee for Remuneration Committee Member	60,000	60,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

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

Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on page 97.

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

Since profits are, in part, the reward for successful risk taking in business, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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

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

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

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

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

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

The GRMC, discussed further in the section of this annual report headed Risk Management, focuses on business, operational, safety, security, legal and reputational risks. The Finance Committee, discussed further in the section of this annual report headed Risk Management, focuses on broad financial and treasury risks.

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

A control self-assessment process requires the management in each material business unit to assess, through the use of detailed questionnaires, the adequacy and effectiveness of risk management and internal controls over the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This process and its results are reviewed by internal auditors and form part of the Audit Committee's annual assessment of control effectiveness.

Controls and review: The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap between them. The typical control activities adopted by Group companies include:

- analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
- direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
- information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports
- physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
- performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse.

The Company has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

Internal audit: Independent of management, the Internal Audit department reports directly to the Audit Committee and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on page 98.

Audit Committee

The Audit Committee, consisting of three Independent Non-Executive Directors, P K Etchells, C Lee and G R H Orr, assists the Board in discharging its responsibilities for corporate governance and financial reporting. P K Etchells is the Chairman of the Audit Committee. All the members served for the whole of 2019.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website.

The Audit Committee met three times in 2019. Regular attendees at the meetings are the Finance Director, the Head of Internal Audit and the external auditors. The Audit Committee meets at least twice a year with the external auditors, and at least once a year with the Head of Internal Audit, without the presence of management. Each meeting receives written reports from the GRMC, the external auditors and Internal Audit. Other attendees during the year included the General Manager Group Finance and the Head of Group Risk Management.

The work of the Committee during 2019 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2018 annual and 2019 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's risk management and internal control systems
- the Group's risk management processes
- the approval of the 2020 annual Internal Audit programme and review of progress on the 2019 programme
- periodic reports from Internal Audit and progress in resolving any matters identified in them
- significant accounting and audit issues
- the Company's policy regarding connected transactions and the nature of such transactions
- the relationship with the external auditors as discussed on page 98
- the Company's compliance with the CG Code.

In 2020, the Committee has reviewed, and recommended to the Board for approval, the 2019 financial statements.

Assessing the Effectiveness of Risk Management and Internal Control Systems

On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

- the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems, the work and effectiveness of Internal Audit and the assurances provided by the Finance Director
- the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition
- the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
- areas of risk identified by management
- significant risks reported by Internal Audit and the Group Risk Management Committee
- work programmes proposed by both Internal Audit and the external auditors
- significant issues arising from internal and external audit reports
- the results of management's control self assessment exercise.

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate and have complied with the CG Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update his skills and knowledge.

Internal Audit Department

The Swire group has had an Internal Audit Department (IA) in place for 24 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 25 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 25 professionals include a team based in Mainland China which reports to IA in Hong Kong.

IA reports directly to the Audit Committee without the need to consult with management, and via the Audit Committee to the Board. IA has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work.

The annual IA work plan and resources are reviewed and agreed with the Audit Committee.

Scope of Work

Business unit audits are designed to provide assurance that the risk management and internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the GRMC and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 41 assignments were conducted for Swire Pacific in 2019.

IA specifically assists the Audit Committee in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

IA conducts ad-hoc projects and investigative work as may be required by management or the Audit Committee.

Audit Conclusion and Response

Copies of IA reports are sent to the Chairman of the Board, the Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

Management is called upon to present action plans in response to IA's recommendations, including those aimed at resolving material internal control defects. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the auditors). PricewaterhouseCoopers, the auditors, have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

– recommending to the Board, for approval by shareholders, the auditors' appointment
– approval of the auditors' terms of engagement
– consideration of the letters of representation to be provided to the auditors in respect of the interim and annual financial statements
– review of reports and other ad-hoc papers from the auditors
– annual appraisal of the quality and effectiveness of the auditors
– assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity are not, and are not seen to be, compromised
– approval of audit and non-audit fees.

Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of Section 290 of the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work and the nature of the non-audit work) at a meeting of the Audit Committee.

Provision of Non-audit Services

In deciding whether the auditors should provide non-audit services the following key principles are considered:

- the auditors should not audit their own firm's work
- the auditors should not make management decisions
- the auditors' independence should not be impaired
- quality of service.

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

The fees in respect of audit and non-audit services provided to the Group by the auditors for 2019 amounted to approximately HK$51 million and HK$20 million respectively. Fees paid to the auditors are disclosed in note 6 to the financial statements.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Shareholders

Communication with Shareholders and Investors

The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company.

The methods used to communicate with shareholders include the following:

- The Finance Director is available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In 2019 the Finance Director held meetings or calls with analysts and investors, conducted analyst briefings and overseas roadshows and attended investor conferences
- through the Company's website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses
- through publication of interim and annual reports
- through the annual general meeting as discussed below.

Shareholders may send their enquiries and concerns to the Board by post or email at ir@swirepacific.com. The relevant contact details are set out in the Financial Calendar and Information for Investors section of this Annual Report.

The Annual General Meeting
The annual general meeting is an important forum in which to engage with shareholders. The most recent annual general meeting was held on 16th May 2019. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 93.

At the annual general meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

- receiving the report of the Directors and the audited financial statements for the year ended 31st December 2018
- electing/re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share buy-backs
- a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares of any class then in issue, provided that the aggregate number of the shares of any class so allotted wholly for cash would not exceed 5% of the number of the shares of that class then in issue.

Minutes of the meeting together with voting results are available on the Company's website.

Dividend Policy
The Company has a policy on the payment of dividends, which is set out in the section of this annual report headed Directors' Report.

Shareholder Engagement
Pursuant to Article 95 of the Company's Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, he or she should deposit a written notice of nomination at the registered office of the Company within the 7-day period commencing on and including the day after the despatch of the notice of the meeting. The procedures for nominating candidates to stand for election as Directors at general meetings are set out in the Corporate Governance Section of the Company's website.

If they wish to propose a resolution relating to other matters to be considered at a general meeting, shareholders are requested to follow the requirements and procedures set out in the Corporate Governance Section of the Company's website.

Shareholder(s) representing at least 5% of the total voting rights of all members may request the Board to convene a general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance Section of the Company's website.

Other Information for Shareholders
Key shareholder dates for 2020 are set out in the section of this annual report headed Financial Calendar and Information for Investors and in the Financial Calendar on the Company's website.

No amendment has been made to the Company's Articles of Association during the year.

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital is held by the public. Details of substantial shareholders' and other interests are included in the section of this annual report headed Directors' Report.

Risk Management

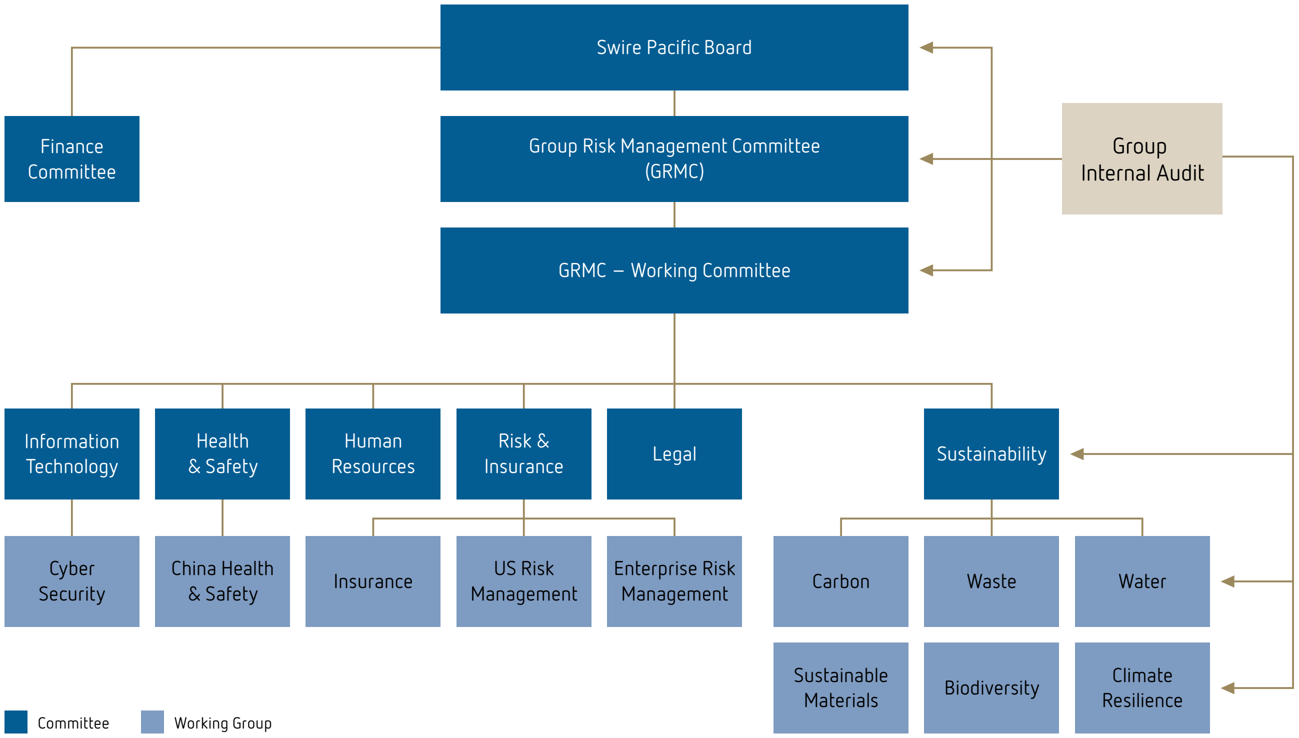
Effective risk management is key to ensuring the long-term viability of the Group. Divisions and major operating companies are required to follow the Group's Enterprise Risk Management (ERM) policy. The ERM policy requires continuous identification, assessment, management, monitoring and reporting of current and emerging risks.

Group Risk Governance Structure

The Board of Directors and the management of each division are responsible for identifying and analysing the risks underlying the achievement of business objectives, and for determining how such risks should be managed and mitigated.

There are two key management committees which monitor the risks to which the Group is subject; the Group Risk Management Committee (GRMC) and the Finance Committee. These are made up of members of senior management and both are chaired by the Finance Director.

Risk Governance Structure



Note: The GRMC and Finance Committee report via the Audit Committee to the Board.

Group Risk Management Committee

The GRMC provides oversight of all the risks to which the Group is subject (except for those expressly covered by the Finance Committee) including setting risk management policies and strategies. The GRMC reports via the Audit Committee to the Board. It comprises the Finance Director, an Executive Director and six heads of operating businesses.

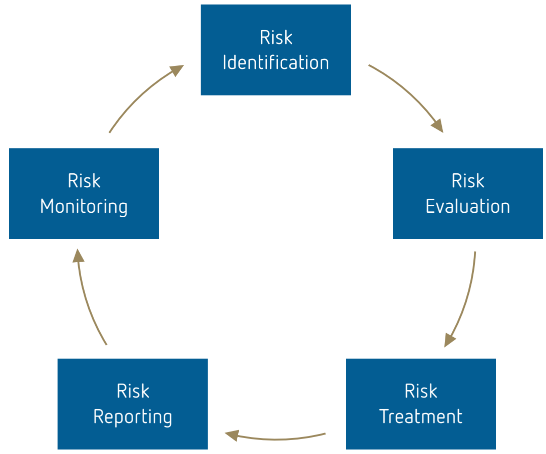
The GRMC oversees a number of committees and working groups. These cover the following areas: Risk & Insurance, Enterprise Risk Management, Human Resources, Health and Safety, Legal, Information Technology, Cyber Security and Sustainability (including the six SwireTHRIVE areas of focus).

In 2019, the GRMC met three times and its functional committees and working groups met 27 times.

The members of the functional committees and working groups are specialists in their respective areas and each committee is chaired by an individual with relevant experience. The role of the functional committees and working groups is to identify risks and opportunities which fall within their respective functional areas and to draw up policy recommendations for GRMC review and approval. The policies approved by the GRMC apply to all companies in which Swire Pacific has a controlling interest. The boards of these operating companies are required to adopt these policies and to establish procedures to ensure compliance with them. Joint venture and associated companies are encouraged to adopt Group policies.

The management of risks is subject to audit by the Group's Internal Audit department, with support from specialist external consultants where necessary.

Group ERM Process



The ERM process is aimed at ensuring robust and effective risk management by the Group and at fostering a risk aware culture. The ERM policy requires continuous identification, assessment, management, monitoring and reporting of current and emerging risks. It also promotes the identification of business opportunities.

The ERM process involves:

- Identification of new and emerging risks through inputs from divisional risk registers, risk workshops and reviews of functional risks identified by functional committees and working groups;
- Risk evaluation using standardised tools and risk matrices;
- Prioritisation of risks based on risk evaluation outcomes;
- Treatment of risks through the development of current and future mitigation plans;
- Reporting by divisions of key risks and mitigations to the GRMC and (through the GRMC) the Audit Committee;
- Review of the Group Corporate Risk Register at least annually and continuous monitoring and review of risks.

Key Risk Management Focus Areas

The Group is exposed to a broad range of risks. The following table deals with the current key areas of focus.

Key Focus Areas	Mitigation
Economic Volatility in Mainland China	– Close monitoring by the Board of economic and political developments in Mainland China. – Strategic relationships with Chinese companies.
Changes in Government Policy	– Senior management engagement with government authorities. – Provision of inputs for consultation papers on relevant policy initiatives and regulatory changes. – Lobbying via industry associations and chambers of commerce.
Cyber Security	– Adoption of NIST cyber security framework. – Adoption and close monitoring of compliance with the Group's Cyber & Information Security policy – Sharing of best practices about information security and promoting awareness of information security through a working group established by the I.T. Committee. – Testing and monitoring of systems.
Disruptive Technological Change	– Monitoring by each division of global and industry specific technological developments. – Consideration of the potential impact of disruptive technological change when making strategic plans and considering future scenarios. – Close engagement with industry groups so as to identify emerging trends.
Climate Change	– Considering climate change when making group policies and long-term plans. – Setting targets and establishing adaptation strategies. – Use of new technologies so as to adapt to climate change and to gain competitive advantages. – Engagement with others who are interested in what we do so as to assess changing attitudes to climate change and the impact on climate change of our products and services.
Infectious Diseases and Pandemics	– Regular updating and testing of business continuity plans. – Close communication with government and medical authorities with a view to ensuring timely access to information. – Maintaining sufficient cash to deal with temporary downturns in business. – Regular health and safety reporting to the Board.

Finance Committee

The role of the Finance Committee is to provide oversight of the Group's financial risks, including setting the Group's financial risk management policies and procedures. These are implemented within both the Group's central financial reporting function and the divisional finance functions.

The Finance Committee consists of the Finance Director, Divisional Finance Directors and other senior finance executives. The Finance Committee meets quarterly to review the financial risks at the Group level as well as the divisional level. In 2019, the Finance Committee met four times.

The Group's approach to financial risk management is discussed below.

Financial Risk Management

Audited Financial Information

Structure and Policies
In the normal course of business the Group is exposed to financial risks attributable to interest rates, currencies, credit and liquidity.

The Finance Committee maintains and develops the Group's financial risk management policies and procedures. These policies and procedures are implemented by the head office treasury department, within an agreed framework authorised by the Board.

The treasury department manages the funding needs of the Group's non-listed subsidiaries, as well as resulting interest rate, currency, credit and liquidity risks. Operating subsidiaries manage currency, credit and commodity exposures that are specific to their trading transactions.

It is the Group's policy not to enter into derivative transactions for speculative purposes. Derivatives are used solely for management of an underlying risk and the Group minimises its exposure to market risk by applying hedge accounting for derivative instruments. By applying hedge accounting, gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. Accounting for derivative financial instruments and hedging activities is discussed on pages 177 and 178.

The Group's listed subsidiary (Swire Properties Limited) and the Group's joint venture and associated companies arrange their financial and treasury affairs on a stand-alone basis. The Company may provide financial support by way of guarantees to its non-listed joint venture and associated companies in cases where significant cost savings are available and risks are acceptable.

Interest Rate Exposure
The Group's interest rate risk arises primarily from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group earns interest income on cash deposits.

The Group maintains a significant proportion of debt on a fixed rate basis with a view to increasing certainty of funding costs. The level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and the expected cash flows of the Group's businesses and investments. The Group uses interest rate swaps to manage its long-term interest rate exposure. The Finance Directors of the Group and Swire Properties Limited approve all interest rate hedges prior to implementation.

On a quarterly basis, the treasury department calculates the effect of the Group's exposure to interest rate fluctuations on forecast earnings and cash flows by performing sensitivity testing with varying forecast interest rates. The treasury department reports the results of this testing to the Finance Committee. Refer to page 135 for details of the sensitivity testing performed at 31st December 2019.

Currency Exposure
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Chinese Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations.

The Group's policy is to hedge in full all highly probable transactions in each major currency where their value or time to execution gives rise to a significant currency exposure, provided that the cost of the foreign exchange forward or other derivative contract is not prohibitively expensive having regard to the underlying exposure.

Exposure to movements in exchange rates on transactions is minimised by using appropriate hedging instruments where active markets for the relevant currencies exist. At 31st December 2019, the Group had hedged its significant foreign currency funding exposures, by fixing the foreign exchange rates with forward contracts.

Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

Financial Risk Management (continued)

Audited Financial Information (continued)

Foreign currency funding and deposit exposure is monitored by the treasury department on a continuous basis and hedging proposals are presented to the Finance Committee.

Refer to page 136 for a sensitivity analysis of the Group's exposure to currency risk arising from recognised financial assets or financial liabilities denominated in a currency other than the functional currency at 31st December 2019.

Credit Exposure

The Group's credit risk is primarily attributable to trade and other receivables with wholesale customers, derivative financial instruments, receivables from joint venture companies and associated companies and cash and deposits with banks and financial institutions. Individual operating entities are responsible for setting credit terms appropriate to their industry and assessing the credit profile of individual customers.

Standard settlement terms within the HAECO group, the Beverages Division and SPO are 30 days from the date of invoice. In accordance with the provisions of Swire Properties' standard tenancy agreements, rentals and other charges are due on the first day of each calendar month. Typically sales to retail customers within Swire Resources are made by cash or major credit cards. The Group has no significant credit risk with any one customer.

When depositing surplus funds or entering into derivative contracts, the Group controls its exposure to non-performance by counterparties by dealing with investment grade counterparties to the extent possible, setting approved counterparty limits and applying monitoring procedures. Counterparty credit exposure limits for financial institutions are proposed by the treasury department and approved by the Finance Director. The treasury department monitors the counterparties' credit ratings and issues an approved list of counterparties with their limits on a quarterly basis to all subsidiaries. Group companies require prior approval from the Group's treasurer to deal with banks not on the approved list. In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint venture companies and associated companies through exercising control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

The Group is not required by its counterparties to provide collateral or any other form of security against any change in the market value of derivatives. There are no specific conditions that would require the termination of derivative contracts should the credit rating of Swire Pacific be downgraded.

The maximum credit risk in respect of contingencies is disclosed in note 39 to the financial statements.

Liquidity Risk

The Group takes liquidity risk into consideration when deciding its sources of funds and their tenors, so as to avoid over reliance on funds from any one source and to prevent substantial refinancing in any one period. The Group maintains significant undrawn committed revolving credit facilities and cash deposits in order to reduce liquidity risk further and to allow for flexibility in meeting funding requirements.

The Group aims to maintain immediate access to committed funds to meet its refinancing for the following 9 months on a rolling basis and capital commitments for the following 12 months on a rolling basis, excluding its onshore Renminbi debt funding, where forward commitments are not readily available. The Group does not have significant offshore Renminbi debt funding.

The treasury departments of Swire Pacific and its listed subsidiary (Swire Properties Limited) produce a forecast funding plan for the Group on a quarterly basis and a summary forecast on a monthly basis, in order to assess committed and probable funding requirements. The plan includes an analysis of debt refinancing by year and by source of funds. The Group's treasurer presents the forecast funding plan together with funding proposals to the Finance Director on a regular basis, and to the Finance Committee. Refer to page 137 for details of the Group's contractual obligations at 31st December 2019.

Price Risk

The Group is exposed to price risk in relation to listed equity securities held as equity investments at fair value through other comprehensive income. Management regularly reviews the expected returns from holding such investments, on an individual basis.

Directors and Officers

Executive Directors

SWIRE, Merlin Bingham, aged 46, has been a Director of the Company since January 2009 and its Chairman since July 2018. He is also Chairman of John Swire & Sons (H.K.) Limited and Swire Properties Limited. He is also Deputy Chairman and a shareholder of John Swire & Sons Limited and a Director of Cathay Pacific Airways Limited. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is brother to S C Swire, a Non-Executive Director of the Company.

CHU, Kwok Leung Ivan, aged 58, has been a Director of the Company since March 2014. He is also Chairman of John Swire & Sons (China) Limited and a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited. He has resigned as a Director of the Company and from these other positions with effect from 14th April 2020. He is a member of the Chinese People's Political Consultative Conference Shanghai Committee. He joined the Swire group in 1984 and has worked with the group in Hong Kong, Mainland China, Taiwan, Thailand and Australia.

COGMAN, David Peter, aged 46, has been a Director of the Company since August 2017. He is also a Director of John Swire & Sons (H.K.) Limited. He joined McKinsey & Company in 1997 and was a partner in McKinsey's Hong Kong office. He joined the Swire group in 2017.

LOW, Mei Shuen Michelle, aged 59, has been a Director of the Company since July 2017. She is the Finance Director of the Company. She is also a Director of John Swire & Sons (H.K.) Limited, Swire Properties Limited and Cathay Pacific Airways Limited. She joined the Swire group in 1987.

ZHANG, Zhuo Ping, aged 48, has been appointed a Director of the Company with effect from 14th April 2020. He was also appointed a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited and Chairman of John Swire & Sons (China) Limited with effect from the same date. He spent his early career in investment banking. He was with the Swire group from 2002 to 2011, spending much of his time in Mainland China, including as chief representative of John Swire & Sons (China) Limited from 2005 to 2008. He ceased to be employed by the Swire group in 2011, when he founded a bioengineering company in Beijing.

Non-Executive Directors

CUBBON, Martin, aged 62, has been a Director of the Company since November 2018. He is also a Director of John Swire & Sons Limited and an Independent Non-Executive Director of Budweiser Brewing Company APAC Limited. He was employed by the Swire group in Hong Kong from 1986 to 2017 and was a Director of the Company from September 1998 to September 2017.

SWIRE, Samuel Compton, aged 40, has been a Director of the Company since January 2015. He is also Chairman of The China Navigation Company Pte. Ltd. He is also a Director and shareholder of John Swire & Sons Limited and a Director of Cathay Pacific Airways Limited. He joined the Swire group in 2003 and has worked with the group in Hong Kong, Singapore, Mainland China, Sri Lanka and London. He is brother to M B Swire, the Chairman of the Company.

Independent Non-Executive Directors

ETCHELLS, Paul Kenneth, aged 69, has been a Director of the Company since May 2017. He is also an Independent Non-Executive Director of Samsonite International S.A. and an adviser to Cassia Investments Limited. He was employed by the Swire group in Hong Kong from 1976 to 1998. He was employed by The Coca-Cola Company from July 1998 to June 2010 and worked in the USA, Mainland China and Hong Kong.

FRESHWATER, Timothy George, aged 75, has been a Director of the Company since January 2008. He is a Non-Executive Director of Savills plc.

LEE, Chien, aged 66, has been a Director of the Company since January 1993. He is a Non-Executive Director of Hysan Development Company Limited. He is a Council member of The Chinese University of Hong Kong and St. Paul's Co-educational College and also a Director of the CUHK Medical Centre. He is also a Trustee Emeritus of Stanford University and Director of Stanford Health Care.

LEE, Wai Mun Rose, JP, aged 67, has been a Director of the Company since July 2012. She is an Independent Non-Executive Director of CK Hutchison Holdings Limited and MTR Corporation Limited. She is also a Fellow of The Hong Kong Institute of Bankers. She is also a Vice Patron and a member of the Former Directors Committee of the Community Chest of Hong Kong and a Board Member of the West Kowloon Cultural District Authority.

ORR, Gordon Robert Halyburton, aged 57, has been a Director of the Company since August 2015. He joined McKinsey & Company in 1986 and retired in 2015. He was a member of McKinsey's global shareholder board from 2003 to 2015. He is an Independent Non-Executive Director of EQT Partners AB, Lenovo Group Limited and Meituan Dianping and a Board member of the China-Britain Business Council.

Company Secretary

FLAHERTY, St.John Andrew, aged 73, has been Company Secretary since January 2020. He is a solicitor qualified to practise in Hong Kong and England and Wales. He retired as a partner in Slaughter and May and joined the Swire group as Senior Adviser in 2007.

Notes:

1. The Audit Committee comprises P K Etchells (committee chairman), C Lee and G R H Orr.
2. The Remuneration Committee comprises C Lee (committee chairman), R W M Lee and S C Swire.
3. All the Executive Directors, M Cubbon and S C Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31st December 2019, which are set out on pages 128 to 219.

Principal Activities

The principal activity of Swire Pacific Limited (the Company) is that of a holding company, and the principal activities of its principal subsidiary, joint venture and associated companies are shown on pages 207 to 217. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 7 to the financial statements.

Consolidated Financial Statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the Group) together with the Group's interests in joint venture and associated companies. Details of the joint venture and associated companies are provided under note 20 to the financial statements.

Dividends

The Directors have declared second interim dividends of HK$1.65 per 'A' share and HK$0.33 per 'B' share which, together with the first interim dividends of HK$1.35 per 'A' share and HK$0.27 per 'B' share paid in October 2019, amount to full year dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share, compared to full year dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share in respect of 2018. The second interim dividends will be paid on 8th May 2020 to shareholders registered at the close of business on the record date, being Thursday, 9th April 2020. Shares of the Company will be traded ex-dividend from Tuesday, 7th April 2020.

The Company's dividend policy is to deliver sustainable growth in dividends and to pay out approximately half of its underlying profits in ordinary dividend over time.

Closure of Register of Members

The register of members will be closed on Thursday, 9th April 2020, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8th April 2020.

To facilitate the processing of proxy voting for the annual general meeting to be held on 14th May 2020, the register of members will be closed from 11th May 2020 to 14th May 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 8th May 2020.

Business Review

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chairman's Statement, Finance Director's Statement, 2019 Performance Review and Outlook, Financial Review, Financing and Risk Management and in the Notes to the Financial Statements. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section of this annual report headed Sustainable Development Review. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group is provided in the sections of this annual report headed Sustainable Development Review, Corporate Governance Report, Risk Management and Directors' Report.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in notes 35 and 37(b) respectively, to the financial statements.

Share Capital

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year and the Group has not adopted any share option scheme.

At 31st December 2019, 905,206,000 'A' shares and 2,981,870,000 'B' shares were in issue (31st December 2018: 905,206,000 'A' shares and 2,981,870,000 'B' shares). Details of the movement of share capital are set out in note 34 to the financial statements.

Accounting Policies

The principal accounting policies of the Group are set out in the relevant Notes to the Financial Statements (if they relate to a particular item) and in the section of this annual report headed Principal Accounting Policies.

Auditors

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Financial Review

A review of the consolidated results, financial position and cash flows of the Group is shown in the section of this annual report headed Financial Review. A ten-year summary of the financial performance of the Group is shown in the section of this annual report headed Summary of Past Performance.

Corporate Governance

The Company complied with all the code provisions set out in the Corporate Governance Code (CG Code) contained in Appendix 14 to the Listing Rules throughout the year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

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

Details of the Company's corporate governance practices are set out in the section of this annual report headed Corporate Governance Report.

Environmental, Social and Governance

The Company has complied or will comply with all the applicable provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules for the year covered by the annual report.

Donations

During the year, the Group made donations for charitable purposes of HK$34 million and donations towards various scholarships of HK$2 million.

Fixed Assets

For details of movements in fixed assets refer to notes 14 and 15 to the financial statements.

The annual valuation of the Group's investment property portfolio, whether completed or in the course of development, was carried out by professionally qualified valuers (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer) on the basis of market value at 31st December 2019. This valuation resulted in an increase of HK$3,728 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its joint venture and associated companies is given in the section of this annual report headed Schedule of Principal Group Properties.

Borrowings

For details of the Group's borrowings refer to the section of this annual report headed Financing.

Interest

For details of the amount of interest capitalised by the Group refer to page 85.

Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers and suppliers respectively.

Directors

Z P Zhang has been appointed as a Director with effect from 14th April 2020. All the other present Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers served throughout the calendar year 2019. I K L Chu has resigned as a Director with effect from 14th April 2020. S S Lin served as a Director from 1st January 2020 to 18th February 2020. M X Z Ma was appointed as a Director with effect from 1st August 2019. It is with great sadness that the Directors report the death of M X Z Ma on 31st August 2019.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors (listed in the section of this annual report headed Directors and Officers) confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, P K Etchells, C Lee and T G Freshwater retire this year and, being eligible, offer themselves for re-election. Z P Zhang, having been appointed to the Board under Article 91 since the last annual general meeting, also retires this year and offers himself for election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Fees and Emoluments

Full details of Directors' fees and emoluments are set out in note 8 to the financial statements.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$5.1 million. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2019, the register maintained under Section 352 of the Securities and Futures Ordinance (SFO) showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Properties Limited and Cathay Pacific Airways Limited:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (comprised in the class) (%)	Note
Swire Pacific Limited						
'A' shares						
P K Etchells	–	12,000	–	12,000	0.0013	
T G Freshwater	41,000	–	–	41,000	0.0045	
G R H Orr	9,000	–	–	9,000	0.0010	
'B' shares						
M Cubbon	100,000	–	–	100,000	0.0034	
C Lee	1,370,000	–	21,605,000	22,975,000	0.7705	1

	Capacity: Beneficial interest: Personal	Capacity: Beneficial interest: Family	Capacity: Trust interest	Total no. of shares	Percentage of issued share capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
M B Swire	2,671,599	130,000	17,546,068	20,347,667	20.35	2
S C Swire	1,948,381	–	21,135,992	23,084,373	23.08	2
8% Cum. Preference Shares of £1						
M B Swire	3,946,580	–	13,656,040	17,602,620	19.56	2
S C Swire	2,279,414	–	17,135,991	19,415,405	21.57	2

	Capacity: Beneficial interest: Personal	Capacity: Beneficial interest: Family	Capacity: Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Swire Properties Limited						
Ordinary Shares						
P K Etchells	–	8,400	–	8,400	0.00014	
T G Freshwater	28,700	–	–	28,700	0.00049	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	1

	Capacity: Beneficial interest: Personal	Capacity: Beneficial interest: Family	Capacity: Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Cathay Pacific Airways Limited						
Ordinary Shares						
M M S Low	1,000	–	–	1,000	0.00003	

Notes:
1. All the shares held by C Lee under Trust interest are held by him as beneficiary of trusts.
2. M B Swire and S C Swire are trustees and/or potential beneficiaries of trusts which held 6,222,732 ordinary shares and 9,812,656 ordinary shares respectively and 3,443,638 preference shares and 6,923,589 preference shares respectively in John Swire & Sons Limited included under Trust interest and do not have any beneficial interest in those shares.

Other than as stated above, no Director or Chief Executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of the Company.

Other than as stated in this report, no transaction, arrangement or contract of significance to which the Group was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Competing Businesses

None of the Directors or their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31st December 2019 or during the period from 1st January 2020 to the date of this Report are kept at the Company's registered office and made available for inspection by the members of the Company in accordance with Section 390(6) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

Permitted Indemnity

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), every Director is entitled under the Company's Articles of Association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by such Ordinance, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2019 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	'A' shares	Percentage of voting shares (comprised in the class) (%)	'B' shares	Percentage of voting shares (comprised in the class) (%)	Note
John Swire & Sons Limited	411,458,720	45.45	2,087,309,282	70.00	1

Note:
1. John Swire & Sons Limited is deemed to be interested in a total of 411,458,720 'A' shares and 2,087,309,282 'B' shares of the Company at 31st December 2019, comprising:
   (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 322,603,700 'A' shares and 123,945,000 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 8,040,000 'A' shares and 328,343,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 27,716,500 'A' shares held by Waltham Limited.

At 31st December 2019, the Swire group was interested in 55.20% of the equity of the Company and controlled 64.28% of the voting rights attached to shares in the Company.

Public Float

Listing Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total number of issued shares must at all times be held by the public. The Company has been granted by the Stock Exchange a waiver from strict compliance with Listing Rule 8.08(1) such that the Company's public float percentage continues to be calculated based on its issued share capital as if its shares still had nominal values. From information that is publicly available to the Company and within the knowledge of its Directors at the date of this report, at least 25% of the Company's total issued share capital (calculated as described in the previous sentence) is held by the public.

Continuing Connected Transactions

There are agreements for services (Services Agreements), in respect of which John Swire & Sons (H.K.) Limited (JSSHK), a wholly-owned subsidiary of John Swire & Sons Limited (Swire), provided to the Company and some of its subsidiary and associated companies advice and expertise of the directors and senior officers of the Swire group, including (but not limited to) assistance in negotiating with regulatory and other governmental or official bodies, certain staff services (including full or part time services of members of the staff of the Swire group), certain central services and such other services as may be agreed from time to time, and procured for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by Swire.

In return for these services, JSSHK receives annual service fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associates and joint ventures of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiaries and associates with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The fees for each year are payable in cash in arrear in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

The Services Agreements took effect from 1st January 2005, were renewed on 1st October 2007, 1st October 2010, 14th November 2013 and 1st October 2016, were amended and restated on 9th August 2019 and were renewed again on 1st October 2019. The current term of the Services Agreements is from 1st January 2020 to 31st December 2022 and they are renewable for successive periods of three years thereafter unless either party to them gives to the other notice of termination of not less than three months expiring on any 31st December.

Under the Services Agreement between JSSHK and the Company, JSSHK is obliged to procure for the Company and its subsidiaries, associates and joint ventures the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. This procuration obligation would fall away if the Services Agreement between JSSHK and the Company were terminated or not renewed.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2019 are given in note 41 to the financial statements.

The Company, JSSHK and Swire Properties Limited (Swire Properties) entered into a Tenancy Framework Agreement (Tenancy Framework Agreement) on 14th August 2014 to govern existing and future tenancy agreements between members of the Group, members of the JSSHK group and members of the Swire Properties group. The Tenancy Framework Agreement, which took effect from 1st January 2014 and was renewed on 1st October 2015, was renewed again on 1st October 2018 for a term of three years from 1st January 2019 to 31st December 2021. It is renewable for successive periods of three years thereafter unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December. Pursuant to the Tenancy Framework Agreement, members of the Group, members of the JSSHK group and members of the Swire Properties group will enter into tenancy agreements from time to time on normal commercial terms based on prevailing market rentals.

Particulars of the aggregate rentals payable to the Group under tenancies subject to the Tenancy Framework Agreement for the year ended 31st December 2019 are given in note 41 to the financial statements.

The Swire group was interested in 55.20% of the equity of the Company and controlled 64.28% of the voting rights attached to shares in the Company at 31st December 2019. JSSHK, as a wholly-owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the Services Agreements and the Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 9th August 2019 and 10th May 2018 respectively were published.

As directors and/or employees of the Swire group, D P Cogman, M Cubbon, I K L Chu and M M S Low are, and Z P Zhang will be, interested in the Services Agreements and the Tenancy Framework Agreement. M B Swire and S C Swire are so interested as shareholders, directors and employees of the Swire group.

The Independent Non-Executive Directors of the Company, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed these transactions and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that the relevant annual caps have been exceeded.

On behalf of the Board

Merlin Swire
Chairman
Hong Kong, 12th March 2020

Sustainable Development Review

Sustainability is a strategic objective for Swire Pacific, and key to its ability to create long-term value for its shareholders. It represents an opportunity for innovation and improved efficiency and a foundation for building sustained growth.

We aim to safeguard our natural resources, to support the communities in which we operate, to invest in the wellbeing of our people and to operate in accordance with high ethical and environmental standards.

We continue to improve, and to look for ways to make our businesses more sustainable and to work with others who share our sustainability values. Our aim is to integrate economic, environmental and social sustainability into what we do.

Governance

Our Board, led by its Chairman, is ultimately accountable for sustainability matters. The Group Risk Management Committee (GRMC), which has eight members and is chaired by the Finance Director, oversees all the risks to which the Group is subject and reports to the Board via the Audit Committee. Information on sustainability risks and performance is reported to the GRMC by the Swire Group Sustainability Committee (SGSC) and by its working groups. The Head of Sustainable Development reports annually to the Board. Division heads meet twice a year on sustainability matters under the chairmanship of the Chairman of the Board.

The Sustainable Development Office (which reports, through the Head of Sustainable Development, to a member of the Board) is responsible for setting sustainable development policy, for monitoring the implementation of policy and for implementing SwireTHRIVE, the Group's sustainability strategy. Policies are intended to reflect key sustainability trends and to address major risks and opportunities in sustainability. The Sustainable Development Office coordinates the SGSC and its working groups. The SGSC and the working groups enable operating companies to exchange information and best practices with a view to developing specific policy recommendations, improving efficiency, reducing costs and engaging with staff.

Essential to our approach to corporate governance is our Corporate Code of Conduct. The code is publicly available and can be viewed at http://www.swirepacific.com/en/governance/code.php.

Risk Management

Effective risk management is key to ensuring the continued long-term viability of the Group.

Swire Pacific and its operating companies have an Enterprise Risk Management (ERM) system, which is intended to identify, assess, monitor and manage risks. Sustainability risks include climate change, political and regulatory risks, and emerging risks like climate resilience and biodiversity. The Board of Directors and the management of each division are responsible for identifying and analysing risks underlying the achievement of business objectives and for determining how such risks should be managed and mitigated. In our 2018 sustainability report, we started to align our disclosures with those recommended by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board.

Environment

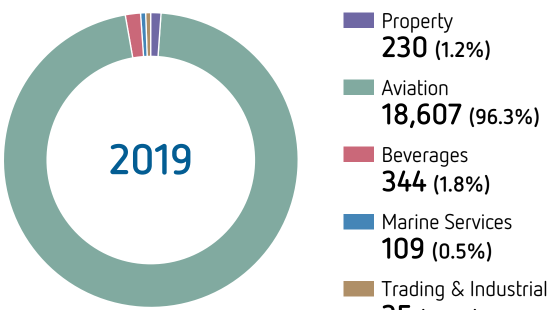
If our business is to thrive in the long term, we need to take an active role in protecting the environment upon which we depend. SwireTHRIVE is our environmental strategy. It focuses on carbon, waste, water, sustainable materials, biodiversity and climate resilience. It provides a framework for our sustainability efforts and an opportunity for our operating companies to work together to make our businesses thrive. Our success (and that of the communities in which we operate) depends on a natural, thriving environment. We are considering extending SwireTHRIVE so that it incorporates appropriate social elements of sustainability.

The Swire Pacific sustainable development fund offers financial support to operating companies for projects which can deliver long-term sustainability benefits, but which cannot be justified by reference to our cost of capital targets.

Each of our divisions has operations covered by the ISO 14001 environmental management system.

Total GHG Emissions by Division

Thousand tonnes of CO_2e



Notes:
1. Swire Pacific tracks its energy consumption and GHG emissions through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of the above records.
2. Totals may not be the exact sum of numbers shown here due to rounding.

Greenhouse Gas Emissions

We aim to reduce our emissions in line with international carbon reduction goals. In 2017, operating companies set targets for reducing carbon intensity. These are intended to reduce the Group's carbon intensity up to 2020 by 8-10% by comparison with a 2015 frozen efficiency baseline (a frozen efficiency baseline being one from which performance is projected with the assumption of no improvement in current efficiencies). Achieving these improvements in performance will depend on innovation and new technologies.

In 2019, our greenhouse gas emissions were 19.3 million tonnes of CO_2e, similar to those in 2018. Cathay Pacific continued to buy more fuel-efficient aircraft. SPO increased its fleet mobilisation rate. The challenging operating environment reduced some businesses' energy requirements.

The Aviation Division accounted for 96.3% of our total emissions in 2019[1]. In 2019, Cathay Pacific increased fuel efficiency as measured by tonnes of CO_2 per available tonne kilometres (ATK) by 2%, principally as a result of continued fleet replacement and fuel efficiency measures. In 2019, six Airbus A350s were delivered. These aircraft are 25% more fuel-efficient than the existing wide-body fleet.

Cathay Pacific is a member of the Sustainable Aviation Fuel Users Group Asia and of the Round Table on Sustainable Biomaterials. Cathay Pacific has a minority interest in Fulcrum BioEnergy Inc., a company which converts municipal solid waste into sustainable aviation fuel. From 2018, all of Cathay Pacific's Airbus A350-1000 delivery flights used jet fuel that contains a blend of biofuel. 12 Airbus A350-1000 and 24 Airbus A350-900 aircraft had been delivered by 31st December 2019.

Carbon offsets are purchased by Cathay Pacific through its Fly greener programme. In 2019, the FLY greener programme offset 32,321 tonnes of CO_2 (tCO_2), by investing in offsets generated by Gold Standard certified offset projects, including efficient cook stoves in Bangladesh and bio-digestors in India.

Energy

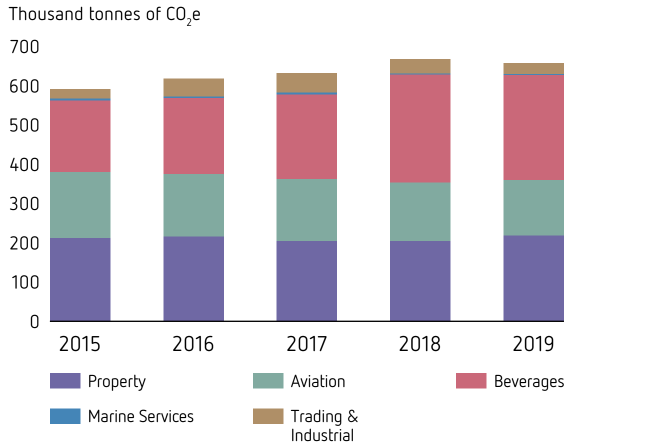
Electricity consumption represents our second largest source of greenhouse gas emissions. In 2019, our indirect emissions (which are primarily derived from using electricity) were 657.7 thousand tonnes of CO_2e, a 1.51% decrease from 2018 (calculated on a revised basis). We retrofitted buildings and improved operational procedures. We disposed of our cold storage operations in 2018. The challenging operating environment reduced some businesses' energy requirements.

It is a priority to make our buildings and operations more energy-efficient. Our sustainable building design policy requires new and substantially renovated buildings to obtain the highest or, as a minimum, the second highest international or local building environmental certification.

Swire Properties designs, constructs and operates properties with a view to reducing energy use. In 2019, Swire Properties became the first real estate developer in Hong Kong and Mainland China to have its carbon reduction target approved by the Science Based Targets Initiative. (A carbon reduction target is science-based if it is developed in line with the scale of

1 This percentage does not take account of the emissions of HK Express. HK Express is outside the scope of Swire Pacific's 2019 sustainability reporting because of the date on which it was acquired.

Indirect GHG Emissions by Division



Notes:
1. Swire Pacific tracks its energy consumption and GHG emissions through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of the above records. The figures for 2018 have been updated to reflect such availability.

reductions required to keep global warming below 2°C from its pre-industrial level.) At the end of 2019, buildings accounting for 97% of Swire Properties' property portfolio had been certified or provisionally certified as green buildings under BEAM, BEAM Plus, LEED, China Three Star and Green Mark independent rating systems. Swire Properties offers free energy audits to tenants. Since 2008, free energy audits have covered 5.5 million square feet of commercial space, identifying potential annual energy savings of 9 million kWh.

Operating companies are encouraged to set energy efficiency targets and reduce their energy use. Since 2008, Swire Properties has reduced its annual energy consumption in its Hong Kong portfolio by 62.7 million kWh, which is in line with its 2020 target. In its Mainland China portfolio, it has reduced its annual energy consumption by 23.2 million kWh from the consumption which would have occurred if no changes had been made, putting it on track to meet its 2020 target.

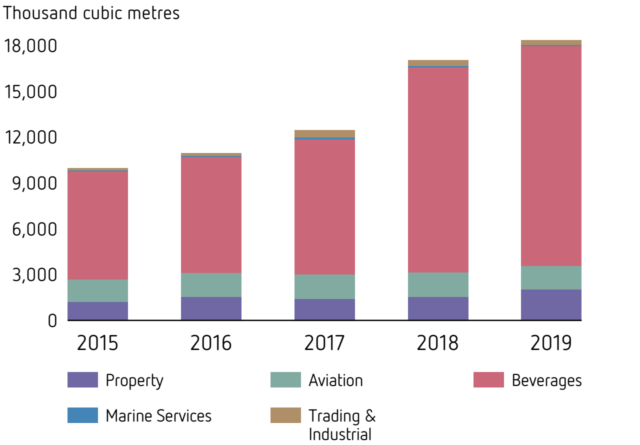
Swire Coca-Cola, HAECO and Swire Properties explore energy efficiency and management under a contractual arrangement with Tsinghua University.

We encourage the use of renewable energy in our operations. 16.2 million kWh of electricity was generated from renewable energy sources at Swire Properties, Swire Coca-Cola and HAECO Xiamen in 2019. The Swire Pacific sustainable development fund is available to support suitable renewable projects.

Water

Our businesses depend on water. Some of them use it extensively. Water stress can affect our suppliers as well as the communities and the biodiversity of the areas in which we operate. We aim to use water responsibly and sustainably, and

Water Consumption by Division



Notes:
1. Swire Pacific tracks its water consumption through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of the above records. The figures for 2018 have been updated to reflect such availability.

to protect our water sources. We abide by all local wastewater treatment laws, and in many cases exceed them. By doing this, we protect our own resources and help the communities in which we operate to have access to safe, good quality water.

In 2019, we consumed 18.36 million cubic metres of water, an increase from 17.05 million cubic metres in 2018 (calculated on a revised basis). We set water intensity targets and encourage operating companies to use water more efficiently. By the end of 2020 we aim to have reduced our water consumption by 3-4% by comparison with a 2015 frozen efficiency baseline. In 2019, we underperformed our target by 1.26%.

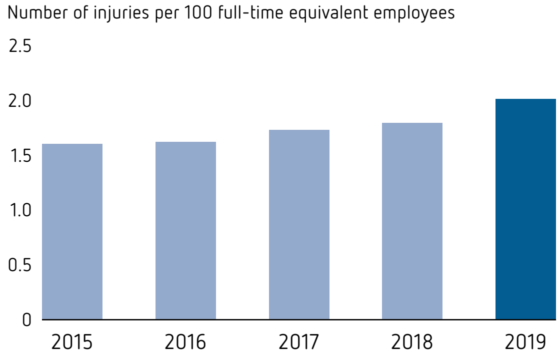
Using water to make beverages and maintain hygiene, the Beverages Division accounts for 78.4% of our water use. In 2019, water intensity at Swire Coca-Cola, which reflects the amount of water needed to produce a litre of beverage product, increased by 1.7% to 1.77. This deterioration in water intensity was due to an increase in product mix and more equipment cleaning in Mainland China.

Swire Coca-Cola aims to return to the environment water in amounts equivalent to those which it uses in its products by 2020.

Plastic Waste

Plastics are versatile, cost-effective, lighter than most materials and important for our operations. But if their waste is not handled responsibly, they can harm the environment. We are conscious of increasing global concerns about plastic waste and the environmental damage which it causes, particularly to the oceans. We aim to play our part in reducing the environmental impact of plastic waste.

Lost Time Injury Rate



Our major source of plastic waste is Swire Coca-Cola. In line with The Coca-Cola Company's World Without Waste initiative, Swire Coca-Cola has the following aims:

- By 2025, 100% of primary packaging will be recyclable
- By 2030, 50% of all primary packaging will comprise 50% recycled content
- By 2030, for every bottle placed in the environment, one will be removed

New Life Plastics, a joint venture between Swire Coca-Cola, ALBA Group Asia and Baguio Waste Management Recycling formed to operate a plastic recycling facility in Hong Kong, will begin operations later this year.

Health and Safety

Protecting the health and safety of our workforce is fundamental to our businesses achieving long-term success and to upholding our commitment to sustainability. We aim to conduct our operations in a manner which safeguards the health and safety of our employees, contractors, suppliers, customers, the visitors to our business premises and the communities in which we operate. We aim to improve our health and safety management systems continuously with a view to causing zero harm.

Our Performance

In 2019, the number of injuries per 100 full-time equivalent employees (lost time injury rate or LTIR) increased by 12% to 2.01 from 1.79 in 2018. There were increases at Cathay Pacific, Swire Properties, Swire Coca-Cola and HUD.

Regrettably there were two fatalities among our employees in 2019. One occurred in Hong Kong when a Vogue Laundry delivery worker was in a company truck when it collided with a parked vehicle. The other occurred in Mainland China when an employee was in a road accident when returning home from work.

Towards Zero Harm
We aim through systems improvements, training, learning and transparent reporting continually to improve our health and safety performance and culture. In 2019:

– Swire Properties introduced an e-learning occupational health & safety platform for senior management and for frontline and office staff.

– HAECO and Cathay Pacific Catering Services conducted assessments using wearable technology intended to improve workplace safety, manual handling techniques and workplace design.

– Swire Coca-Cola implemented behavioural-based safety programmes in Hong Kong, Mainland China and Taiwan.

– Swire Coca-Cola provided defensive driving training and promoted safe driving behaviour in Mainland China.

– SPO produced "Get Home Safe" safety videos and communicated them to all staff.

Staff

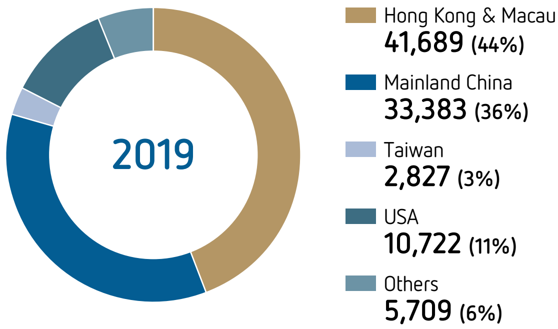
At Swire Pacific we place significant emphasis on our people. Our success depends critically on our employees. We aim to be an employer of choice that attracts the most talented employees. We do this by providing an environment in which all employees are treated fairly and with respect. We aim to recruit the best people, by offering competitive remuneration packages and providing training which enables staff to realise their potential, and to have a workforce reflecting the diversity of the communities in which we operate.

Employee Profile
At the end of 2019, the Swire Pacific Group (including joint venture and associated companies) employed over 94,000 staff, an increase of 1.7% from the end of 2018. The majority of our staff are based in Hong Kong and Mainland China.

Diversity and Inclusion
We are committed to creating an inclusive and supportive working environment for all our people regardless of their age, gender, gender identity, sexual orientation, relationships, family status, disability, race, ethnicity, nationality and religious or political beliefs. We believe in creating an environment where people feel comfortable at work and able to realise their full potential.

Our Diversity and Inclusion (D&I) Steering Committee and the Swire Women's Network help us to accomplish our aim of creating a diverse and inclusive workforce. Our D&I Policy can be viewed at https://www.swirepacific.com/en/sd/policy/diversity_inclusion.pdf. Under this policy, spousal employee benefits (medical, insurance and travel) have been extended to same sex spouses with valid marriage certificates. We have developed a D&I strategic framework. The framework includes goals, metrics and guidelines and is to be implemented in accordance with a five year plan. We have conducted unconscious bias training for those responsible for recruitment

Employee Numbers by Region



Employee numbers are calculated with reference to the relevant GRI reporting requirement.

Employee Breakdown by Gender

and promotion. At the end of 2019 the percentage of women on the Swire Pacific board was 18%.

We are committed to providing a workplace free from harassment and bullying. We aim to ensure that all our people are treated, and treat others, with dignity and respect.

Employees are required to be fully compliant with applicable employment and other laws. We provide training in order to assist staff to understand their rights and obligations under Hong Kong anti-discrimination legislation.

Staff Retention
We offer a competitive remuneration and benefits package. Decisions on remuneration are made having regard to roles and responsibilities, individual and business performance, and conditions in the job markets and economies in which we operate. We communicate with staff through our intranet, newsletters, surveys and staff forums. The staff turnover rate (which was 16.7% in 2019) is monitored with a view to identifying and managing problems as they arise. With a view to promoting the wellness of our employees, a 24-hour counselling and consultation service is available.

Training and Education
We need an agile and well-trained workforce in order to respond to changes in the business environment and increased competition. Through our training and development programmes, we aim to attract and retain outstanding people and to enable them to realise their full potential. We develop our people by on-the-job learning, mentoring or coaching, classroom training and online learning. All new employees take part in induction programmes. These programmes include anti-discrimination and anti-corruption training and visits to our businesses.

Our in-house leadership development company Ethos International designs and provides learning and development programmes for management staff. Managers attend business management and executive programmes at INSEAD and Stanford. Ethos' training programmes emphasise sustainability and contribute to the development of a strong corporate culture and a style of leadership that is consistent with our values.

Managing for the Future

The Swire Leadership Programme accepts high-calibre graduates every year with a view to developing their professionalism for a long-term career with the Group. Over the next 12 years, graduates are developed, coached and mentored, and the stages in their careers are planned.

Our summer internship programme gives exceptional students the opportunity to gain experience of working at Swire. Interns learn about what we do and our values and then work on business projects at our operating companies.

Working with Others

We aim to promote inclusive, ethical and sustainable procurement practices. With our substantial purchasing power, we expect, by creating long-term value for those with whom we do business and the communities in which we operate, to create long-term value for our shareholders.

Sustainable procurement helps to manage risks, improve efficiencies and reduce costs. Our sustainable procurement policy commits operating companies where possible to purchasing products which do not adversely affect the environment. Our guidelines on doing so are in accordance with international standards.

We aim to procure services from those who are accountable for their workplace practices.

It is our policy to comply with all applicable laws and regulations relating to procurement. Our Supplier Corporate Social Responsibility Code of Conduct (CSR code) deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting. Suppliers' compliance with the CSR code is assessed. In 2019, we introduced a human rights policy.

We have over one thousand suppliers. They supply goods and services which include ships, aircraft, fuel, sugarcane, auditing, office supplies and uniforms. We seek to work with suppliers which have high standards. We share information and best practices with suppliers and encourage them to adopt appropriate sustainability and other standards.

We use our purchasing power and our close relationships with suppliers in ways designed best to meet the needs of our businesses and customers.

Our operating companies are responsible for their own supply chain management. Support is provided by our sustainable materials working group.

Operating companies use a risk matrix based on the above supplier code of conduct, with a view to managing and mitigating risks. The results determine which suppliers need to be audited in order to ensure compliance.

Community Involvement

At Swire Pacific we recognise that the economic, social and environmental health of the communities in which we operate is important to our businesses. As neighbours and employers, we aim to be responsible and involved members of those communities.

We believe that when the communities in which we operate prosper, so do we. We concentrate on doing things where we believe we can make a difference. We emphasise education, arts and culture and the environment. We support our communities with money, with products and services and with the time and energy of our staff, and through the Swire Group Charitable Trust. The Trust focuses on education, marine conservation and the arts in Hong Kong. At the end of 2019, the Trust had supported 23 programmes. In 2019, it distributed over HK$35 million.

More information on the activities of the Trust and on the community activities of our operating companies can be found at http://www.swirepacific.com/en/sd/community.php.

Reporting and Recognition

Our sustainability performance will be reported on in detail in a separate sustainability report which will be published in June 2020. The report will be prepared as an interactive website and will be available in English and traditional Chinese. It will be prepared with reference to the Global Reporting Initiative's (GRI) standards core option and the ESG Reporting Guide for listed companies issued by The Stock Exchange of Hong Kong Limited. This report together with separate reports from our major operating companies will be available at http://www.swirepacific.com/en/sd/sd_reports.php.

Deloitte Touche Tohmatsu have been engaged to provide a limited assurance report in respect of selected sustainability information of Swire Pacific for the year ended 31st December 2019. Further information on the scope and boundaries of the sustainability data in this report can be found along with the full text of the limited assurance report from Deloitte Touche Tohmatsu at http://www.swirepacific.com/en/sd/sd_reports.php.

Swire Pacific is included in the Dow Jones Sustainability Asia Pacific Index, the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI ACWI ESG Leaders, Hong Kong ESG Leaders, ACWI ESG Universal and ACWI SRI Indices. Swire Properties and Cathay Pacific are included in the FTSE4Good Index. In 2019, Swire Properties continued to be the only listed company from Hong Kong and Mainland China to be included in the Dow Jones Sustainability World Index. In 2019, Swire Pacific and Cathay Pacific received a CDP climate change programme score of B.

Statistics - Environmental

		Property		Cathay Pacific group		HAECO group	
	Note	2019	2018	2019	2018	2019	2018
Total Energy Consumption (thousand GJ)							
Direct energy consumption		204	166	256,974	256,677	446	423
Indirect energy consumption		1,109	1,035	471	500	498	490
Total	1	1,313	1,201	257,445	257,177	944	913
% Change year-on-year		9%		0.1%		3%	
Total Greenhouse Gas Emissions by Weight (thousand tonnes CO_2e)							
Direct (Scope 1)	2	12	10	18,430	18,406	35	33
Indirect (Scope 2)		218	205	70	75	72	73
Total	1	230	215	18,500	18,481	107	106
% Change year-on-year		7%		0.1%		0.9%	
Total Water Used (thousands cbm)							
Water Used	3	2,007	1,599	944	975	600	633
% Change year-on-year		26%		-3%		-5%	

Statistics – Health & Safety

	Property		Cathay Pacific group		HAECO group	
	2019	2018	2019	2018	2019	2018
Thousand hours worked	13,741	12,406	68,757	66,886	34,962	33,914
Total lost time injuries	112	91	1,560	1,288	198	222
Lost time injury rate (LTIR)	1.63	1.47	4.54	3.85	1.13	1.31
% Change year-on-year (LTIR)	11%		18%		-14%	
Total fatalities (employee)	–	–	1	2	–	–

Notes:
1. Totals may not be the exact sum of numbers shown here due to rounding.
2. For the Cathay Pacific group, only CO_2 emissions for aviation turbine fuel are reported as there is no scientific consensus on the global warming effect of other emissions. Cathay Pacific monitors developments in these areas of atmospheric science, including studies from the UKs OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre.
3. Virtually all water consumption by the Swire Pacific Group is withdrawn from municipal water supplies provided by local water supply authorities. Some of Swire Properties' buildings catch rainwater but the amount caught is insignificant in relation to the Group's total water consumption.
4. This figure excludes on-hire vessel fuel consumption as this belongs to scope 3 as defined by the Greenhouse Gas Protocol.
5. Numbers included in 2018 report (based on estimates) have been revised to reflect the actual situation.
R. Denotes sustainability data that has been reported on by Deloitte Touche Tohmatsu. Please refer to the independent limited assurance report for further details.

Beverages		Swire Pacific Offshore (Note 4)		HUD group		Trading & Industrial		Total (Note 1)	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
1,149	1,130	1,037	1,260	342	345	82	84	260,234	260,085
1,837	1,807	5	5	16	15	160	207	4,096	4,059
2,986	2,937	1,042	1,265	358	360	242	291	264,330[R]	264,144
2%		-18%		-0.6%		-17%		0.1%	
77	81	79	93	28	28	7	6	18,668	18,657
267	275	0.4	0.5	2.3	2.3	28	37	657.7	667.8
344	356	79	94	30	30	35	43	19,326[R]	19,325
-3%		-15%		–		-19%		0%	
14,402	13,439	–	–	84	85	324	400	18,361[R]	17,131
7%		–		-1%		-19%		7%	

Beverages		Swire Pacific Offshore		HUD group		Trading & Industrial		Swire Pacific (Head Office)		Total (Note 1)	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
67,816	64,092	11,381	11,961	2,052	2,271	15,347	16,256	75	76	214,131	207,862
200	173	5	9	10	5	65	75	0	0	2,150	1,863
0.59	0.54	0.09	0.15	0.97	0.44	0.85	0.92	0	0	2.01[R]	1.79
9%		-40%		120%		-8%		–		12%	
1	–	–	–	–	–	–	–	–	–	2[R]	2

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Independent Auditor's Report

To the Shareholders of Swire Pacific Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Swire Pacific Limited (the "Company") and its subsidiaries (the "Group") set out on pages 128 to 219, which comprise:

- The consolidated statement of financial position as at 31st December 2019;
- The consolidated statement of profit or loss for the year then ended;
- The consolidated statement of other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation and impairment of property, plant and equipment *Refer to note 14 in the consolidated financial statements.* Swire Pacific Offshore ("SPO") recognised an impairment provision of HK$2,121 million to reduce the aggregate carrying values of vessels to HK$9,987 million as at 31st December 2019. The provision was made following a review of the business outlook and SPO's operating plans to reduce the carrying values of certain vessels to their estimated recoverable values, which is the higher of fair value less cost to sell and value in use. For the remaining vessels, management concluded that the recoverable amount was higher than their carrying values such that no impairment provision was required. These conclusions are dependent upon significant management judgement, including in respect of: – Estimated utilisation, charter hire rates, disposal values and discount rates assumptions applied to future cash flows; and – Estimated resale values, provided by an external expert.	Our procedures in relation to management's impairment assessment of vessels included: – Assessing the key assumptions and input data used by management to estimate values in use based on our knowledge of the business and industry; – Considering the potential impact of reasonably possible downside changes in these key assumptions; – Understanding the methodologies used by the external expert to estimate resale values and by management to estimate values in use; – Evaluating the external expert's competence, capabilities and objectivity; – Checking, on a sample basis, the accuracy and appropriateness of the input data provided by management to the external expert such as vessel information and historical performance; – Considering the appropriateness of the resale values estimated by the external expert based on our knowledge of the business and industry and values obtained by the Group in respect of vessels that have been disposed of during the year; and – Assessing the appropriateness of the disclosures in the financial statements. Based on the available evidence we found management's assumptions in relation to the impairment assessment to be reasonable. We found the disclosures to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 15 in the consolidated financial statements.* The fair value of the Group's investment properties amounted to HK$276,250 million at 31st December 2019, with a fair value gain of HK$3,728 million recorded in the consolidated statement of profit or loss for the year. Valuations were obtained from third party valuers (the "valuers") in respect of 97% of the investment properties as at 31st December 2019. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and market rents. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin.	Our procedures in relation to the valuation of investment properties included: – Evaluation of the valuers' competence, capabilities, independence and objectivity; – Meeting the valuers to discuss the valuations and key assumptions used; – Review of the external valuation reports to assess the appropriateness of methodologies used; – Comparison of the capitalisation rates, market rents and expected developer's profit margin used by the valuers to an estimated range, determined by reference to publicly available information by our in-house valuation experts; – Checking the accuracy of the rental data provided by management to the valuers by agreeing them on a sample basis to the Group's records; and – For investment properties under development, comparing the estimated construction costs to complete with the Group's budgets. We found the key assumptions were supported by the available evidence. We found the disclosures in note 15 to be appropriate.
Key Audit Matters in relation to Cathay Pacific Airways Limited ("Cathay Pacific") *Refer to note 20 in the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 218 and 219.* The Group's 45% interest in Cathay Pacific is accounted for under the equity method. The Group's share of the profit after tax from Cathay Pacific for the year ended 31st December 2019 was HK$761 million and the Group's share of Cathay Pacific's net assets was HK$28,697 million as at 31st December 2019. The amounts noted below are those in the Cathay Pacific financial statements (i.e. on a 100% basis). In the context of our audit of the Group's financial statements, the key audit matters relating to the Group's share of the profit and net assets of Cathay Pacific are summarised below.	Cathay Pacific is a significant associate of the Group and is audited by a non-PwC auditor ("the CX Auditor"). We have met with the CX Auditor and have: discussed their identified audit risks and audit approach, results of their work and key audit matters identified; and have reviewed their working papers. Together with their reporting to us in accordance with our instructions we have determined that the audit work performed and evidence obtained are sufficient for our purpose. We discussed the key audit matters relating to Cathay Pacific with Swire Pacific management and evaluated the impact on our audit of the consolidated financial statements. The procedures performed on the respective key audit matters are summarised below.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited ("Cathay Pacific") (continued) *Refer to note 20 in the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 218 and 219.*	
Revenue recognition – Cathay Pacific's revenue amounted to HK$106,973 million for the year ended 31st December 2019. Revenue from passenger and cargo sales is recorded when the related transportation service is provided, using sophisticated information technology systems to track the point of service delivery and, where necessary, estimates of fair values for the services provided that involve a significant degree of management judgement.	– Assessing information technology controls and key manual and application controls over Cathay Pacific's revenue systems; – Performing analytical procedures on revenue; and – Inspecting underlying documentation for journal entries related to revenue to assess the timing and fair values of revenues recorded.
Hedge accounting – Cathay Pacific enters into derivative financial instrument contracts to manage its exposure to fuel price risk, foreign currency risk and interest rate risk. Hedge accounting under HKFRSs is applied for a majority of these arrangements, and related contracts gave rise to derivative financial assets of HK$595 million and liabilities of HK$917 million as at 31st December 2019. These contracts are recorded at fair value and for the majority of them hedge accounting is applied, such that gains and losses arising from fair value changes are deferred in equity and recognised in the consolidated statement of profit or loss when hedges mature. The large number of contracts necessitates a sophisticated system to record and track each contract and determine the related valuations at each financial reporting date. The valuation of hedging instruments and consideration of hedge effectiveness can involve a significant degree of both complexity and management judgement and are subject to an inherent risk of error.	– Assessing Cathay Pacific's internal controls over derivative financial instruments and hedge accounting; – Inspecting, on a sample basis, Cathay Pacific's hedge documentation and contracts; – Re-performing, on a sample basis, the year end valuations of derivative financial instruments and calculations of hedge effectiveness; and – Obtaining confirmation of year end derivative financial instruments from counterparties on a sample basis.
Assessment of provisions for taxation, litigation and claims – As at 31st December 2019, Cathay Pacific had provisions in respect of possible or actual taxation disputes, litigation and claims amounting to HK$2,745 million. These provisions are estimated using a significant degree of management judgement in interpreting the various relevant rules, regulations and practices and in considering precedents in the various jurisdictions.	– Assessing the adequacy of Cathay Pacific's tax provisions by reviewing correspondence with tax authorities; – Discussing significant litigation, claims and regulatory enquiries with Cathay Pacific's internal legal counsel; – Obtaining letters from Cathay Pacific's external legal advisors including their views regarding the likely outcome and magnitude of and exposure to the relevant litigation, claims and regulatory enquiries; – Considering opinions given by Cathay Pacific's third party advisers; and – Assessing the reliability of Cathay Pacific's management's past estimates.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited ("Cathay Pacific") (continued) *Refer to note 20 in the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 218 and 219.*	
Assessing the carrying value of aircraft and related equipment – The carrying value of Cathay Pacific's aircraft and related equipment as at 31st December 2019 was HK$123,312 million and the related depreciation charge for the year ended 31st December 2019 was HK$11,575 million. The carrying value, estimated useful lives and residual values are reviewed annually by management with reference to fleet composition, current and forecast market values and relevant technical factors. This involves a significant degree of management judgement.	– Assessing estimated useful lives and residual values using the policies of other comparable airlines and Cathay Pacific's historical experience and future operating plans; – Discussing indicators of possible impairment with Cathay Pacific's management and, where identified, assessing Cathay Pacific's management's impairment testing; and – Challenging the assumptions and critical judgements used by Cathay Pacific's management and assessing the reliability of past estimates and taking into account recent industry developments and market conditions.
Assessing aircraft maintenance provisions – Cathay Pacific is contractually committed to return 69 aircraft held under lease arrangements to the lessors in a physical condition agreed at the inception of each lease. Management estimates the maintenance costs and the costs associated with the restitution of life-limited parts and makes relevant provisions over the lease term. Provisions of HK$5,031 million were held as at 31st December 2019 in respect of this. Determining the provisions requires significant management judgement and complex estimates, including the utilisation of the aircraft, the cost of maintenance and the lifespans of life-limited parts.	– Assessing Cathay Pacific's internal controls over accounting for maintenance provisions for aircraft held under leases; – Evaluating the provisioning model and key assumptions adopted by Cathay Pacific's management through reviewing the terms of the leases, information from lessors and Cathay Pacific's maintenance cost experience; and – Assessing the reliability of Cathay Pacific's management's past assumptions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited ("Cathay Pacific") (continued) *Refer to note 20 in the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 218 and 219.*	
Assessing potential impairment of goodwill allocated to the cash-generating unit ("CGU") of Hong Kong Express Airways Limited ("HKE") – Cathay Pacific acquired HKE on 19th July 2019. As at 31st December 2019, management performed an impairment assessment of the carrying value of goodwill amounting to HK$3,616 million which arose from the acquisition and was allocated to HKE as a CGU. In performing the impairment assessment, management compared the carrying value of HKE with its value in use based on a discounted cash flow forecast to determine if any impairment provision was required. The preparation of the discounted cash flow forecast requires making certain key assumptions, including estimated future cash flows, growth rate and discount rate, which involve a significant degree of management judgement and could be subject to management bias.	– Assessing Cathay Pacific management's identification of the CGU, allocation of assets and methodology adopted by Cathay Pacific management in its impairment assessment with reference to the requirements of the prevailing accounting standards and with the support of the CX Auditor's internal valuation experts; – Comparing budgeted results with actual performance to assess the reliability of Cathay Pacific management's cash flow forecast and making enquiries as to the reasons for any significant variations identified; – Evaluating the key assumptions adopted in the preparation of the discounted cash flow forecast based on the CX Auditor's knowledge of the business, historical trends, available industry information and market data; and – Performing sensitivity analyses on the key assumptions, including projected profitability and discount rate, adopted in the discounted cash flow forecast and assessing whether there were indicators of management bias in the selection of these assumptions.
	We found that, in the context of our audit of the consolidated financial statements of Swire Pacific Limited, Cathay Pacific's management judgements and estimates associated with the key audit matters noted in respect of the Group's share of the profit and net assets of Cathay Pacific were supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John J. Ryan.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 12th March 2020

Consolidated Statement of Profit or Loss

For the year ended 31st December 2019

	Note	2019 HK$M	2018 HK$M
Revenue	4	85,652	84,606
Cost of sales		(53,831)	(53,739)
Gross profit		31,821	30,867
Distribution costs		(14,565)	(14,086)
Administrative expenses		(6,563)	(6,331)
Other operating expenses		(304)	(398)
Other net (losses)/gains	5	(325)	1,458
Change in fair value of investment properties		3,728	19,378
Operating profit		13,792	30,888
Finance charges		(2,494)	(2,525)
Finance income		452	201
Net finance charges	9	(2,042)	(2,324)
Share of profits less losses of joint venture companies	20(a)	1,949	2,458
Share of profits less losses of associated companies	20(b)	885	1,324
Profit before taxation		14,584	32,346
Taxation	10	(2,746)	(2,926)
Profit for the year		11,838	29,420
Profit for the year attributable to:			
The Company's shareholders	35	9,007	23,629
Non-controlling interests	36	2,831	5,791
		11,838	29,420
Underlying profit attributable to the Company's shareholders	11	17,797	8,523

		HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	13		
'A' share		6.00	15.74
'B' share		1.20	3.15

The notes on pages 133 to 219 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2019

	2019 HK$M	2018 HK$M
Profit for the year	11,838	29,420
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group		
gains recognised during the year	294	19
deferred tax	(2)	(1)
Defined benefit plans		
remeasurement gains/(losses) recognised during the year	76	(204)
deferred tax	7	38
Changes in the fair value of equity investments at fair value through other comprehensive income	(59)	(135)
Share of other comprehensive income of joint venture and associated companies	494	(120)
	810	(403)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
gains/(losses) recognised during the year	495	(139)
transferred to net finance charges	(61)	(77)
transferred to operating profit	84	(14)
deferred tax	(75)	36
Share of other comprehensive income of joint venture and associated companies	(350)	(540)
Net translation differences on foreign operations		
losses recognised during the year	(1,022)	(2,081)
reclassified to profit or loss on disposal	–	35
	(929)	(2,780)
Other comprehensive income for the year, net of tax	(119)	(3,183)
Total comprehensive income for the year	11,719	26,237
Total comprehensive income attributable to:		
The Company's shareholders	9,000	20,973
Non-controlling interests	2,719	5,264
	11,719	26,237

The notes on pages 133 to 219 form part of these financial statements.

Consolidated Statement of Financial Position

At 31st December 2019

	Note	2019 HK$M	2018 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	32,680	39,644
Investment properties	15	276,250	271,515
Land use rights	16	–	1,415
Intangible assets	17	12,852	12,918
Right-of-use assets	18	9,899	–
Properties held for development	24	1,212	1,360
Joint venture companies	20(a)	19,112	18,870
Loans due from joint venture companies	20(a)	16,827	15,470
Associated companies	20(b)	30,695	31,533
Loans due from associated companies	20(b)	9	167
Equity investments at fair value through other comprehensive income	22	193	244
Other receivables	26	67	67
Derivative financial instruments	23	384	80
Deferred tax assets	32	667	454
Retirement benefit assets	33	97	89
		400,944	393,826
Current assets			
Properties for sale	24	3,604	1,469
Stocks and work in progress	25	5,539	5,242
Contract assets		1,301	1,176
Trade and other receivables	26	8,618	9,945
Derivative financial instruments	23	46	109
Bank balances and short-term deposits	27	21,345	9,112
		40,453	27,053
Assets classified as held for sale	28	–	15,526
		40,453	42,579
Current liabilities			
Trade and other payables	29	23,230	25,102
Contract liabilities		721	438
Taxation payable		1,170	636
Derivative financial instruments	23	14	28
Short-term loans	30	110	3,227
Long-term loans and bonds due within one year	30	11,459	8,301
Lease liabilities due within one year	31	858	–
		37,562	37,732
Liabilities directly associated with assets classified as held for sale	28	–	207
		37,562	37,939
Net current assets		2,891	4,640
Total assets less current liabilities		403,835	398,466
Non-current liabilities			
Long-term loans and bonds	30	56,464	60,251
Long-term lease liabilities	31	4,517	–
Derivative financial instruments	23	92	170
Other payables	29	1,095	1,679
Deferred tax liabilities	32	11,014	10,034
Retirement benefit liabilities	33	1,159	1,217
		74,341	73,351
NET ASSETS		329,494	325,115
EQUITY			
Share capital	34	1,294	1,294
Reserves	35	272,058	269,130
Equity attributable to the Company's shareholders		273,352	270,424
Non-controlling interests	36	56,142	54,691
TOTAL EQUITY		329,494	325,115

Merlin Swire
Michelle Low
Paul Kenneth Etchells
Directors
Hong Kong, 12th March 2020

The notes on pages 133 to 219 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2019

	Note	2019 HK$M	2018 HK$M
Operating activities			
Cash generated from operations	42(a)	12,817	18,328
Interest paid		(2,603)	(2,629)
Interest received		397	201
Tax paid		(1,397)	(2,180)
		9,214	13,720
Dividends received from joint venture and associated companies		1,327	1,716
Net cash generated from operating activities		10,541	15,436
Investing activities			
Purchase of property, plant and equipment	42(b)	(3,782)	(4,103)
Additions of investment properties		(1,962)	(3,917)
Additions of other current assets		–	(88)
Additions of assets classified as held for sale		–	(364)
Purchase of intangible assets		(736)	(126)
Proceeds from disposals of property, plant and equipment		303	450
Proceeds from disposals of investment properties		295	350
Proceeds from disposals of subsidiary companies, net of cash disposed of	42(d)	17,534	9,584
Proceeds from disposal of a joint venture company	42(e)	2,352	3,594
Proceeds from disposal of an associated company		140	–
Purchase of shares in new subsidiary companies		–	(14)
Purchase of shares in joint venture companies		(276)	(1,670)
Adjustment for previous year's purchase of new businesses		–	187
Purchase of equity investments at fair value through other comprehensive income		(8)	(4)
Loans to joint venture companies		(2,588)	(1,635)
Loans to associated companies		–	(176)
Repayment of loans by joint venture companies		1,120	363
Repayment of loans by associated companies		9	2
(Increase)/decrease in deposits maturing after more than three months		(13)	110
Initial leasing costs incurred		(19)	(60)
Net cash generated from investing activities		12,369	2,483
Net cash inflow before financing activities		22,910	17,919
Financing activities			
Loans drawn and refinancing	42(c)	10,564	10,624
Repayment of loans and bonds	42(c)	(14,135)	(17,571)
Principal elements of lease payments	42(c)	(950)	–
		(4,521)	(6,947)
Repurchase of the Company's shares	34	–	(21)
Purchase of shares in existing subsidiary companies		(226)	(3,018)
Proceeds from partial disposal of interest in a subsidiary company		171	–
Dividends paid to the Company's shareholders	35	(4,730)	(3,454)
Dividends paid to non-controlling interests	36	(1,246)	(1,128)
Net cash used in financing activities		(10,552)	(14,568)
Increase in cash and cash equivalents		12,358	3,351
Cash and cash equivalents at 1st January		9,102	5,951
Effect of exchange differences		(138)	(200)
Cash and cash equivalents at 31st December		21,322	9,102
Represented by:			
Bank balances and short-term deposits maturing within three months	27	21,322	9,102

The notes on pages 133 to 219 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2019

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2019							
as originally stated		1,294	266,842	2,288	270,424	54,691	325,115
adjustment on adoption of HKFRS 16	1(a)	–	(1,279)	–	(1,279)	(30)	(1,309)
as restated		1,294	265,563	2,288	269,145	54,661	323,806
Profit for the year		–	9,007	–	9,007	2,831	11,838
Other comprehensive income		–	553	(560)	(7)	(112)	(119)
Total comprehensive income for the year		–	9,560	(560)	9,000	2,719	11,719
Dividends paid		–	(4,730)	–	(4,730)	(1,246)	(5,976)
Acquisition of non-controlling interests		–	(183)	–	(183)	(43)	(226)
Change in composition of the Group		–	120	–	120	51	171
At 31st December 2019		1,294	270,330	1,728	273,352	56,142	329,494

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2018		1,294	247,538	4,662	253,494	52,963	306,457
Profit for the year		–	23,629	–	23,629	5,791	29,420
Other comprehensive income		–	(282)	(2,374)	(2,656)	(527)	(3,183)
Total comprehensive income for the year		–	23,347	(2,374)	20,973	5,264	26,237
Dividends paid		–	(3,454)	–	(3,454)	(1,128)	(4,582)
Repurchase of the Company's shares	34	–	(9)	–	(9)	–	(9)
Capital contribution from non-controlling interests accrued		–	–	–	–	8	8
Acquisition of non-controlling interests		–	(580)	–	(580)	(2,438)	(3,018)
Change in composition of the Group		–	–	–	–	22	22
At 31st December 2018		1,294	266,842	2,288	270,424	54,691	325,115

The notes on pages 133 to 219 form part of these financial statements.

Notes to the Financial Statements

General Information

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 207 to 217.

The audited financial statements are set out on pages 128 to 219 and also include the "Audited Financial Information" under Financial Review on page 72 and Financing on pages 81 to 88.

1. Changes in Accounting Policies and Disclosures

(a) The following new and revised standards and a new interpretation were required to be adopted by the Group effective from 1st January 2019:

HKFRSs (Amendment)	Annual Improvements 2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures

None of these new and revised standards and new interpretation had a significant effect on the Group's financial statements or accounting policies, except the following set out below:

HKFRS 16 Leases
HKFRS 16 replaces HKAS 17 "Leases" and related interpretations where the distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised in the statement of financial position for all leases by lessees, except for leases that have a lease term of 12 months or less and leases of low-value assets. In the statement of profit or loss, operating lease rentals are replaced with depreciation and interest expenses. HKFRS 16 also amends the definition of investment property under HKAS 40 to include property held by a lessee as right-of-use assets to earn rentals or for capital appreciation or both and requires the Group to account for such right-of-use assets at their fair value. The standard does not significantly change the accounting of lessors.

The Group has adopted HKFRS 16 retrospectively from 1st January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules for lessees are therefore recognised in the opening statement of financial position on 1st January 2019.

Adjustment recognised on adoption of HKFRS 16
On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the lessees at 1st January 2019. The weighted average incremental borrowing rate of the lessees applied to the lease liabilities on 1st January 2019 was 3.95%.

1. Changes in Accounting Policies and Disclosures (continued)

A reconciliation between (i) commitments under operating leases for future periods at 31st December 2018 and (ii) lease liabilities recognised at 1st January 2019 under HKFRS 16 is provided below:

	2019 HK$M
Operating lease commitments disclosed at 31st December 2018	6,322
Discounted using the lessee's incremental borrowing rate at the date of initial application on 1st January 2019	5,645
Less: short-term leases recognised on a straight-line basis as expenses	(85)
Less: low-value assets leases recognised on a straight-line basis as expenses	(46)
Others	145
Lease liabilities recognised at 1st January 2019	5,659
Of which:	
Current lease liabilities	806
Non-current lease liabilities	4,853
	5,659

The associated right-of-use assets for leases were measured on a modified retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to the leases recognised in the financial statements at 31st December 2018.

The change in accounting policy affected the following items in the statement of financial position at 1st January 2019:

	As originally stated HK$M	Adjustments on adoption of HKFRS 16 HK$M	As restated HK$M
Assets			
Property, plant and equipment	39,644	(4,315)	35,329
Investment properties	271,515	336	271,851
Leasehold land and land use rights	1,415	(1,415)	–
Right-of-use assets	–	10,676	10,676
Joint venture companies	18,870	58	18,928
Associated companies	31,533	(1,056)	30,477
Trade and other receivables	9,945	(8)	9,937
		4,276	
Liabilities			
Trade and other payables	25,102	(70)	25,032
Long-term loans and bonds	68,552	(4)	68,548
Lease liabilities	–	5,659	5,659
		5,585	
Equity			
Reserves	269,130	(1,279)	267,851
Non-controlling interests	54,691	(30)	54,661
		(1,309)	

1. Changes in Accounting Policies and Disclosures (continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

– use of a single discount rate for a portfolio of leases with reasonably similar characteristics;
– accounting for operating leases with a remaining lease term of less than 12 months at 1st January 2019 as short-term leases;
– exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application; and
– use of hindsight in determining lease terms where the contracts contain options to extend or terminate the leases.

Please refer to note 18 for the accounting policies of right-of-use assets and lease liabilities.

(b) The Group has not early adopted the following relevant new and revised standards that have been issued but are effective for annual periods beginning on or after 1st January 2020 and such standards have not been applied in preparing these consolidated financial statements.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 To be applied by the Group from 1st January 2020.
2 To be applied by the Group from 1st January 2021.
3 The effective date is to be determined.

None of these new and revised standards is expected to have a significant effect on the Group's financial statements.

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 104 and 105 under the heading "Audited Financial Information".

Interest rate exposure

The impact on the Group's profit or loss and other comprehensive income of a 100 basis-points increase or decrease in market interest rates from the rates applicable at 31st December, with all other variables held constant, would have been:

	100 basis-points increase in interest rates HK$M	100 basis-points decrease in interest rates HK$M
At 31st December 2019		
Impact on profit or loss: gain/(loss)	30	(30)
Impact on other comprehensive income: gain/(loss)	36	(33)
At 31st December 2018		
Impact on profit or loss: (loss)/gain	(98)	98
Impact on other comprehensive income: gain/(loss)	116	(121)

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

– Changes in market interest rates affect the interest income or expense of floating rate financial instruments
– Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
– Changes in market interest rates affect the fair value of derivative financial instruments
– All other financial assets and liabilities are held constant

2. Financial Risk Management (continued)

Currency exposure

The following analysis details the Group's exposure to currency risk from recognised financial assets or financial liabilities denominated in a currency other than the functional currency.

The impact on the Group's profit or loss and other comprehensive income of a weakening or strengthening in the US dollar against the Hong Kong dollar from the year-end rate of 7.7860 (2018: 7.8336), with all other variables held constant, would have been:

	Weakening in USD to lower peg limit (7.750) HK$M	Strengthening in USD to upper peg limit (7.850) HK$M
At 31st December 2019		
Impact on profit or loss: gain/(loss)	**29**	**(49)**
Impact on other comprehensive income: (loss)/gain	**(15)**	**16**
At 31st December 2018		
Impact on profit or loss: gain/(loss)	95	(19)
Impact on other comprehensive income: (loss)/gain	(9)	12

The impact on the Group's profit or loss and other comprehensive income of a weakening or strengthening in the Renminbi against the Hong Kong dollar from the year-end rate of 1.1173 (2018: 1.1430), with all other variables held constant, would have been:

	Weakening in RMB by 5% HK$M	Strengthening in RMB by 5% HK$M
At 31st December 2019		
Impact on profit or loss: gain/(loss)	**5**	**(5)**
Impact on other comprehensive income	**–**	**–**
At 31st December 2018		
Impact on profit or loss: gain/(loss)	3	(3)
Impact on other comprehensive income	–	–

This analysis is based on a hypothetical situation, as in practice market exchange rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- All foreign currency cash flow hedges are expected to be highly effective
- Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the Company and its subsidiary companies
- Currency risk does not arise from financial instruments that are non-monetary items

Credit exposure

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables
- Contract assets
- Other financial assets at amortised cost

Trade and other receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. As the Group's historical credit loss experience does not indicate different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The expected loss rates are based on the payment profiles over the past 3 years. These rates are adjusted to reflect current and forward-looking information about economic conditions.

2. Financial Risk Management (continued)

Trade and other receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators include the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade and other receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost
Other financial assets at amortised cost include other receivables and loans due from related parties. Loans due from joint venture and associated companies and other related companies are considered to have low credit risk as the financial positions and performances of these companies are regularly monitored and reviewed by management of the Group.

Liquidity risk
The tables below analyse the contractual undiscounted cash flows of the Group's non-derivative financial liabilities and net-settled derivative financial liabilities by relevant maturity groupings based on the remaining period at the year-end date to the earliest contractual maturity date.

At 31st December 2019

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade and other payables	29	24,325	25,072	21,131	654	1,390	1,897
Borrowings (including interest obligations)	30	68,033	75,729	13,376	10,298	32,103	19,952
Lease liabilities	31	5,375	6,758	1,047	904	1,474	3,333
Derivative financial instruments	23	106	106	14	21	71	–
Financial guarantee contracts	39	–	2,642	2,642	–	–	–
		97,839	110,307	38,210	11,877	35,038	25,182

At 31st December 2018

		Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade and other payables	29	26,781	27,564	22,813	1,330	1,553	1,868
Borrowings (including interest obligations)	30	71,779	81,405	13,777	11,665	32,910	23,053
Derivative financial instruments	23	198	198	28	7	106	57
Financial guarantee contracts	39	–	2,459	2,459	–	–	–
		98,758	111,626	39,077	13,002	34,569	24,978

3. Critical Accounting Estimates and Judgement

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, seldom be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed in the relevant notes as follows:

(a) Taxation (note 10)
(b) Impairment of assets (notes 14 and 17)
(c) Estimates of fair value of investment properties (note 15)
(d) Accounting for Cathay Pacific Airways Limited (note 20(b))
(e) Retirement benefits (note 33)
(f) Contingencies for Cathay Pacific Airways Limited (note 39(b))

4. Revenue

Accounting Policy

Revenue is recognised when a customer obtains control of a good or service and thus has ability to direct the use and obtain the benefits from the good or service. Provided the collectability of the related receivable is probable, revenue is recognised as follows:

(a) Rental income is recognised when a lease commences. According to the contractual obligations, leased properties do not have alternative uses to the Group after the leasing periods stipulated in the signed tenancy agreements commences. Rental income is recognised on a straight-line basis over the shortest of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when the lessee's revenue transaction is recognised.

(b) The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the buyers. Owing to contractual restrictions, the properties generally do not have alternative use to the Group after the signing of sales contracts with the buyers. However, in Hong Kong and the USA, an enforceable right to payment does not arise until legal title of the property has been transferred to the buyer. Therefore, revenue is recognised upon completion of the transfer of legal title to the buyer. Revenue from sales of properties in Singapore is recognised over time because after the signing of a sales contract with the buyer, the Group has an enforceable right to payment for performance completed to date. Revenue for these sales of properties is recognised based on the stage of completion of the contract using the input method.

(c) Sales of services, including aircraft and engine maintenance services and services provided by hotel operations, are recognised when the services are rendered. For certain engine maintenance contracts, revenue is recognised over time rather than at a point in time.

(d) Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership. Sales of goods in the Group's beverages and retail operations happen at a point in time and do not include any significant separate performance obligations.

(e) Revenue from vessel charter hire services is recognised over the period of charter hire in accordance with the vessel charter hire agreements. Typical vessel charter hire agreements generally include rental income and performance obligations being the provision of the vessel and crew concurrently for a specified period.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Definition of terms

Contract asset: An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance).

Contract liability: An entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment received, a contract asset is recognised. If the payments received exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Contract asset and contract liability are defined in HKFRS 15 "Revenue from Contracts with Customers". Therefore, these two terms do not apply to rental income from lease agreements, which is specifically excluded from the scope of HKFRS 15.

Please refer to note 26 and note 29 for the accounting policy relating to contract assets and contract liabilities.

4. Revenue (continued)

Revenue represents sales by the Company and its subsidiary companies to external customers and comprises:

	2019 HK$M	2018 HK$M
Gross rental income from investment properties	12,185	12,002
Property trading	516	1,061
Hotels	1,296	1,404
Aircraft and engine maintenance services	13,924	13,131
Sales of goods	53,933	52,878
Charter hire*	2,263	2,640
Rendering of other services	1,535	1,490
Total	85,652	84,606

* Charter hire revenue included leasing of vessels amounting to HK$723 million for the year ended 31st December 2019 (2018: HK$797 million). The remaining revenue of HK$1,540 million (2018: HK$1,843 million) was related to ship management services for the provision of crew.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2019 HK$M	2018 HK$M
Revenue recognised that was included in the contract liability balance at the beginning of the year	356	265

There is no revenue recognised during the year ended 31st December 2019 from performance obligations satisfied in previous years (2018: nil).

Of the contract liabilities of HK$721 million outstanding at 31st December 2019, HK$668 million is expected to be recognised as revenue within one year and the remaining balance of HK$53 million over one year.

The following table shows unsatisfied performance obligations resulting from the contracts with customers.

	2019 HK$M	2018 HK$M
Aggregate amount of the transaction price allocated to revenue contracts that are partially or fully unsatisfied at the end of the year	3,065	2,693

Of the amount disclosed above at 31st December 2019, HK$2,189 million is expected to be recognised as revenue within one year.

5. Other Net (Losses)/Gains

	Note	2019 HK$M	2018 HK$M
Remeasurement gains on interests in joint venture companies which became subsidiary companies		–	14
Profit on disposal of subsidiary companies		1,384	1,309
Profit on disposal of joint venture companies		994	3,177
Write-back of provisions on potential claims in connection with sale of a subsidiary in 2018		104	–
Bargain purchase gain on acquisition of a subsidiary company		–	28
Final purchase consideration adjustment on acquisition of assets in the USA		–	107
(Loss)/profit on sale of investment properties		(17)	53
Profit on sale of property, plant and equipment		50	57
Net foreign exchange gains		85	35
Fair value (losses)/gains on cross-currency swaps transferred from cash flow hedge reserve		(64)	12
Fair value (losses)/gains on forward foreign exchange contracts transferred from cash flow hedge reserve		(16)	3
Fair value (losses)/gains on forward foreign exchange contracts not qualifying as hedges		(1)	2
Impairment losses recognised on			
– property, plant and equipment	14	(2,162)	(3,792)
– intangible assets	17	(434)	(86)
– investment in and goodwill in respect of an associated company		(281)	(98)
Provision on restructuring costs		(125)	–
Dividends income on equity investments at fair value through other comprehensive income		3	8
Other income		155	629
Total		(325)	1,458

6. Expenses by Nature

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

	Note	2019 HK$M	2018 HK$M
Direct rental outgoings of investment properties		2,458	2,389
Cost of goods sold		36,285	36,282
Write-down of stocks and work in progress		204	229
Impairment losses (reversed)/recognised on trade receivables		(18)	10
Depreciation of property, plant and equipment	14	3,467	3,559
Depreciation of right-of-use assets			
– leasehold land held for own use		32	–
– land use rights		46	–
– property		903	–
– plant and equipment		77	–
– vessels		28	–
Amortisation of			
– land use rights	16	–	53
– intangible assets	17	222	190
– initial leasing costs on investment properties		35	39
– others		13	10
Staff costs		17,656	16,639
Operating lease rentals			
– properties		–	1,200
– vessels		–	28
– plant and equipment		–	53
Other lease expenses*		183	–
Auditors' remuneration			
– audit services		51	53
– tax services		12	12
– other services		8	5
Other expenses		13,601	13,803
Total cost of sales, distribution costs, administrative expenses and other operating expenses		75,263	74,554

* These expenses relate to short-term leases, leases of low-value assets or leases with variable payments. They are directly charged to the consolidated statement of profit or loss and are not included in the measurement of lease liabilities under HKFRS 16.

7. Segment Information

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

Accounting Policy

Segment information is reported in a manner consistent with the Group's internal financial reporting provided to the executive directors for making strategic decisions. A reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics or single operating segments which are disclosable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

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

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2019

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/ credit HK$M	Profit/ (loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property												
Property investment	12,323	87	10,725	(760)	335	942	–	(1,121)	10,121	8,243	19,869	(191)
Change in fair value of investment properties	–	–	3,728	–	–	433	–	(728)	3,433	2,836	–	–
Property trading	516	–	4	(41)	3	30	–	(14)	(18)	(15)	(15)	–
Hotels	1,296	–	(62)	(36)	–	(46)	71	3	(70)	(57)	(57)	(224)
	14,135	**87**	**14,395**	**(837)**	**338**	**1,359**	**71**	**(1,860)**	**13,466**	**11,007**	**19,797**	**(415)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	761	–	761	761	761	–
HAECO group*	15,901	–	1,048	(255)	42	483	–	(217)	1,101	825	825	(816)
Others	–	–	(55)	–	–	3	(4)	–	(56)	(36)	(36)	(55)
	15,901	**–**	**993**	**(255)**	**42**	**486**	**757**	**(217)**	**1,806**	**1,550**	**1,550**	**(871)**
Beverages												
Mainland China	22,087	–	1,423	(107)	36	55	98	(439)	1,066	941	941	(904)
Hong Kong	2,339	1	240	(4)	–	–	–	(29)	207	207	207	(87)
Taiwan	1,694	–	97	(1)	–	–	–	(21)	75	75	75	(67)
USA	17,196	–	831	(150)	15	–	–	(129)	567	567	567	(645)
Central costs	–	–	(104)	–	–	–	–	–	(104)	(104)	(104)	(1)
	43,316	**1**	**2,487**	**(262)**	**51**	**55**	**98**	**(618)**	**1,811**	**1,686**	**1,686**	**(1,704)**
Marine Services												
Swire Pacific Offshore group*	2,451	1	(3,421)	(196)	2	–	(4)	(62)	(3,681)	(3,672)	(3,672)	(1,058)
HUD group	–	–	–	–	–	38	–	–	38	38	38	–
	2,451	**1**	**(3,421)**	**(196)**	**2**	**38**	**(4)**	**(62)**	**(3,643)**	**(3,634)**	**(3,634)**	**(1,058)**
Trading & Industrial												
Swire Resources	3,113	–	(3)	(35)	7	2	–	5	(24)	(24)	(24)	(486)
Taikoo Motors	5,190	–	173	(12)	–	–	–	(29)	132	132	132	(139)
Swire Foods*	1,540	65	(348)	(16)	3	2	–	(6)	(365)	(365)	(365)	(149)
Swire Pacific Cold Storage#	–	–	104	–	–	–	–	36	140	140	140	–
Swire Environmental Services*	–	–	(285)	–	–	7	(37)	–	(315)	(315)	(315)	–
Central costs	–	–	(20)	(1)	1	–	–	–	(20)	(20)	(20)	–
	9,843	**65**	**(379)**	**(64)**	**11**	**11**	**(37)**	**6**	**(452)**	**(452)**	**(452)**	**(774)**
Head Office												
Net income/(expenses)	**6**	**35**	**(283)**	**(1,277)**	**405**	**–**	**–**	**5**	**(1,150)**	**(1,150)**	**(1,150)**	**(1)**
Inter-segment elimination	**–**	**(189)**	**–**	**397**	**(397)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**85,652**	**–**	**13,792**	**(2,494)**	**452**	**1,949**	**885**	**(2,746)**	**11,838**	**9,007**	**17,797**	**(4,823)**

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

* Impairment charges included under operating profit/(loss) in the HAECO group, the Swire Pacific Offshore group, Swire Foods and Swire Environmental Services were HK$234 million, HK$2,121 million, HK$239 million and HK$281 million respectively.

\# This represents the write-back of provisions made in 2018 in relation to the sale of Swire Pacific Cold Storage.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2018

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/credit HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property												
Property investment	12,139	115	9,861	(913)	112	772	–	(1,049)	8,783	7,152	8,284	(172)
Change in fair value of investment properties	–	–	19,378	–	–	1,063	–	(654)	19,787	16,238	–	–
Property trading	1,061	–	65	(40)	1	107	–	(24)	109	81	81	–
Hotels	1,404	–	(25)	(42)	–	(117)	153	(10)	(41)	(34)	(34)	(234)
	14,604	**115**	**29,279**	**(995)**	**113**	**1,825**	**153**	**(1,737)**	**28,638**	**23,437**	**8,331**	**(406)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	1,056	–	1,056	1,056	1,056	–
HAECO group	14,892	–	1,140	(115)	23	451	–	(233)	1,266	760	760	(654)
Others	–	–	(54)	–	–	3	(11)	–	(62)	(35)	(35)	(54)
	14,892	**–**	**1,086**	**(115)**	**23**	**454**	**1,045**	**(233)**	**2,260**	**1,781**	**1,781**	**(708)**
Beverages												
Mainland China	21,358	–	1,059	(137)	35	48	103	(357)	751	634	634	(764)
Hong Kong	2,342	1	255	–	–	–	–	(25)	230	230	230	(68)
Taiwan	1,551	–	224	(2)	–	–	–	(11)	211	211	211	(53)
USA	15,938	–	819	(121)	2	–	–	(77)	623	623	623	(588)
Central costs	–	–	(68)	–	–	–	–	–	(68)	(68)	(68)	(2)
	41,189	**1**	**2,289**	**(260)**	**37**	**48**	**103**	**(470)**	**1,747**	**1,630**	**1,630**	**(1,475)**
Marine Services												
Swire Pacific Offshore group*	3,018	1	(4,787)	(264)	4	–	2	(31)	(5,076)	(5,070)	(5,070)	(1,047)
HUD group	–	–	–	–	–	37	–	–	37	37	37	–
	3,018	**1**	**(4,787)**	**(264)**	**4**	**37**	**2**	**(31)**	**(5,039)**	**(5,033)**	**(5,033)**	**(1,047)**
Trading & Industrial												
Swire Resources	3,338	–	69	(1)	8	1	57	(32)	102	102	102	(22)
Taikoo Motors	5,810	–	155	(1)	1	–	–	(32)	123	123	123	(73)
Swire Foods	1,666	82	(30)	–	3	(52)	–	(12)	(91)	(91)	(91)	(92)
Swire Pacific Cold Storage#	82	–	24	(14)	–	(4)	–	(51)	(45)	(45)	(45)	(27)
Akzo Nobel Swire Paints#	–	–	3,086	–	–	143	–	(335)	2,894	2,894	2,894	–
Swire Environmental Services	–	–	(24)	–	–	6	(36)	–	(54)	(54)	(54)	–
Central costs	–	–	(25)	–	–	–	–	–	(25)	(25)	(25)	–
	10,896	**82**	**3,255**	**(16)**	**12**	**94**	**21**	**(462)**	**2,904**	**2,904**	**2,904**	**(214)**
Head Office												
Net income/(expenses)	**7**	**32**	**(234)**	**(1,409)**	**546**	**–**	**–**	**7**	**(1,090)**	**(1,090)**	**(1,090)**	**(1)**
Inter-segment elimination	**–**	**(231)**	**–**	**534**	**(534)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**84,606**	**–**	**30,888**	**(2,525)**	**201**	**2,458**	**1,324**	**(2,926)**	**29,420**	**23,629**	**8,523**	**(3,851)**

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

* Impairment charge made by the Swire Pacific Offshore group included under operating profit/loss was HK$3,872 million.

Profits on disposals of Swire Pacific Cold Storage group and Akzo Nobel Swire Paints of the Trading & Industrial Division are included under operating profit/loss of the respective companies.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2019

	Segment assets HK$M	Joint venture companies# HK$M	Associated companies# HK$M	Bank deposits HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	281,370	25,609	–	14,703	321,682	2,282
Property trading	4,876	3,281	–	130	8,287	8
Hotels	5,782	1,276	409	152	7,619	80
	292,028	**30,166**	**409**	**14,985**	**337,588**	**2,370**
Aviation						
Cathay Pacific group	–	–	28,697	–	28,697	–
HAECO group	13,065	1,774	–	1,453	16,292	699
Others	4,352	2,820	–	–	7,172	–
	17,417	**4,594**	**28,697**	**1,453**	**52,161**	**699**
Beverages						
Swire Coca-Cola	**27,355**	**1,088**	**1,584**	**3,323**	**33,350**	**3,149**
Marine Services						
Swire Pacific Offshore group	11,191	–	14	293	11,498	436
HUD group	–	12	–	–	12	–
	11,191	**12**	**14**	**293**	**11,510**	**436**
Trading & Industrial						
Swire Resources	1,462	36	–	175	1,673	503
Taikoo Motors	2,236	–	–	135	2,371	215
Swire Foods	1,318	6	–	250	1,574	75
Swire Environmental Services	–	37	–	–	37	–
Other activities	30	–	–	56	86	–
	5,046	**79**	**–**	**616**	**5,741**	**793**
Head Office	**372**	**–**	**–**	**675**	**1,047**	**–**
	353,409	**35,939**	**30,704**	**21,345**	**441,397**	**7,447**

Note: In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, financial instruments, deferred tax assets, retirement benefit assets and non-current assets acquired in business combinations.

The assets of joint venture and associated companies included the respective loans due from these companies.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group (continued)

At 31st December 2018

	Segment assets HK$M	Joint venture companies# HK$M	Associated companies# HK$M	Bank deposits HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	292,779	26,133	–	1,820	320,732	4,937
Property trading	3,034	1,411	–	118	4,563	52
Hotels	5,975	1,247	413	156	7,791	(19)
	301,788	**28,791**	**413**	**2,094**	**333,086**	**4,970**
Aviation						
Cathay Pacific group	–	–	29,225	–	29,225	–
HAECO group	10,755	1,738	–	2,167	14,660	562
Others	4,407	2,820	–	–	7,227	–
	15,162	**4,558**	**29,225**	**2,167**	**51,112**	**562**
Beverages						
Swire Coca-Cola (formerly Swire Beverages)	**25,609**	**955**	**1,552**	**2,397**	**30,513**	**1,988**
Marine Services						
Swire Pacific Offshore group	13,953	–	56	199	14,208	1,112
HUD group	–	(31)	–	–	(31)	–
	13,953	**(31)**	**56**	**199**	**14,177**	**1,112**
Trading & Industrial						
Swire Resources	696	34	137	326	1,193	26
Taikoo Motors	1,658	–	–	275	1,933	173
Swire Foods	1,454	3	–	247	1,704	140
Swire Environmental Services	39	30	317	–	386	–
Other activities	522	–	–	59	581	–
	4,369	**67**	**454**	**907**	**5,797**	**339**
Head Office	**372**	**–**	**–**	**1,348**	**1,720**	**1**
	361,253	**34,340**	**31,700**	**9,112**	**436,405**	**8,972**

Note: In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, financial instruments, deferred tax assets, retirement benefit assets and non-current assets acquired in business combinations.

The assets of joint venture and associated companies included the respective loans due from these companies.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2019

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Lease liabilities HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property							
Property investment	7,785	10,263	(1,523)	26,792	548	43,865	51,534
Property trading	327	41	1,268	1,926	–	3,562	926
Hotels	238	–	255	1,011	–	1,504	1,124
	8,350	**10,304**	**–**	**29,729**	**548**	**48,931**	**53,584**
Aviation							
HAECO group	**2,910**	**611**	**1,756**	**424**	**2,516**	**8,217**	**2,089**
Beverages							
Swire Coca-Cola	**11,728**	**1,122**	**3,394**	**3,136**	**683**	**20,063**	**468**
Marine Services							
Swire Pacific Offshore group	**1,043**	**54**	**5,168**	**–**	**30**	**6,295**	**1**
Trading & Industrial							
Swire Resources	730	33	(54)	–	855	1,564	–
Taikoo Motors	595	28	–	–	513	1,136	–
Swire Foods	458	8	(57)	–	230	639	–
Other activities	24	–	58	–	–	82	–
	1,807	**69**	**(53)**	**–**	**1,598**	**3,421**	**–**
Head Office	**473**	**24**	**(10,265)**	**34,744**	**–**	**24,976**	**–**
	26,311	**12,184**	**–**	**68,033**	**5,375**	**111,903**	**56,142**

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total liabilities and non-controlling interests of the Group (continued)

At 31st December 2018

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	10,736	9,050	(186)	29,461	49,061	50,457
Property trading	257	45	144	1,414	1,860	562
Hotels	241	–	42	1,124	1,407	1,171
	11,234	**9,095**	**–**	**31,999**	**52,328**	**52,190**
Aviation						
HAECO group	**3,099**	**397**	**–**	**3,248**	**6,744**	**2,042**
Beverages						
Swire Coca-Cola (formerly Swire Beverages)	**10,810**	**649**	**4,280**	**2,350**	**18,089**	**448**
Marine Services						
Swire Pacific Offshore group	**920**	**44**	**4,521**	**–**	**5,485**	**11**
Trading & Industrial						
Swire Resources	855	54	(53)	–	856	–
Taikoo Motors	615	17	–	–	632	–
Swire Foods	427	10	(58)	–	379	–
Other activities	279	381	60	–	720	–
	2,176	**462**	**(51)**	**–**	**2,587**	**–**
Head Office	**602**	**23**	**(8,750)**	**34,182**	**26,057**	**–**
	28,841	**10,670**	**–**	**71,779**	**111,290**	**54,691**

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of external revenue of the Group – Timing of revenue recognition

	Year ended 31st December 2019				Year ended 31st December 2018			
	At a point in time HK$M	Overtime HK$M	Rental income on leases HK$M	Total HK$M	At a point in time HK$M	Overtime HK$M	Rental income on leases HK$M	Total HK$M
Property								
Property investment	1	137	12,185	12,323	1	136	12,002	12,139
Property trading	516	–	–	516	1,061	–	–	1,061
Hotels	649	647	–	1,296	664	740	–	1,404
	1,166	784	12,185	14,135	1,726	876	12,002	14,604
Aviation								
HAECO group	864	15,037	–	15,901	997	13,895	–	14,892
Beverages								
Mainland China	22,087	–	–	22,087	21,358	–	–	21,358
Hong Kong	2,339	–	–	2,339	2,342	–	–	2,342
Taiwan	1,694	–	–	1,694	1,551	–	–	1,551
USA	17,196	–	–	17,196	15,938	–	–	15,938
	43,316	–	–	43,316	41,189	–	–	41,189
Marine Services								
Swire Pacific Offshore group	44	1,684	723	2,451	148	2,073	797	3,018
Trading & Industrial								
Swire Resources	3,113	–	–	3,113	3,338	–	–	3,338
Taikoo Motors	5,167	23	–	5,190	5,797	13	–	5,810
Swire Foods	1,540	–	–	1,540	1,666	–	–	1,666
Swire Pacific Cold Storage	–	–	–	–	82	–	–	82
	9,820	23	–	9,843	10,883	13	–	10,896
Head Office	–	6	–	6	1	6	–	7
Total	55,210	17,534	12,908	85,652	54,944	16,863	12,799	84,606

(b) Information about geographical areas

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

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

	Revenue		Non-current assets (Note)	
	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M
Hong Kong	20,746	21,140	254,042	246,424
Asia (excluding Hong Kong)	41,415	40,927	50,708	49,991
USA	20,948	19,493	18,000	17,454
Others	105	42	–	–
Ship owning and operating activities	2,438	3,004	10,143	12,983
	85,652	84,606	332,893	326,852

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

8. Directors' and Executive Officers' Emoluments

(a) The total emoluments of Directors which are disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Cash			Non cash				
	Salary/ fees (note i) HK$'000	Bonus (note ii) HK$'000	Allowance and benefits HK$'000	Retirement scheme contributions HK$'000	Bonus paid into retirement scheme (note ii) HK$'000	Housing benefits HK$'000	Total 2019 HK$'000	Total 2018 HK$'000
Executive Directors								
M B Swire (from 1st July 2018)	5,340	–	–	16	–	11,553	16,909	7,673
J R Slosar (until 30th June 2018)	–	4,328	–	–	–	–	4,328	11,300
GMC Bradley	–	–	–	–	–	–	–	892
I K L Chu	3,504	4,571	1,603	1,229	–	–	10,907	6,148
D P Cogman	6,018	2,497	888	17	–	–	9,420	8,878
M Cubbon	–	–	–	–	–	–	–	2,970
M M S Low	3,237	2,635	1,847	1,136	–	–	8,855	7,279
A K W Tang	–	–	–	–	–	–	–	915
Non-Executive Directors								
M Cubbon (from 1st November 2018)	–	–	–	–	–	–	–	–
S C Swire	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
P K Etchells	1,290	–	–	–	–	–	1,290	979
T G Freshwater	690	–	–	–	–	–	690	690
C Lee	1,083	–	–	–	–	–	1,083	1,083
R W M Lee	750	–	–	–	–	–	750	750
G R H Orr	1,276	–	–	–	–	–	1,276	1,276
X Ma (from 1st August to 31st August 2019)	59	–	–	–	–	–	59	–
Total 2019	23,247	14,031	4,338	2,398	–	11,553	55,567	N/A
Total 2018	25,333	7,667	5,469	2,459	260	9,645	N/A	50,833

i. Independent Non-executive Directors received fees as members of the Board and its committees. Executive Directors received salaries.
ii. Bonuses are not yet approved for 2019. The amounts disclosed above are related to services as Executive Directors for 2018 but paid and charged to the Group in 2019.
iii. The total emoluments of Executive Directors are charged to the Group in accordance with the amount of time spent on its affairs.
iv. The Directors' emoluments shown in the table above also included the emoluments received from an associated company by Directors who were nominated by the Company to act in the capacity as directors in the associated company.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31st December 2019 and 2018 are as follows:

	Year ended 31st December	
	2019	2018
Number of individuals:		
Executive Directors (note (i))	2	2
Executive Officers	3	3
	5	5

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

(b) Five highest paid individuals (continued)

Emoluments paid to the Executive Officers are as follows:

	Year ended 31st December	
	2019 HK$'000	2018 HK$'000
Cash:		
Salary	12,243	12,709
Bonus (note (ii))	6,837	6,289
Allowance and benefits	2,567	3,698
Non-cash:		
Retirement scheme contributions	13,290	2,718
Bonus paid into retirement scheme	1,861	1,466
Housing benefits	8,441	6,431
	45,239	33,311

Notes:
(i) Details of the emoluments paid to these Directors were included in the disclosure as set out in note 8 (a) above.
(ii) Bonuses are not yet approved for 2019. The amounts disclosed above are related to services as Executive Officers for 2018 but paid and charged to the Group in 2019.

The number of the above Executive Officers whose emoluments fell within the following bands:

	Year ended 31st December	
	2019	2018
HK$16,500,000 – HK$16,000,000	1	–
HK$15,000,000 – HK$14,500,000	1	–
HK$14,000,000 – HK$13,500,000	1	–
HK$12,000,000 – HK$11,500,000	–	2
HK$10,000,000 – HK$9,500,000	–	1
	3	3

9. Net Finance Charges

Accounting Policy

Interest costs incurred are charged to the statement of profit or loss except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Interest income on financial assets at fair value through profit and loss (FVPL) is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income (FVOCI) calculated using the effective interest method is recognised on a time proportion basis in the statement of profit or loss as part of finance income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income in other net gains/(losses). Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Refer to the table with the heading "Audited Financial Information" on page 85 for details of the Group's net finance charges.

10. Taxation

Accounting Policy

The tax charge comprises current and deferred tax. The tax charge is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly to equity.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Critical Accounting Estimates and Judgements

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. If the Group concludes it is probable that the taxation authority will accept an uncertain tax treatment, the Group shall determine the taxable profit/(tax loss) consistently with the tax treatment used in the relevant income tax filings. If the Group concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either (a) the most likely amount – the single most likely amount in a range of possible outcomes or (b) the expected value – the sum of the probability-weighted amounts in a range of possible outcomes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the year in which the outcomes become known.

	Note	2019 HK$M	2018 HK$M
Current taxation			
Hong Kong profits tax		760	1,042
Overseas taxation		1,195	1,272
Over-provisions in prior years		(49)	(16)
		1,906	2,298
Deferred taxation	32		
Changes in fair value of investment properties		366	501
Origination and reversal of temporary differences		485	127
Effect of change in tax rate in the USA		(11)	–
		840	628
		2,746	2,926

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

10. Taxation (continued)

The tax charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate of the Company as follows:

	2019 HK$M	2018 HK$M
Profit before taxation	**14,584**	32,346
Calculated at a tax rate of 16.5% (2018: 16.5%)	**2,406**	5,337
Share of profits less losses of joint venture and associated companies	**(468)**	(624)
Effect of different tax rates in other countries	**429**	288
Effect of change in tax rate in the USA	**(11)**	–
Fair value gains on investment properties	**(418)**	(2,882)
Income not subject to tax	**(704)**	(737)
Expenses not deductible for tax purposes	**1,142**	1,180
Unused tax losses not recognised	**362**	301
Utilisation of previously unrecognised tax losses	**(13)**	(8)
Deferred tax assets written off	**19**	55
Over-provisions in prior years	**(49)**	(16)
Recognition of previously unrecognised tax losses	**(53)**	(5)
Withholding tax	**177**	103
Others	**(73)**	(66)
Tax charge	**2,746**	2,926

The Group's share of joint venture and associated companies' tax charges of HK$588 million (2018: HK$525 million) and HK$309 million (2018: HK$275 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

11. Underlying Profit Attributable to the Company's Shareholders

Accounting Policy

Underlying profit attributable to the Company's shareholders is provided for greater understanding of the Group's underlying business performance. Underlying profit principally adjusts for net revaluation movements on investment properties and the associated deferred tax and for other deferred tax provisions in relation to investment properties.

Refer to the table with the heading "Audited Financial Information" on page 72 for details of the Group's underlying profit attributable to the Company's shareholders.

12. Dividends

Accounting Policy

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or declared by the Company's directors, where appropriate.

	2019 HK$M	2018 HK$M
First interim dividend paid on 4th October 2019 of HK$1.35 per 'A' share and HK$0.27 per 'B' share (2018: HK$1.20 and HK$0.24)	2,027	1,802
Second interim dividend declared on 12th March 2020 of HK$1.65 per 'A' share and HK$0.33 per 'B' share (2018 actual dividend paid: HK$1.80 and HK$0.36)	2,478	2,703
	4,505	4,505

The second interim dividend is not accounted for in 2019 because it had not been declared or approved at the year end date. The actual amount payable in respect of 2019 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2020.

13. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$9,007 million (2018: HK$23,629 million) by the daily weighted average number of 905,206,000 'A' shares and 2,981,870,000 'B' shares in issue during the year (2018: 905,206,000 'A' shares and 2,981,872,466 'B' shares), in the proportion five to one.

14. Property, Plant and Equipment

Accounting Policy

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Major renovation costs and modifications that extend the life or usefulness of vessels are capitalised and depreciated over the period until the next drydocking. All other repairs and maintenance are expensed in the statement of profit or loss during the financial period in which they are incurred. Vessels under construction are not depreciated until they are completed.

Leasehold land previously classified as held for own use under finance leases and recorded as property, plant and equipment was reclassified to right-of-use assets (note 18) at 1st January 2019.

With the exception of freehold land, all other items of property, plant and equipment and vessels are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Property	2% to 5% per annum
Plant and machinery	5% to 34% per annum
Vessels	5% to 7% per annum
Drydocking costs on vessels	20% to 50% per annum

14. Property, Plant and Equipment (continued)

Accounting Policy (continued)

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at the end of each reporting period to take into account operational experience and changing circumstances.

On the transfer of owner-occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within other net gains/(losses) in the statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

Critical Accounting Estimates and Judgements

At each period-end date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs of disposal and/or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment charges are recognised in the statement of profit or loss within other net gains/(losses).

During the year, the carrying amounts of certain property, plant and equipment were written down by HK$2,162 million to their recoverable amount. Reasons for impairment charges on vessels are explained below:

Swire Pacific Offshore (SPO) has vessels with aggregate carrying values of HK$9,987 million at 31st December 2019. During the year, management reviewed the outlook for the business and SPO's operating plans and consequently reassessed the carrying values of the vessels. An impairment provision of HK$2,121 million was recorded during the year to reduce the carrying value of certain vessels to their estimated recoverable value, which is the higher of fair value less cost to sell, and value in use. The recoverable amount of vessels subject to impairment provisions amounted to HK$6,008 million. Fair value less costs to sell is based on management estimates having regard to estimated resale values provided by an external valuer. Fair value less costs to sell is a level 3 fair value measurement. Value in use is determined using cash flow projections based on financial budgets covering a ten-year period prepared by management. A ten-year forecast is considered appropriate for offshore vessel operations, in order to take into account the expected industry operating cycle, including an expected market recovery. The key assumptions include utilisation, charter hire rates, disposal values and discount rates applied to future cash flows. The pre-tax discount rate used in the 2019 impairment review was 8.5% (2018: 8.5%). Changes in any or all of the key assumptions could result in a material change in the carrying value of vessels. A US$1,000 (which approximates 6% on average) decrease in daily charter hire rates would decrease the estimated recoverable value of vessels by HK$561 million. A 1% increase in the pre-tax discount rate would decrease the estimated recoverable value of vessels by HK$327 million. These sensitivities are based on an unfavourable change in an assumption while holding other assumptions constant. In practice this is unlikely to occur and changes in assumptions may be correlated. A favourable change in the above assumptions would not result in the same level of favourable financial impact to the estimated recoverable value as the related unfavourable change.

In May 2019, the Xiamen municipal government advised the Company that construction of a new airport in the Xiang'an district of Xiamen had been approved by the Chinese Central Government. Management is in discussions with the Xiamen authorities on the relocation of HAECO Xiamen's premises from the existing location to the new airport, which will be a significant change to its operations in Xiamen. HAECO Xiamen is entitled to compensation in relation to the move to the new airport. The total net book value of HAECO Xiamen's property, plant and equipment and right-of-use assets in the Group at 31st December 2019 was HK$1,954 million (2018: HK$2,093 million), some of which will be subject to relocation. Management engaged an independent consultant in 2017 to perform preliminary compensation assessments in order to evaluate the recoverable amounts of property, plant and equipment and right-of-use assets at the existing Xiamen airport that might be affected by a relocation. Based on this assessment and the limited changes to the asset base and business since the valuation was performed, management consider that the carrying value of HAECO Xiamen's property, plant and equipment and right-of-use assets is appropriate at 31st December 2019.

14. Property, Plant and Equipment (continued)

	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost						
At 1st January 2019						
as originally stated		4,484	19,014	20,799	26,710	71,007
reclassification to right-of-use assets		(4,484)	–	–	–	(4,484)
reclassification to investment properties		–	–	(76)	–	(76)
as restated		–	19,014	20,723	26,710	66,447
Translation differences		–	(157)	(205)	(162)	(524)
Disposal of subsidiary companies		–	(4)	(18)	–	(22)
Additions		–	497	2,910	408	3,815
Disposals		–	(115)	(1,125)	(809)	(2,049)
Net transfers to investment properties	15	–	(65)	–	–	(65)
Other net transfers		–	1	(8)	–	(7)
At 31st December 2019		–	19,171	22,277	26,147	67,595
Accumulated depreciation and impairment						
At 1st January 2019						
as originally stated		245	6,430	10,834	13,854	31,363
reclassification to right-of-use assets		(245)	–	–	–	(245)
as restated		–	6,430	10,834	13,854	31,118
Translation differences		–	(54)	(85)	(95)	(234)
Disposal of subsidiary companies		–	(3)	(15)	–	(18)
Depreciation for the year	6	–	645	1,840	982	3,467
Impairment charges	5	–	–	41	2,121	2,162
Disposals		–	(64)	(803)	(702)	(1,569)
Net transfers to investment properties	15	–	(11)	–	–	(11)
At 31st December 2019		–	6,943	11,812	16,160	34,915
Net book value						
At 31st December 2019		–	12,228	10,465	9,987	32,680

14. Property, Plant and Equipment (continued)

	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost						
At 1st January 2018		4,597	20,695	20,173	26,424	71,889
Translation differences		1	(321)	(337)	60	(597)
Acquisition of a subsidiary company		–	48	62	–	110
Disposal of subsidiary companies		(5)	(1,601)	(135)	–	(1,741)
Additions		–	410	2,429	1,106	3,945
Disposals		–	(120)	(1,454)	(880)	(2,454)
Net transfers to investment properties	15	(32)	(6)	–	–	(38)
Transfer to assets classified as held for sale		(93)	(32)	–	–	(125)
Other net transfers		–	(62)	61	–	(1)
Revaluation surplus		16	3	–	–	19
At 31st December 2018		4,484	19,014	20,799	26,710	71,007
Accumulated depreciation and impairment						
At 1st January 2018		214	6,023	10,165	9,868	26,270
Translation differences		–	(94)	(87)	18	(163)
Disposal of subsidiary companies		–	(103)	(47)	–	(150)
Depreciation for the year	6	32	694	1,811	1,022	3,559
Impairment charges	5	–	–	6	3,786	3,792
Disposals		–	(97)	(1,007)	(840)	(1,944)
Net transfers to investment properties	15	(1)	(1)	–	–	(2)
Transfer to assets classified as held for sale		–	(4)	–	–	(4)
Other net transfers		–	12	(7)	–	5
At 31st December 2018		245	6,430	10,834	13,854	31,363
Net book value						
At 31st December 2018		4,239	12,584	9,965	12,856	39,644

Property, and plant and machinery include costs of HK$332 million (2018: HK$36 million) and HK$520 million (2018: HK$88 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

15. Investment Properties

Accounting Policy

Investment property comprises freehold land, leasehold land and buildings held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Leasehold land is classified and accounted for as an investment property when the rest of the definition of investment property is met.

Investment properties (including those under construction) are carried at fair value and are valued twice a year. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors and are on the basis of market value related to individual properties, and separate values are not attributed to land and buildings. These values represent their fair values in accordance with HKFRS 13. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as under development. Changes in fair values are recognised in the statement of profit or loss.

Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with that expenditure will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs in respect of an investment property are expensed in the statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment or leasehold land under right-of-use assets, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Expenditure incurred in leasing the Group's investment property during development is deferred and amortised on a straight-line basis to the statement of profit or loss upon occupation of the property over a period not exceeding the terms of the lease.

Critical Accounting Estimates and Judgements

Cushman & Wakefield Limited, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio at 31st December 2019. This valuation was carried out in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of market rents and yields.

Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment property portfolio is reasonable.

15. Investment Properties (continued)

	Note	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2019				
as originally stated		248,140	23,116	271,256
reclassification from property, plant and equipment		–	76	76
adjustment on adoption of HKFRS 16		4	256	260
as restated		248,144	23,448	271,592
Translation differences		(750)	(15)	(765)
Additions		658	1,443	2,101
Disposals		(312)	–	(312)
Transfer to properties for sale		–	(1,040)	(1,040)
Net transfers from property, plant and equipment	14	54	–	54
Net transfers from/(to) leasehold land held for own use under right-of-use assets		720	(70)	650
Net fair value gains		2,964	764	3,728
		251,478	24,530	276,008
Add: Initial leasing costs		242	–	242
At 31st December 2019		251,720	24,530	276,250
At 1st January 2018		229,831	35,874	265,705
Translation differences		(1,440)	(19)	(1,459)
Disposal of subsidiary companies		–	(2,001)	(2,001)
Additions		704	4,017	4,721
Disposals		(285)	–	(285)
Transfer between categories		17,076	(17,076)	–
Transfer from properties for sale		142	–	142
Net transfers (to)/from property, plant and equipment	14	(36)	72	36
Transfer to assets classified as held for sale		(14,546)	(435)	(14,981)
Net fair value gains		16,694	2,684	19,378
		248,140	23,116	271,256
Add: Initial leasing costs		259	–	259
At 31st December 2018		248,399	23,116	271,515

Geographical Analysis of Investment Properties

	2019 HK$M	2018 HK$M
Held in Hong Kong		
On medium-term leases (10 to 50 years)	34,720	34,584
On long-term leases (over 50 years)	202,726	198,383
	237,446	232,967
Held in Mainland China		
On short-term leases (less than 10 years)	11	–
On medium-term leases (10 to 50 years)	32,134	30,546
	32,145	30,546
Held in USA and elsewhere		
Freehold	6,417	7,743
	276,008	271,256

15. Investment Properties (continued)

Valuation processes and techniques underlying management's estimate of fair value

The Group's investment properties were valued at their fair values at 31st December 2019. 95% by value were valued by Cushman & Wakefield Limited and 2% by value were valued by another independent valuer, in each case on the basis of market value. The independent professionally qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's investment properties and have recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. The current use of the investment properties equates to the highest and best use.

The valuation of the Group's completed investment property portfolio is derived by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions available in the relevant property market.

The valuation of the Group's investment properties under development is derived by making reference to market capitalisation rates and recent comparable sales transactions in the relevant property market (on the assumption that the property had already been completed at the valuation date). It also takes into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If capitalisation rates increase, the fair values decrease. If market rents increase, the fair values increase. If estimated costs to complete or the developer's estimated profit and margin for risk increase, the fair values decrease. The opposite is true for decreases in these inputs.

There are inter-relationships between observable and unobservable inputs. Expected vacancy rates may have an impact on yields, with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the properties' features may result in an increase in future rental values. An increase in future rental income may be linked with higher costs.

The Group reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuers at least once every half year, in line with the Group's half year reporting dates.

Fair value hierarchy

The Group's investment properties are measured at fair value and categorised within the fair value hierarchy as follows:

	Completed				Under Development				
	Hong Kong HK\$M	Mainland China HK\$M	USA HK\$M	Total HK\$M	Hong Kong HK\$M	Mainland China HK\$M	Others HK\$M	Total HK\$M	2019 Total HK\$M
Level 2	3,432	184	–	3,616	11,677	–	–	11,677	15,293
Level 3	210,252	31,193	6,417	247,862	12,085	768	–	12,853	260,715
Total	213,684	31,377	6,417	251,478	23,762	768	–	24,530	276,008
Add: initial leasing costs									242
At 31st December									276,250

	Completed				Under Development				
	Hong Kong HK\$M	Mainland China HK\$M	USA HK\$M	Total HK\$M	Hong Kong HK\$M	Mainland China HK\$M	Others HK\$M	Total HK\$M	2018 Total HK\$M
Level 2	3,525	186	–	3,711	10,946	–	–	10,946	14,657
Level 3	207,476	30,359	6,594	244,429	11,021	–	1,149	12,170	256,599
Total	211,001	30,545	6,594	248,140	21,967	–	1,149	23,116	271,256
Add: initial leasing costs									259
At 31st December									271,515

15. Investment Properties (continued)

The change in level 3 investment properties during the year is as follows:

	Completed				Under Development				
	Hong Kong HK$M	Mainland China HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Mainland China HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2019									
as originally stated	207,476	30,359	6,594	244,429	11,021	–	1,149	12,170	256,599
reclassification from property, plant and equipment	–	–	–	–	–	76	–	76	76
adjustment on adoption of HKFRS 16	–	4	–	4	–	256	–	256	260
as restated	207,476	30,363	6,594	244,433	11,021	332	1,149	12,502	256,935
Translation differences	–	(707)	(40)	(747)	–	(8)	(7)	(15)	(762)
Additions	513	94	48	655	668	6	110	784	1,439
Transfer to properties for sale	–	–	–	–	(1)	–	(1,039)	(1,040)	(1,040)
Net transfers from property, plant and equipment	54	–	–	54	–	–	–	–	54
Net transfers from leasehold land held for own-use under right-of-use assets	720	–	–	720	–	–	–	–	720
Fair value gains/(losses)	1,489	1,443	(185)	2,747	397	438	(213)	622	3,369
At 31st December 2019	210,252	31,193	6,417	247,862	12,085	768	–	12,853	260,715

	Completed				Under Development				
	Hong Kong HK$M	Mainland China HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Mainland China HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2018	190,188	29,238	6,767	226,193	22,687	–	1,093	23,780	249,973
Translation differences	–	(1,444)	14	(1,430)	–	–	(19)	(19)	(1,449)
Additions	452	209	55	716	3,067	–	144	3,211	3,927
Transfer from properties for sale	–	–	142	142	–	–	–	–	142
Transfer between categories	17,076	–	–	17,076	(17,076)	–	–	(17,076)	–
Net transfers (to)/from property, plant and equipment	(45)	9	–	(36)	–	–	–	–	(36)
Transfer to assets classified as held of sale	(14,546)	–	–	(14,546)	–	–	–	–	(14,546)
Fair value gains/(losses)	14,351	2,347	(384)	16,314	2,343	–	(69)	2,274	18,588
At 31st December 2018	207,476	30,359	6,594	244,429	11,021	–	1,149	12,170	256,599

Notes:
The levels in the hierarchy represent the following:
Level 2 – Investment properties measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Investment properties measured at fair value using inputs not based on observable market data.

15. Investment Properties (continued)

Information about level 3 fair value measurements using significant unobservable inputs is as follows:

At 31st December 2019	Valuation method	Market rent per month[1] HK$ per sq. ft. (lettable) 2019	Capitalisation rates 2019
Completed			
Hong Kong	Income capitalisation	Less than 10-Low 500's	2.50%-4.88%
Mainland China	Income capitalisation	Less than 10-Low 200's	6.25%-7.50%
USA	Income capitalisation	Less than 10-High 70's	4.75%-5.75%
USA	Sales comparison	–	–
Under development			
Hong Kong	Residual[2]	Low 60's-Mid 80's	3.63%-3.75%
Mainland China	Residual[2]	High 20's-High 100's	6.75%

At 31st December 2018	Valuation method	Market rent per month[1] HK$ per sq. ft. (lettable) 2018	Capitalisation rates 2018
Completed			
Hong Kong	Income capitalisation	Less than 10-Mid 500's	2.50%-4.88%
Mainland China	Income capitalisation	Less than 10-Low 200's	6.25%-6.75%
USA	Income capitalisation	Low 10's-Low 100's	4.75%-5.75%
USA	Sales comparison	–	–
Under development			
Hong Kong	Residual[2]	High 50's-Mid 80's	3.63%-3.75%
Others	Residual[2]	–	–

Note 1: Market rent is determined in accordance with the definition of that term in the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors, which is "the estimated amount for which all interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion". It is in effect the rental income (exclusive of usual outgoings) which a property would be expected to earn if it were vacant and available to let. It is not necessarily the same as the rent which a tenant is actually committed to pay.

Note 2: In using the residual method to make fair value measurements of investment properties, two additional unobservable inputs have been used. These are the estimated costs to complete the development and the developer's estimated profit and margin for risk.

16. Land Use Rights

The Group's interests in land use rights represent prepaid operating lease payments, the net book value of which is analysed as follows:

	Note	2019 HK$M	2018 HK$M
At 1st January			
as originally stated		**1,415**	1,663
reclassification to right-of-use assets		**(1,415)**	–
as restated		**–**	1,663
Translation differences		**–**	(41)
Acquisition of subsidiary companies		**–**	14
Disposal of a subsidiary company		**–**	(168)
Amortisation for the year	6	**–**	(53)
At 31st December		**–**	1,415
Held in Hong Kong			
On medium-term leases (10 to 50 years)		**–**	17
Held outside Hong Kong			
On medium-term leases (10 to 50 years)		**–**	1,395
On long-term leases (over 50 years)		**–**	3
		–	1,415

Land use rights were reclassified to right-of-use assets (note 18) at 1st January 2019.

17. Intangible Assets

Accounting Policy

(a) Goodwill
Goodwill represents the excess of consideration transferred over the fair value of the Group's share of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Goodwill is treated as an asset of the entity acquired and, where attributable to a foreign entity, is translated at the period-end closing rate.

Goodwill is stated at cost less accumulated impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is performed annually, or more often if an impairment indicator exists. Impairment losses recognised on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software
Computer software licences acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to ten years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software costs recognised as assets are amortised over their estimated useful lives (three to ten years).

(c) Service, franchise and operating rights
Service, franchise and operating rights acquired are shown at historical cost. Service, franchise and operating rights acquired in a business combination are recognised at fair value at the acquisition date.

Service, franchise and operating rights that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of service, franchise and operating rights over their estimated useful lives of twenty years to forty years.

Service, franchise and operating rights that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

(d) Customer relationships
Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are subsequently carried at cost less accumulated amortisation. Customer relationships are amortised over their estimated useful lives of fifteen years.

17. Intangible Assets (continued)

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost							
At 1st January 2019		8,287	770	4,980	960	249	15,246
Translation differences		(63)	(7)	(73)	(6)	(2)	(151)
Other transfers		–	7	–	–	–	7
Additions		–	145	573	–	–	718
Disposals		(274)	(6)	–	–	–	(280)
At 31st December 2019		7,950	909	5,480	954	247	15,540
Accumulated amortisation and impairment							
At 1st January 2019		1,224	520	248	278	58	2,328
Translation differences		(8)	(4)	(2)	(2)	–	(16)
Amortisation for the year	6	–	78	58	64	22	222
Impairment losses	5	404	–	–	30	–	434
Disposals		(274)	(6)	–	–	–	(280)
At 31st December 2019		1,346	588	304	370	80	2,688
Net book value							
At 31st December 2019		6,604	321	5,176	584	167	12,852

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost							
At 1st January 2018		8,303	666	5,423	968	201	15,561
Translation differences		(111)	(11)	(129)	1	–	(250)
Adjustments on previous year's acquisitions		95	–	(335)	(25)	–	(265)
Acquisition of a subsidiary		–	2	–	16	–	18
Disposal of subsidiaries		–	(8)	–	–	–	(8)
Other transfers		–	13	–	–	–	13
Additions		–	122	22	–	49	193
Disposals		–	(14)	(1)	–	(1)	(16)
At 31st December 2018		8,287	770	4,980	960	249	15,246
Accumulated amortisation and impairment							
At 1st January 2018		1,137	470	217	216	35	2,075
Translation differences		1	(8)	1	–	–	(6)
Disposal of subsidiaries		–	(2)	–	–	–	(2)
Amortisation for the year	6	–	70	33	64	23	190
Impairment losses	5	86	–	–	–	–	86
Disposals		–	(10)	(3)	(2)	–	(15)
At 31st December 2018		1,224	520	248	278	58	2,328
Net book value							
At 31st December 2018		7,063	250	4,732	682	191	12,918

17. Intangible Assets (continued)

Amortisation of HK$222 million (2018: HK$190 million) is included in cost of sales and administrative expenses in the statement of profit or loss.

Impairment test of goodwill or indefinite-lived franchise

Critical Accounting Estimates and Judgements

The Group believes certain franchise agreements will continue to be renewed at each expiration date and they have therefore been assigned indefinite useful lives.

At each reporting date, an assessment is made as to whether there is any indication that goodwill or any indefinite-lived franchise may be impaired. These tests require the use of estimates to calculate recoverable amounts.

The recoverable amount of goodwill or any indefinite-lived franchise attributable to cash-generating units is determined based on value-in-use calculations. These calculations use financial budgets and plans covering five-year periods unless a longer period can be justified. Key assumptions used in the financial budgets and plans are revenue growth and margins. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. The discount rates used at 31st December 2019 were between 8.0% and 12.0% (2018: 8.0% and 12.5%). These discount rates are pre-tax and reflect the specific risks relating to the relevant cash-generating unit.

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

	Note	2019 HK$M	2018 HK$M
HAECO – Hong Kong and Mainland China	a	3,510	3,510
HAECO – USA	b	282	488
Beverages – Hong Kong and Mainland China	c	2,213	2,264
Beverages – USA		232	234
Trading & Industrial	d	367	567
		6,604	7,063

Notes:

(a) Goodwill attributable to HAECO's businesses in Hong Kong and Mainland China relates to the transaction to acquire majority control of HAECO and arose from its highly skilled workforce in the aircraft engineering and maintenance business. It also represents the premium paid over the traded market price to obtain control of the business in 2010. The recoverable amount of HAECO's businesses in Hong Kong and Mainland China has been determined using a value in use calculation. That calculation uses cash flow projections based on financial budgets prepared by management covering a five-year period and a weighted average pre-tax discount rate of 9.5% (2018: 9.5%). Cash flows beyond the five-year period are assumed not to grow by more than 2% (2018: 2%) per annum.

(b) Goodwill attributable to HAECO's business in the USA relates to the acquisition of HAECO Americas, LLC (previously known as TIMCO Aviation Services, Inc.) in 2014 and arose from its highly skilled workforce, management expertise and the synergies expected to be derived from improved services to a wider range of customers. The recoverable amount of HAECO's business in the USA has been determined on a value-in-use basis. The key assumptions for the recoverable value of the CGUs are the underlying cash flow forecasts, revenue growth rate and discount rate used. The valuation uses cash flow forecasts based on detailed financial budgets prepared by management covering a five-year (2018: five-year) period for the airframe services CGU and a six-year (2018: seven-year) period until 2025 for the cabin solutions CGU. A six-year forecast (until 2025) is considered appropriate for cabin solutions to take into account the significant growth plans for the business which includes the development of new product models over the next three to five years whose market success the model is dependent upon.
The key assumptions used in calculating the recoverable amount are as follows:

	Airframe services		Cabin solutions	
	2019	2018	2019	2018
Pre-tax discount rate	11.8%	11.5%	11.5%	11.0%
Revenue growth – cumulative average growth rate per annum	4.7%	8.1%	12.3%	12.6%

During the year ended 31st December 2019, no goodwill impairment provision has been made in respect of the airframe services CGU. At 31st December 2019, the airframe services CGU's recoverable amount exceeded its carrying value by HK$296 million (2018: HK$192 million).
During the year ended 31st December 2019, a full goodwill impairment provision of HK$204 million has been recognised in respect of the cabin solutions CGU with no carrying value at 31st December 2019.

(c) Goodwill attributable to Swire Coca-Cola's business in Hong Kong and Mainland China relates to the acquisitions of new franchise territories and additional equity interests in existing franchise territories in previous years. The goodwill arose from the assembled workforce and synergies expected to be derived from back office and supply chain alignment. The recoverable amount of Swire Coca-Cola's business in Hong Kong and Mainland China has been determined using a value-in-use calculation. The calculation uses cash flow projections based on financial budgets prepared by management covering a five-year period and a weighted average pre-tax discount rate of 9.5% (2018: 9.7%). Cash flows beyond the five-year period are assumed not to grow more than 0.5% (2018: 0.5%) per annum.

(d) The value in use calculations of the CGU within Swire Foods of the Trading & Industrial Division is derived using financial budgets and plans covering a ten-year period. A ten-year forecast is considered appropriate for the CGU's operations to take into account expected growth plans. During the year ended 31st December 2019, a goodwill impairment provision of HK$200 million has been recognised.

18. Right-of-use Assets

Accounting Policy

The Group (acting as lessee) leases various land, offices, warehouses, retail stores, equipment and vessels. Except for certain long-term leasehold land in Hong Kong, rental contracts are typically made for fixed periods of 1 to 50 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for other borrowing purposes.

Prior to 1st January 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made by lessees under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

From 1st January 2019, leases are recognised by lessees as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable,
– variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date,
– amounts expected to be payable by the lessee under residual value guarantees,
– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
– payment of penalties for terminating the lease, if the lease term used in the computation assumes the lessee exercises an option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability,
– any lease payments made at or before the commencement date less any lease incentives received,
– any initial direct costs, and
– restoration costs.

Payments by lessees associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as expenses in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

The recognised right-of-use assets relate to the following types of assets:

	2019 HK$M
Leasehold land held for own use	3,850
Land use rights	1,337
Property	4,351
Plant and equipment	361
Total	9,899

18. Right-of-use Assets (continued)

Lease arrangements are negotiated on an individual asset basis and contain a wide range of different terms and conditions including lease payments and lease terms.

For leasehold land and land use rights, the Group is the registered owner or occupant of these property interests. Upfront payments were made to acquire these land interests and there are no ongoing payments to be made under the terms of the land lease (i.e. no lease liabilities are recognised), other than government rents and rates and other payments to the relevant government authorities, which may vary from time to time. Their remaining lease periods since 31st December 2019 are as follows:

	Leasehold land held for own use	Land use rights
	HK$M	HK$M
Held in Hong Kong		
On medium-term leases (10-50 years)	501	16
On long-term leases (over 50 years)	3,331	–
Held outside Hong Kong		
On medium-term leases (10-50 years)	18	1,321
	3,850	1,337

Additions to right-of-use assets during the year ended 31st December 2019 were HK$770 million.

During the year ended 31st December 2019, total cash outflow for leases was included in the statement of cash flows as (a) interest paid of HK$195 million under "operating activities", (b) payment for short-term and low-value assets leases and variable lease payments of HK$183 million recorded in cash generated from operations under "operating activities", and (c) principal elements of lease payments of HK$950 million under "financing activities".

19. Subsidiary Companies

Accounting Policy

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The principal subsidiary companies of Swire Pacific Limited are shown on pages 207 to 217.

Swire Pacific Limited has material non-controlling interests of 18% in one subsidiary company, Swire Properties Limited (Swire Properties). There are no significant differences between the summarised financial information presented in the table below and the amounts in the separate consolidated financial statements of Swire Properties.

Summarised Statement of Financial Position

	Swire Properties	
	At 31st December	
	2019 HK$M	2018 HK$M
Current:		
Assets	20,630	21,569
Liabilities	15,466	11,975
Total current net assets	5,164	9,594
Non-current:		
Assets	316,958	311,517
Liabilities	33,465	40,353
Total non-current net assets	283,493	271,164
Net assets	288,657	280,758
Net assets allocated to non-controlling interests	51,958	50,536

19. Subsidiary Companies (continued)

Summarised Statement of Profit or Loss

	Swire Properties	
	For the year ended 31st December	
	2019 HK$M	2018 HK$M
Revenue	14,222	14,719
Profit for the year attributable to shareholders	13,423	28,582
Other comprehensive income	(308)	(2,144)
Total comprehensive income attributable to shareholders	13,115	26,438
Total comprehensive income allocated to non-controlling interests	2,361	4,759
Dividends paid to non-controlling interests	906	832

Summarised Statement of Cash Flows

	Swire Properties	
	For the year ended 31st December	
	2019 HK$M	2018 HK$M
Net cash generated from operating activities	4,375	9,391
Net cash generated from investing activities	15,842	753
Net cash used in financing activities	(7,324)	(9,712)
Net increase in cash and cash equivalents	12,893	432
Cash and cash equivalents at 1st January	2,093	1,708
Effect of exchange differences	(23)	(47)
Cash and cash equivalents at 31st December	14,963	2,093

20. Interests in Joint Venture and Associated Companies

Accounting Policy

Joint venture companies are those companies held for the long term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where the Group has rights to the net assets of those companies.

Associated companies are those companies over which the Group has significant influence, but not control or joint control, over their management including participation in financial and operating policy decisions, generally accompanying a shareholding representing between 20% and 50% of the voting rights.

In the Group's consolidated statement of financial position, its interests in joint venture and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in joint venture and associated companies over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition represents goodwill. The Group's interests in joint venture and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in joint venture and associated companies are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the joint venture and associated companies operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in a joint venture or associated company is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the carrying amount is higher than the higher of the investment's fair value less costs of disposal and value-in-use. Any reversal of such impairment loss in subsequent periods is credited to the statement of profit or loss.

20. Interests in Joint Venture and Associated Companies (continued)

(a) Interests in joint venture companies

	2019 HK$M	2018 HK$M
Share of net assets, unlisted	18,349	18,141
Goodwill	763	729
Joint venture companies	19,112	18,870
Loans due from joint venture companies less provisions		
– Interest-free	13,742	13,934
– Interest-bearing at 1.7% to 7.5% (2018: 1.7% to 7.5%)	3,085	1,536
	16,827	15,470

The loans due from joint venture companies are unsecured and have no fixed terms of repayment.

The principal joint venture companies of the Group are shown on pages 207 to 217. There are no joint venture companies that are considered individually material to the Group.

The Group's share of assets and liabilities and results of joint venture companies is summarised below:

	2019 HK$M	2018 HK$M
Non-current assets	46,371	43,726
Current assets	5,881	5,980
Current liabilities	(4,054)	(4,114)
Non-current liabilities	(29,849)	(27,451)
Net assets	18,349	18,141
Revenue	15,730	15,903
Expenses	(13,193)	(12,920)
Profit before taxation	2,537	2,983
Taxation	(588)	(525)
Profit for the year	1,949	2,458
Other comprehensive income	(265)	(751)
Total comprehensive income for the year	1,684	1,707

Capital commitments and contingencies in respect of joint venture companies are disclosed in notes 38(a) and 39(a) respectively.

20. Interests in Joint Venture and Associated Companies (continued)

(b) Interests in associated companies

Critical Accounting Estimates and Judgements

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company's returns. All three of these requirements must be met. The Company has considered whether to consolidate Cathay Pacific as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

Under HKFRS 10, the Company will be taken to have power over Cathay Pacific if the Company has rights which give the Company the current ability to direct the activities of Cathay Pacific which significantly affect the Company's returns from Cathay Pacific.

As the Company holds less than half (45%) of the voting rights in Cathay Pacific, the Company does not have power over Cathay Pacific by virtue of holding a majority of those voting rights. The Company has accordingly considered other relevant factors in order to determine whether it has such power. The Company is party to a shareholders agreement dated 8th June 2006 (the Shareholders Agreement) between itself, Air China Limited (Air China) and others in relation to the affairs of Cathay Pacific, as subsequently amended. The Shareholders Agreement contains provisions relating to the composition of the board of Cathay Pacific (including Air China being obliged to use its votes as a shareholder of Cathay Pacific to support the Company appointing a majority of the board of directors of Cathay Pacific). The Company is of the view, having considered the terms of the Shareholders Agreement, the terms of an operating agreement dated 8th June 2006 between Cathay Pacific and Air China and the way in which the board of Cathay Pacific governs the affairs of Cathay Pacific in practice, that the Company does not have power over Cathay Pacific for the purposes of HKFRS 10. It follows that, as one of the three requirements in HKFRS 10 for consolidation has not been met, the Company should not consolidate Cathay Pacific as a subsidiary in the Company's financial statements and should account for its interest in Cathay Pacific as an associated company.

	2019 HK$M	2018 HK$M
Share of net assets		
– Listed in Hong Kong	27,940	28,468
– Unlisted	1,998	2,308
	29,938	30,776
Goodwill	757	757
Associated companies	30,695	31,533
Loans due from associated companies		
– Interest-bearing at 4.0% (2018: 4.0%-6.0%)	9	167

During the year ended 31st December 2019, an impairment provision of HK$281 million has been recognised in respect of the investment in an associated company.

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

The market value of the shares in the listed associated company, Cathay Pacific at 31st December 2019 was HK$20,393 million (2018: HK$19,720 million). The forecast cash flows of Cathay Pacific indicate that no impairment exists at 31st December 2019.

20. Interests in Joint Venture and Associated Companies (continued)

(b) Interests in associated companies (continued)

Cathay Pacific acquired 100% of the voting equity interest of Hong Kong Express Airways Limited (HK Express), a low-cost carrier, on 19th July for a total consideration of HK$4.77 billion, comprising (i) a cash consideration of HK$1.80 billion, and (ii) a non-cash consideration of HK$2.97 billion settled through the issue and novation of promissory loan notes.

The valuation of HK Express was determined following arm's length negotiation between the parties, based on the underlying value of HK Express and having regard to the trading multiples of comparable airlines. The goodwill arising on the acquisition of HK Express is principally attributable to improvements and synergistic benefits that Cathay Pacific foresees under full ownership given that the business models are largely complementary.

The principal associated companies of the Group are shown on pages 207 to 217. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 218 and 219.

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

	2019 HK$M	2018 HK$M
Non-current assets	87,370	76,019
Current assets	11,042	12,536
Current liabilities	(16,807)	(16,583)
Non-current liabilities	(51,666)	(41,195)
Non-controlling interests	(1)	(1)
Net assets	29,938	30,776
Revenue	51,449	54,057
Expenses	(50,255)	(52,458)
Profit before taxation	1,194	1,599
Taxation	(309)	(275)
Profit for the year	885	1,324
Other comprehensive income	409	91
Total comprehensive income for the year	1,294	1,415

Contingencies in respect of Cathay Pacific are disclosed in note 39(b).

21. Financial Instruments by Category

Accounting Policy

Financial Assets

(a) Classification
The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

– those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (OCI). For investment in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

21. Financial Instruments by Category (continued)

Accounting Policy (continued)

Financial Assets (continued)

(b) Recognition and derecognition
Purchases and sales of financial assets are recognised on their trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement
At initial recognition, except for trade debtors, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs in respect of financial assets at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

– *Debt instruments:*
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other gains/(losses).

(iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

– *Equity instruments:*
The Group subsequently measures all equity investments at fair value. Dividends from such investments are recognised in profit or loss as other gains/(losses) when the Group's right to receive payments is established. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Changes in the fair value of equity investments at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

21. Financial Instruments by Category (continued)

Accounting Policy (continued)

Financial Assets (continued)

(d) Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by HKFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Financial Liabilities

The Group classifies its financial liabilities in the following measurement categories:

(i) At fair value through profit or loss
Derivatives are included within this category unless they are designated as hedges. Put options over non-controlling interests in subsidiary companies and contingent consideration included in trade and other payables are measured at fair value through profit and loss.

(ii) Derivatives used for hedging
Derivative instruments are classified within this category if they qualify for hedge accounting.

(iii) Amortised cost
This category comprises non-derivative financial liabilities with fixed or determinable payments and fixed maturities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the financial statements where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

21. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	At fair value through other comprehensive income HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position							
At 31st December 2019							
Loans due from joint venture companies	20a	–	–	–	16,827	16,827	16,827
Loans due from associated companies	20b	–	–	–	9	9	9
Equity investments at fair value through other comprehensive income	22	–	–	193	–	193	193
Derivative financial assets	23	–	430	–	–	430	430
Trade and other receivables excluding prepayments	26	–	–	–	8,064	8,064	8,064
Bank balances and short-term deposits	27	–	–	–	21,345	21,345	21,345
Total		–	430	193	46,245	46,868	46,868
At 31st December 2018							
Loans due from joint venture companies	20a	–	–	–	15,470	15,470	15,470
Loans due from associated companies	20b	–	–	–	167	167	167
Equity investments at fair value through other comprehensive income	22	–	–	244	–	244	244
Derivative financial assets	23	1	188	–	–	189	189
Trade and other receivables excluding prepayments	26	–	–	–	9,030	9,030	9,030
Bank balances and short-term deposits	27	–	–	–	9,112	9,112	9,112
Total		1	188	244	33,779	34,212	34,212

	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Liabilities as per consolidated statement of financial position						
At 31st December 2019						
Trade and other payables excluding non-financial liabilities	29	1,871	–	22,227	24,098	24,098
Derivative financial liabilities	23	57	49	–	106	106
Short-term loans	30	–	–	110	110	110
Long-term loans and bonds due within one year	30	–	–	11,459	11,459	11,459
Lease liabilities due within one year	31	–	–	858	858	858
Long-term loans and bonds due after one year	30	–	–	56,464	56,464	57,882
Lease liabilities due after one year	31	–	–	4,517	4,517	4,517
Total		1,928	49	95,635	97,612	99,030
At 31st December 2018						
Trade and other payables excluding non-financial liabilities	29	1,870	–	24,678	26,548	26,548
Derivative financial liabilities	23	84	114	–	198	198
Short-term loans	30	–	–	3,227	3,227	3,227
Long-term loans and bonds due within one year	30	–	–	8,301	8,301	8,379
Long-term loans and bonds due after one year	30	–	–	60,251	60,251	60,354
Total		1,954	114	96,457	98,525	98,706

21. Financial Instruments by Category (continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows or based on quotes from market makers, which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

The fair value of current borrowings equals their carrying value, as the impact of discounting is not significant. The fair value of non-current borrowings is not equal to their carrying value, but is based on cash flows discounted using assumptions sourced from the relevant financial institutions or quotes from market makers or alternative market participants supported by observable inputs, such as interest rates. Non-current borrowings would be categorised within level 2 of the fair value hierarchy if they were accounted for at fair value.

Financial instruments that are measured at fair value are included in the following fair value hierarchy:

	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per consolidated statement of financial position					
At 31st December 2019					
Equity investments at fair value through other comprehensive income	22				
– Listed investments		141	–	–	141
– Unlisted investments		–	–	52	52
Derivative financial assets	23	–	430	–	430
Total		141	430	52	623
At 31st December 2018					
Equity investments at fair value through other comprehensive income	22				
– Listed investments		185	–	–	185
– Unlisted investments		–	–	59	59
Derivative financial assets	23	–	189	–	189
Total		185	189	59	433
Liabilities as per consolidated statement of financial position					
At 31st December 2019					
Derivative financial liabilities	23	–	106	–	106
Put option over non-controlling interest in Brickell City Centre	29	–	–	564	564
Put option over a non-controlling interest in a subsidiary company	29	–	–	113	113
Contingent consideration	29	–	–	1,194	1,194
Total		–	106	1,871	1,977
At 31st December 2018					
Derivative financial liabilities	23	–	198	–	198
Put option over non-controlling interest in Brickell City Centre	29	–	–	601	601
Put option over a non-controlling interest in a subsidiary company	29	–	–	99	99
Contingent consideration	29	–	–	1,170	1,170
Total		–	198	1,870	2,068

Notes:
The levels in the hierarchy represent the following:
Level 1 – Financial instruments measured at fair value using quoted prices in active markets.
Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

21. Financial Instruments by Category (continued)

The Group's policy is to recognise any transfer into and out of fair value hierarchy levels as at the date of the event or change in circumstances that cause the transfer.

The change in level 3 financial instruments for the year is as follows:

	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2019	700	59	1,170
Translation differences	(4)	2	(8)
Additions	–	8	–
Disposals	–	(1)	–
Distribution during the year	(16)	–	–
Change in fair value recognised during the year	(3)	(16)	125
Payment of consideration	–	–	(93)
At 31st December 2019	677	52	1,194
Total gains/(losses) for the year included in			
– profit or loss	3	–	(125)
– other comprehensive income	–	(16)	–
Change in unrealised gains/(losses) for the year in respect of financial instruments held at 31st December 2019 included in the above	3	(16)	(125)

	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2018	822	56	1,443
Translation differences	1	(1)	4
Additions	50	4	–
Adjustments on previous year's acquisition	–	–	(367)
Change in percentage of interest	(150)	–	–
Change in fair value recognised during the year	(23)	–	165
Payment of consideration	–	–	(75)
At 31st December 2018	700	59	1,170
Total gains/(losses) for the year included in profit or loss	23	–	(165)
Change in unrealised gains/(losses) for the year in respect of financial instruments held at 31st December 2018 included in the above	23	–	(165)

There has been no change in the valuation techniques for level 2 and level 3 fair value hierarchy classifications.

The fair value of derivatives used for hedging in level 2 has been based on quotes from market makers or discounted cash flow valuation techniques and is supported by observable inputs. The most significant observable inputs are market interest rates, exchange rates, yields and commodity prices.

The fair value estimate of the put option over a non-controlling interest in the retail portion of Brickell City Centre classified within level 3 is determined using a discounted cash flow valuation technique and contains a number of unobservable inputs, including the expected fair value of the investment property at the expected time of exercise, the expected time of exercise itself and the discount rate used. The expected time of exercise is in 2020 and the discount rate used is 6.3% (2018: 6.3%). The investment property's fair value at the expected time of exercise is itself subject to a number of unobservable inputs which are similar to the inputs for the Group's other completed investment properties, including the expected market rent and the expected capitalisation rate. If the investment property's expected fair value at the time of exercise is higher, the fair value of the put option would also be higher at 31st December 2019. If the expected time of exercise is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise time or a lower discount rate.

21. Financial Instruments by Category (continued)

The fair value of the put options over non-controlling interests in subsidiary companies (other than the subsidiary company holding a non-controlling interest in the retail portion of Brickell City Centre), unlisted investments and contingent consideration classified within level 3 are determined using a discounted cash flow valuation technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing these unobservable inputs to unobservable inputs based on reasonable alternative assumptions would not significantly change the valuation of the put options, unlisted investments and contingent consideration.

The Group's finance departments perform the valuations of financial instruments required for reporting purposes, including level 3 fair values. The valuations are reviewed and approved by divisional finance directors.

22. Equity Investments at Fair Value through Other Comprehensive Income

	2019 HK$M	2018 HK$M
Non-current assets		
Shares listed in Hong Kong	93	106
Shares listed overseas	48	79
Unlisted investments	52	59
	193	244

23. Derivative Financial Instruments

Accounting Policy

Derivatives are initially recognised at fair value on the dates derivative contracts are entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either: (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (b) hedges of highly probable forecast transactions (cash flow hedges); or (c) hedges of net investments in foreign operations (net investment hedges).

The Group documents at the inception of transactions the economic relationship between hedging instruments and hedged items, including whether the derivatives that are used in hedging transactions are expected to offset changes in cash flows of hedged items. The Group also documents its risk management objectives and strategy for undertaking various hedge transactions.

(a) Cash flow hedges that qualify for hedge accounting
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item (aligned time value) are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item (aligned forward element) is recognised within OCI in the costs of hedging reserve within equity. In some cases, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

23. Derivative Financial Instruments (continued)

Accounting Policy (continued)

When cross currency swap contracts are used to hedge future cash flows, the Group designates only the change in fair value of the swap contract after exclusion of the foreign currency basis spread component as the hedging instrument. Gains or losses relating to the effective portion of the swap contract after exclusion of the foreign currency basis spread component are recognised in the cash flow hedge reserve within equity. The change in fair value of the foreign currency basis spread of the swap contract, to the extent it relates to the hedged item, is recognised separately as a cost of hedging on a systematic and rational basis over the period of the hedging relationship within OCI in equity. Hedge ineffectiveness is recognised in the statement of profit or loss within finance costs.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

(i) Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

(ii) The gains or losses relating to the effective portion of (a) the interest rate swaps hedging variable rate borrowings and (b) cross currency swap contracts hedging borrowings in foreign currency are recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss and deferred costs of hedging existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately transferred to the statement of profit or loss.

(b) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of a hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Gains and losses accumulated in equity are transferred to the statement of profit or loss when the foreign operation is disposed of.

(c) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

(d) Rebalancing of hedge relationships
If the hedge ratio for risk management purpose is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

23. Derivative Financial Instruments (continued)

	2019		2018	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps				
– cash flow hedges (a)	428	18	158	94
– not qualifying as hedges	–	36	–	24
Interest rate swaps – cash flow hedges	1	27	24	6
Forward foreign exchange contracts				
– cash flow hedges	1	4	6	14
– not qualifying as hedges	–	–	1	–
Commodity swaps – not qualifying as hedges	–	–	–	15
Put options exercisable by joint venture partners for sale of their interests to Beverages Division	–	21	–	45
Total	430	106	189	198
Analysed as:				
– Current	46	14	109	28
– Non-current	384	92	80	170
	430	106	189	198

(a) The cross-currency swaps principally hedge the foreign currency risk relating to US$ note issues. Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2019 are expected to affect the statement of profit or loss in the years to redemption of the notes (up to and including 2028). The total notional principal amount of the outstanding cross currency swap contracts at 31st December 2019 was HK$25,821 million (2018: HK$26,601 million). In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items.

(b) For the years ended 31st December 2019 and 31st December 2018 all cash flow hedges qualifying for hedge accounting were highly effective.

24. Properties Held for Development and Properties for Sale

Accounting Policy

Properties held for development comprise freehold land at cost, less provisions for possible losses. Properties held for development are not expected to be sold or developed within the Group's normal operating cycle and are classified as non-current assets.

Properties for sale comprise freehold and leasehold land at cost, construction costs and interest costs capitalised, less provisions for possible losses. Properties under development are active construction projects which are expected to be sold within the Group's normal operating cycle and are classified as current assets. Properties completed for sale are available for immediate sale and are classified as current assets.

	2019 HK$M	2018 HK$M
Properties held for development		
Freehold land	989	1,141
Development cost	223	219
	1,212	1,360
Properties for sale		
Completed properties – development costs	1,507	1,008
Completed properties – freehold land	759	92
Completed properties – leasehold land	1	1
Properties under development – development costs	77	30
Properties under development – leasehold land	1,260	338
	3,604	1,469

25. Stocks and Work in Progress

Accounting Policy

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of finished goods and work in progress comprise direct material and labour costs and an appropriate proportion of production overhead expenses less provisions for foreseeable losses. Cost also includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials or stocks.

	2019 HK$M	2018 HK$M
Goods for sale	3,255	2,980
Manufacturing materials	947	879
Production supplies	1,334	1,381
Work in progress	3	2
	5,539	5,242

26. Trade and Other Receivables

Accounting Policy

Trade and other receivables and contract assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for loss allowance. Trade and other receivables and contract assets in the statement of financial position are stated net of such provisions.

	2019 HK$M	2018 HK$M
Trade debtors	4,074	4,469
Amounts due from immediate holding company	1	1
Amounts due from joint venture companies	26	17
Amounts due from associated companies	230	229
Mortgage loan receivable at 5.5% – Non-current portion	36	37
Prepayments and accrued income	1,822	2,014
Other receivables	2,496	3,245
	8,685	10,012
Amounts due after one year included under non-current assets	(67)	(67)
	8,618	9,945

The amounts due from joint venture and associated companies are unsecured, interest free (except where specified) and on normal trade credit terms.

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

	2019 HK$M	2018 HK$M
Up to three months	3,812	4,112
Between three and six months	170	255
Over six months	92	102
	4,074	4,469

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

At 31st December 2019, trade debtors of HK$104 million (2018: HK$100 million) were impaired and the expected credit loss for the remaining trade and other receivables are not significant. The amount of the provision was HK$96 million at 31st December 2019 (2018: HK$92 million).

The maximum exposure to credit risk at 31st December 2019 and 31st December 2018 is the carrying value of trade debtors, amounts due from joint venture and associated companies, mortgage loans receivable, accrued income and other receivables disclosed above. The carrying value of rental deposits from tenants held as security against trade debtors at 31st December 2019 was HK$2,905 million (2018: HK$2,751 million).

27. Bank Balances and Short-term Deposits

Accounting Policy

Cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term highly liquid investments which were within three months of maturity when acquired, less bank overdrafts.

	2019 HK$M	2018 HK$M
Bank balances and short-term deposits maturing within three months	21,322	9,102
Short-term deposits maturing after more than three months	23	10
	21,345	9,112

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 4.00% (2018: 0.01% to 4.00%) per annum; these deposits have maturities from 2 to 146 days (2018: 2 to 365 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2019 and 31st December 2018 is the carrying value of the bank balances and short-term deposits disclosed above.

28. Assets Classified as Held for Sale

Accounting Policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and investment property that are carried at fair value.

In May 2019, a subsidiary of Swire Properties entered into a sale and purchase agreement with a third party for the sale of its entire 50% interest in a joint venture company which held 625 King's Road, a 26-storey office building in North Point, Hong Kong. The consideration for the sale of HK$2,375 million (before net asset value adjustments) resulted in a profit on sale of the joint venture company being recorded in July 2019 when the transaction was completed. Prior to completion of the transaction, the Group's interest in that joint venture company was included under assets classified as held for sale.

At 31st December 2018, assets classified as held for sale mainly related to a sale and purchase agreement entered into by a subsidiary of Swire Properties with a third party for the sale of Swire Properties' interests in office buildings at 14 Taikoo Wan Road and 12 Taikoo Wan Road, Hong Kong. The consideration for the sale of HK$15,000 million (before net asset value adjustments) resulted in a profit on sale of subsidiaries being recorded in April 2019 when the transaction was completed. Assets classified as held for sale at 31st December 2018 also included several wholly-owned subsidiaries of Swire Properties holding investment properties in Hong Kong in respect of which a sale and purchase agreement was entered into in August 2018. The total consideration for the sale of HK$2,037 million resulted in a profit on sale of subsidiaries being recorded in January 2019 when the transaction was completed.

Details of the disposals are summarised in Note 42(d).

29. Trade and Other Payables

Accounting Policy

Trade and other payables (except put options over non-controlling interests in subsidiary companies and contingent consideration) and contract liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2019 HK$M	2018 HK$M
Trade creditors	4,299	3,969
Amounts due to immediate holding company	159	245
Amounts due to joint venture companies	7	30
Amounts due to associated companies	448	309
Interest-bearing advances from joint venture companies at 3.24% (2018: 2.74%)	54	53
Interest-bearing advances from an associated company at 3.25% (2018: 4.12%)	291	293
Advances from non-controlling interests	187	35
Rental deposits from tenants	2,905	2,751
Put options over non-controlling interests	677	700
Deposits received on the sale of subsidiary companies	–	3,238
Contingent consideration	1,194	1,170
Accrued capital expenditure	1,260	1,343
Provision for restructuring costs	125	–
Other accruals	8,359	8,169
Other payables	4,360	4,476
	24,325	26,781
Amounts due after one year included under non-current liabilities	(1,095)	(1,679)
	23,230	25,102

The amounts due to and advances from immediate holding, joint venture and associated companies, and non-controlling interests are unsecured and have no fixed terms of repayment, except for the interest-bearing advance from an associated company which is repayable in 2022. Apart from certain amounts due to joint venture and associated companies, which are interest-bearing as specified above, the balances are interest free.

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

	2019 HK$M	2018 HK$M
Up to three months	4,138	3,841
Between three and six months	78	70
Over six months	83	58
	4,299	3,969

30. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included for those not held at fair value through profit or loss. Borrowings are subsequently stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Refer to the tables with the heading "Audited Financial Information" on pages 81 to 88 for details of the Group's borrowings.

31. Lease Liabilities

	31st December 2019 HK$M
Maturity Profile	
Within one year	858
Between one and two years	733
Between two and five years	1,096
Over five years	2,688
	5,375
Amount due within one year included under current liabilities	(858)
	4,517

At 31st December 2019, the weighted average incremental borrowing rate applied to the lease liabilities was 3.82%.

For the accounting policy in respect of lease liabilities, please refer to right-of-use assets (note 18).

32. Deferred Taxation

Accounting Policy

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable or accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, joint venture and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation relating to investment properties in Hong Kong and the USA is calculated having regard to the presumption that the value of these properties is capable of being recovered entirely through sale. This presumption is rebutted in relation to investment properties in Mainland China, because the business model applicable to them is to consume substantially all the economic benefits embodied in them over time rather than through sale. Accordingly, deferred tax relating to investment properties in Mainland China is determined on the basis of recovery through use.

32. Deferred Taxation (continued)

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	2019 HK$M	2018 HK$M
Deferred tax assets	667	454
Deferred tax liabilities	(11,014)	(10,034)
	(10,347)	(9,580)

Substantially all deferred tax balances are to be recovered or settled after more than 12 months.

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

	Note	2019 HK$M	2018 HK$M
At 1st January		9,580	9,281
Translation differences		(139)	(270)
Adjustments in respect of previous year's acquisition of subsidiaries		–	2
Transfer to assets classified as held for sale		–	5
Acquisition of a subsidiary company		–	10
Disposal of subsidiary companies		–	(3)
Charged to statement of profit or loss	10	840	628
Charged/(credited) to other comprehensive income		70	(73)
Other transfer		(4)	–
At 31st December		10,347	9,580

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M
At 1st January	4,646	4,341	4,831	4,534	1,995	2,254	11,472	11,129
Translation differences	(22)	(34)	(113)	(204)	(24)	(49)	(159)	(287)
Adjustments in respect of previous year's acquisition of subsidiaries	–	–	–	–	–	2	–	2
Transfer to assets classified as held for sale	–	5	–	–	–	–	–	5
Acquisition of a subsidiary	–	–	–	–	–	10	–	10
Disposal of a subsidiary	–	(3)	–	–	–	–	–	(3)
Charged/(credited) to statement of profit or loss	597	337	366	501	137	(214)	1,100	624
(Credited)/charged to other comprehensive income	(5)	–	–	–	30	(8)	25	(8)
Other transfer	(4)	–	–	–	–	–	(4)	–
At 31st December	5,212	4,646	5,084	4,831	2,138	1,995	12,434	11,472

32. Deferred Taxation (continued)

Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M
At 1st January	476	621	430	302	986	925	1,892	1,848
Translation differences	(5)	(11)	(6)	–	(9)	(6)	(20)	(17)
Credited/(charged) to statement of profit or loss	73	(134)	37	128	150	2	260	(4)
(Charged)/credited to other comprehensive income	–	–	–	–	(45)	65	(45)	65
At 31st December	544	476	461	430	1,082	986	2,087	1,892

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$3,775 million (2018: HK$3,703 million) to carry forward against future taxable income.

These amounts are analysed as follows:

	Unrecognised Tax Losses	
	2019 HK$M	2018 HK$M
No expiry date	1,387	1,302
Expiring in 2019	–	87
Expiring in 2020	37	116
Expiring in 2021	258	150
Expiring in 2022	172	273
Expiring in 2023 (2018: 2023 or after)	101	1,775
Expiring in 2024 or after	1,820	N/A
	3,775	3,703

33. Retirement Benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are generally held in separate trustee administered funds.

A defined benefit scheme is a retirement plan that defines the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has an obligation to provide participating employees with these benefits.

A defined contribution scheme is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods.

33. Retirement Benefits (continued)

Accounting Policy

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the statement of profit or loss so as to spread the regular cost over the service lives of employees.

The asset or liability recognised in the statement of financial position is the present value of the cost of providing these benefits (the defined benefits obligation) less the fair value of the plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries and is determined by discounting the estimated future cash flows using interest rates payable in respect of high quality corporate bonds. The plan assets are valued on a bid price basis.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the statement of profit or loss. Any differences between the implicit and actual return on assets are charged as remeasurements to other comprehensive income.

For defined contribution schemes, the Group's contributions are charged to the statement of profit or loss in the periods to which the contributions relate.

Critical Accounting Estimates and Judgements

The Group's obligations and expenses in respect of defined benefit schemes are dependent on a number of factors that are determined using a number of actuarial assumptions. The details of the actuarial assumptions used, including applicable sensitivities are disclosed in note 33(f).

For the year ended 31st December 2018, disclosures in respect of defined benefit schemes are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2018. For the year ended 31st December 2019, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2018, which were updated to reflect the position at 31st December 2019 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in the USA and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment health care and life insurance benefit plan for certain retired employees in the USA. The plan is unfunded. The method of accounting and the frequency of valuations are similar to those used for defined benefit schemes.

The majority of the Group's schemes are final salary guaranteed lump sum defined benefit plans.

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an ongoing basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued by qualified actuaries for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. The latest actuarial valuations indicate that the funding level was 99% (2018: 109%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$293 million to its defined benefit schemes in 2020.

Most new employees in Hong Kong are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund (MPF) scheme. Where staff elect to join the MPF scheme, both the Company and the staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$30,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

33. Retirement Benefits (continued)

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

	2019 HK$M	2018 HK$M
Present value of funded obligations	6,636	6,144
Fair value of plan assets	(5,655)	(5,084)
	981	1,060
Present value of unfunded obligations	81	68
Net retirement benefit liabilities	1,062	1,128
Represented by:		
Retirement benefit assets	(97)	(89)
Retirement benefit liabilities	1,159	1,217
	1,062	1,128

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

	2019 HK$M	2018 HK$M
At 1st January	6,212	6,400
Translation differences	(4)	(8)
Transfer of members	1	4
Current service cost	287	308
Past service cost	7	–
Interest expense	208	187
Actuarial (gains)/losses from changes in:		
demographic assumptions	(5)	(6)
financial assumptions	441	(291)
Experience losses	21	115
Employee contributions	2	2
Benefits paid	(453)	(477)
Curtailments and settlements	–	(22)
At 31st December	6,717	6,212

The weighted average duration of the defined benefit obligations is 8.9 years (2018: 9.1 years).

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

	2019 HK$M	2018 HK$M
At 1st January	5,084	5,461
Translation differences	(4)	(3)
Transfer of members	1	4
Interest income	176	160
Return on plan assets, excluding interest income	533	(386)
Contributions by employers	315	331
Benefits paid	(450)	(468)
Curtailments and settlements	–	(15)
At 31st December	5,655	5,084

There were no plan amendments during the year.

33. Retirement Benefits (continued)

(d) Net expenses recognised in the statement of profit or loss are as follows:

	2019 HK$M	2018 HK$M
Current service cost	287	308
Past service cost	7	–
Past service cost – curtailments	–	1
Net interest cost	32	27
	326	336

The above net expenses were included in costs of sales, distribution costs and administrative expenses in the statement of profit or loss.

Total retirement benefit costs charged to the statement of profit or loss for the year ended 31st December 2019 amounted to HK$727 million (2018: HK$736 million), including HK$401 million (2018: HK$400 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was a gain of HK$709 million (2018: loss of HK$226 million).

(e) The plan assets are invested in the Swire Group Unitised Trust (the Unitised Trust). The Unitised Trust has three sub-funds in which the assets may be invested in accordance with separate and distinct investment policies and objectives. The Unitised Trust and sub-funds are overseen by an investment committee, which meets four times a year.

The make-up of the Unitised Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities, bonds and absolute return funds.

The management of the assets within the sub-funds is delegated by the investment committee to a number of reputable investment managers. The plan assets comprise:

	2019 HK$M	2018 HK$M
Equities		
Asia Pacific	378	316
Europe	389	304
North America	1,063	830
Emerging markets	899	716
Bonds		
Global	1,852	2,262
Emerging markets	151	135
Absolute return funds	684	187
Cash	239	334
	5,655	5,084

At 31st December 2019, the prices of 96% of equities and 28% of bonds were quoted on active markets (31st December 2018: 96% and 39% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the Group is market risk. This risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the appointed investment managers. Investment managers enter into agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark. The investment committee monitors the overall market risk position on a quarterly basis.

33. Retirement Benefits (continued)

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

	2019		2018	
	Hong Kong %	Others %	Hong Kong %	Others %
Discount rate	**2.93**	**0.75-3.40**	3.34	1.00-4.30
Expected rate of future salary increases	**4.00**	**2.75-3.49**	3.50-4.50	2.75-3.60

The sensitivity of the defined benefit obligations to changes in actuarial assumptions is:

	Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
At 31st December 2019			
Discount rate	**0.5%**	**(365)**	**384**
Expected rate of future salary increases	**0.5%**	**262**	**(264)**
At 31st December 2018			
Discount rate	0.5%	(311)	342
Expected rate of future salary increases	0.5%	250	(235)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the statement of financial position.

34. Share Capital

	'A' shares	'B' shares	Total HK$M
Issued and fully paid			
At 1st January 2019 and 31st December 2019	**905,206,000**	**2,981,870,000**	**1,294**
At 1st January 2018	905,206,000	2,982,570,000	1,294
Repurchased during the year	–	700,000	–
At 31st December 2018	905,206,000	2,981,870,000	1,294

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year.

35. Reserves

	Note	Revenue reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2019							
as originally stated		266,842	2,205	(116)	–	199	269,130
adjustment on adoption of HKFRS 16		(1,279)	–	–	–	–	(1,279)
as restated		265,563	2,205	(116)	–	199	267,851
Profit for the year		9,007	–	–	–	–	9,007
Other comprehensive income							
Defined benefit plans							
– remeasurement gains recognised during the year		67	–	–	–	–	67
– deferred tax		8	–	–	–	–	8
Cash flow hedges							
– gains recognised during the year		–	–	–	430	–	430
– transferred to net finance charges		–	–	–	(57)	–	(57)
– transferred to operating profit		–	–	–	84	–	84
– deferred tax		–	–	–	(65)	–	(65)
Changes in the fair value of equity investments at fair value through other comprehensive income		–	–	(59)	–	–	(59)
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	241	–	–	–	241
– deferred tax		–	(2)	–	–	–	(2)
Share of other comprehensive income of joint venture and associated companies		478	–	16	132	(429)	197
Net translation differences on foreign operations		–	–	–	–	(851)	(851)
Total comprehensive income for the year		9,560	239	(43)	524	(1,280)	9,000
Acquisition of non-controlling interests		(183)	–	–	–	–	(183)
Change in composition of the Group		120	–	–	–	–	120
2018 second interim dividend	12	(2,703)	–	–	–	–	(2,703)
2019 first interim dividend	12	(2,027)	–	–	–	–	(2,027)
At 31st December 2019		270,330	2,444	(159)	524	(1,081)	272,058

35. Reserves (continued)

	Note	Revenue reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2018		247,538	2,190	16	(762)	3,218	252,200
Profit for the year		23,629	–	–	–	–	23,629
Other comprehensive income							
Defined benefit plans							
– remeasurement losses recognised during the year		(196)	–	–	–	–	(196)
– deferred tax		37	–	–	–	–	37
Cash flow hedges							
– losses recognised during the year		–	–	–	(110)	–	(110)
– transferred to net finance charges		–	–	–	(72)	–	(72)
– transferred to operating profit		–	–	–	(14)	–	(14)
– deferred tax		–	–	–	30	–	30
Changes in the fair value of equity investments at fair value through other comprehensive income		–	–	(135)	–	–	(135)
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	16	–	–	–	16
– deferred tax		–	(1)	–	–	–	(1)
Share of other comprehensive income of joint venture and associated companies		(123)	–	3	928	(1,344)	(536)
Net translation differences on foreign operations							
– losses recognised during the year		–	–	–	–	(1,710)	(1,710)
– reclassified to profit or loss on disposal		–	–	–	–	35	35
Total comprehensive income for the year		23,347	15	(132)	762	(3,019)	20,973
Acquisition of non-controlling interests		(580)	–	–	–	–	(580)
Repurchase of the Company's shares		(9)	–	–	–	–	(9)
2017 second interim dividend		(1,652)	–	–	–	–	(1,652)
2018 first interim dividend	12	(1,802)	–	–	–	–	(1,802)
At 31st December 2018		266,842	2,205	(116)	–	199	269,130

(a) The Group's revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$10,660 million (2018: HK$10,178 million) and retained revenue reserves from associated companies amounting to HK$25,289 million (2018: HK$25,321 million).

(b) The Group's revenue reserve includes HK$2,478 million (2018: HK$2,703 million) representing the declared second interim dividend for the year (note 12).

(c) As at 31st December 2019, the Group's cash flow hedge reserve includes HK$64 million (net of tax) relating to the currency basis element of the Group's derivatives which is recognised separately as a cost of hedging (2018: HK$62 million).

36. Non-controlling Interests

The movement of non-controlling interests during the year is as follows:

	2019 HK$M	2018 HK$M
At 1st January		
as originally stated	54,691	52,963
adjustment on adoption of HKFRS 16	(30)	–
as restated	54,661	52,963
Share of profits less losses for the year	2,831	5,791
Share of defined benefit plans		
– remeasurement gains/(losses) recognised during the year	9	(8)
– deferred tax	(1)	1
Share of cash flow hedges		
– gains/(losses) recognised during the year	65	(29)
– transferred to net finance charges	(4)	(5)
– deferred tax	(10)	6
Share of revaluation of property previously occupied by the Group		
– gains recognised during the year	53	3
Share of other comprehensive income of joint venture and associated companies	(53)	(124)
Share of translation differences on foreign operations	(171)	(371)
Share of total comprehensive income	2,719	5,264
Dividends paid	(1,246)	(1,128)
Acquisition of non-controlling interests in subsidiary companies	(43)	(2,438)
Change in composition of the Group	51	22
Capital contribution from non-controlling interests accrued	–	8
At 31st December	56,142	54,691

37. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

	Note	2019 HK$M	2018 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		9	10
Right-of-use assets		21	–
Subsidiary companies		42,799	43,009
Joint venture companies		28	28
Loans due from joint venture companies		86	86
Associated companies		4,624	4,624
Equity investments at fair value through other comprehensive income		120	105
Retirement benefit assets		30	29
		47,717	47,891
Current assets			
Trade and other receivables		54	78
Taxation receivable		8	–
Bank balances and short-term deposits		12	1,297
		74	1,375
Current liabilities			
Trade and other payables		37,200	34,491
Short-term bank loans		–	2,969
Lease liabilities due within one year		8	–
		37,208	37,460
Net current liabilities		(37,134)	(36,085)
Total assets less current liabilities		10,583	11,806
Non-current liabilities			
Lease liabilities		13	–
Deferred tax liabilities		4	4
		17	4
NET ASSETS		10,566	11,802
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	34	1,294	1,294
Reserves	37(b)	9,272	10,508
TOTAL EQUITY		10,566	11,802

Merlin Swire
Michelle Low
Paul Kenneth Etchells
Directors
Hong Kong, 12th March 2020

37. Company Statement of Financial Position and Reserves (continued)

(b) The movement of the Company's reserves during the year is as follows:

	Note	Revenue reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
At 1st January 2019		10,490	18	10,508
Profit for the year		3,495	–	3,495
Other comprehensive income				
Defined benefit plans				
– remeasurement gains recognised during the year		10	–	10
– deferred tax		(2)	–	(2)
Changes in the fair value of equity investments at fair value through other comprehensive income		–	(9)	(9)
Total comprehensive income for the year		3,503	(9)	3,494
2018 second interim dividend	12	(2,703)	–	(2,703)
2019 first interim dividend	12	(2,027)	–	(2,027)
At 31st December 2019		9,263	9	9,272
At 1st January 2018		8,511	40	8,551
Profit for the year		5,440	–	5,440
Other comprehensive income				
Defined benefit plans				
– remeasurement gains recognised during the year		3	–	3
– deferred tax		(1)	–	(1)
Changes in the fair value of equity investments at fair value through other comprehensive income		–	(22)	(22)
Total comprehensive income for the year		5,442	(22)	5,420
Repurchase of the Company's shares		(9)	–	(9)
2017 second interim dividend		(1,652)	–	(1,652)
2018 first interim dividend	12	(1,802)	–	(1,802)
At 31st December 2018		10,490	18	10,508

(i) Distributable reserves of the Company at 31st December 2019 amounted to HK$9,263 million (2018: HK$10,490 million).

(ii) The Company revenue reserve includes HK$2,478 million (2018: HK$2,703 million) representing the declared second interim dividend for the year (note 12).

38. Capital Commitments

		2019 HK$M	2018 HK$M
(a)	The Group's outstanding capital commitments at the year-end in respect of:		
	Property, plant and equipment		
	Contracted but not provided for	599	524
	Authorised by Directors but not contracted for	7,409	1,567
	Investment properties		
	Contracted but not provided for	5,293	1,192
	Authorised by Directors but not contracted for	10,211	14,586
		23,512	17,869
	The Group's share of capital commitments of joint venture companies at the year-end*		
	Contracted but not provided for	364	497
	Authorised by Directors but not contracted for	740	1,423
		1,104	1,920

* of which the Group is committed to funding HK$483 million (2018: HK$464 million).

(b) At 31st December 2019, the Group had unprovided contractual obligations for future repairs and maintenance in respect of investment properties of HK$256 million (2018: HK$219 million).

39. Contingencies

Accounting Policy

Contingent liabilities are possible obligations that arise from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments" and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

39. Contingencies (continued)

		2019 HK$M	2018 HK$M
(a)	Guarantees provided in respect of:		
	Bank loans and other liabilities of joint venture companies	2,381	2,285
	Bank guarantees given in lieu of utility deposits and others	261	174
		2,642	2,459

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the consolidated statement of financial position.

(b) Cathay Pacific Airways

Critical Accounting Estimates and Judgements

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions except as otherwise noted below. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

The proceedings and civil actions, except as otherwise stated below, are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the accounting policy set out above in this note.

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on Cathay Pacific. However, the European Commission's finding against Cathay Pacific, and the imposition of this fine, was annulled by the General Court in December 2015 and the fine of Euros 57.12 million was refunded to Cathay Pacific in February 2016. The European Commission issued a new decision against Cathay Pacific and the other airlines involved in the case in March 2017. A fine of Euros 57.12 million was imposed on Cathay Pacific, which was paid by Cathay Pacific in June 2017. Cathay Pacific filed an appeal against this latest decision, to which the European Commission filed a defence. In December 2017, Cathay Pacific filed a Reply to this Defence. On 9th March 2018, the European Commission filed a rejoinder to Cathay Pacific's Reply. The appeal hearing in the General Court took place on 5th July 2019. There is no fixed date for the General Court to issue its decision.

Cathay Pacific is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including Germany, the Netherlands and Norway alleging violations of applicable competition laws arising from Cathay Pacific's alleged conduct relating to its air cargo operations. Cathay Pacific is represented by legal counsel and is defending these actions.

40. Lease Commitments

Accounting Policy

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts by lessor under operating leases (net of any incentives paid to lessees) are recognised as income in the statement of profit or loss on a straight-line basis over the period of the lease.

For commenced leases (which are not identified as low-value or short-term leases) undertaken by the lessee, right-of-use assets and the corresponding lease liabilities are recognised in the financial statements from 1st January 2019 or at the date during 2019 when the leased assets became available for use by the Group. Commitments in respect of leases payable by lessees represent the future lease payments for committed leases which have not yet commenced at 31st December 2019 and short-term leases.

(a) Lessor – lease receivables

The Group leases out investment properties and vessels under operating leases. The leases for investment properties typically run for periods of three to six years. The retail turnover-related rental income received from investment properties during the year amounted to HK$547 million (2018: HK$526 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew them after that date, at which time all terms are renegotiated.

At 31st December, the future aggregate minimum lease receipts under non-cancellable operating leases were receivable by the Group as follows:

	2019 HK$M	2018 HK$M
Investment properties		
Within one year	**9,396**	9,241
Between one and two years	**8,013**	8,034
Between two and three years	**6,200**	6,330
Between three and four years	**4,439**	4,752
Between four and five years	**3,297**	3,420
Over five years	**7,152**	8,337
	38,497	40,114
Vessels		
Within one year	**259**	264
Between one and two years	**81**	53
Between two and three years	**15**	3
	355	320
	38,852	40,434

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

	2019		2018	
	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Vessels HK$M
Cost or fair value	**251,478**	**26,147**	248,140	26,710
Less: accumulated depreciation and impairment	**–**	**(16,160)**	–	(13,854)
	251,478	**9,987**	248,140	12,856
Depreciation for the year	**–**	**982**	–	1,022

40. Lease Commitments (continued)

(b) Lessee

The Group leases land and buildings, vessels and equipment under operating leases. These leases typically run for an initial period of one to fifteen years with an option to renew them after that date, at which time all terms are renegotiated.

At 31st December 2018 (before the adoption of HKFRS 16), the future aggregate minimum lease payments under non-cancellable operating leases payable by the Group were as follows:

	2018 HK$M
Land and buildings	
Within one year	1,032
Between one and five years	2,261
Over five years	2,868
	6,161
Vessels	
Within one year	29
Between one and five years	6
	35
Equipment	
Within one year	38
Between one and five years	88
	126
	6,322

At 31st December 2019, the future aggregate lease payments under leases committed but not yet commenced were payable by the Group as follows:

	2019 HK$M
Land and buildings	
Within one year	11
Between one and five years	38
Over five years	3
	52
Equipment	
Within one year	3
Between one and five years	6
	9
	61

At 31st December 2019, there is no short-term lease commitments which is significantly dissimilar to the portfolio of short-term leases where expenses were recognised for the year ended 31st December 2019.

41. Related Party Transactions

Accounting Policy

Related parties of the Group are individuals and companies, including subsidiary, fellow subsidiary, joint venture and associated companies and key management of the Group or the parent of the Group (including close members of their families), where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

There are agreements for services (Services Agreements), in respect of which John Swire & Sons (H.K.) Limited (JSSHK) provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The Services Agreements (as amended and restated on 9th August 2019) were renewed on 1st October 2019 for three years expiring on 31st December 2022. For the year ended 31st December 2019, service fees payable amounted to HK$303 million (2018: HK$397 million). Expenses of HK$284 million (2018: HK$245 million) were reimbursed at cost; in addition, HK$378 million (2018: HK$345 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (Tenancy Framework Agreement) between JSSHK, the Company and Swire Properties Limited dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was renewed on 1st October 2018 for a term of three years expiring on 31st December 2021. For the year ended 31st December 2019, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK$109 million (2018: HK$105 million).

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the JSSHK Tenancy Framework Agreement), which were carried out in the normal course of the Group's business, in addition to those transactions disclosed elsewhere in the financial statements.

		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Notes	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M	2019 HK$M	2018 HK$M
Revenue from	(a)								
– Sales of beverage drinks		43	14	25	26	–	–	–	–
– Rendering of services		6	1	6	5	13	14	–	–
– Aircraft and engine maintenance		43	48	3,319	3,155	–	–	–	–
Purchase of beverage drinks	(a)	63	14	3,816	3,600	–	–	–	–
Purchase of other goods	(a)	3	3	178	18	–	–	–	–
Purchase of services	(a)	81	40	4	4	11	10	–	–
Rental revenue	(b)	–	2	3	4	1	1	108	104
Interest income	(c)	75	82	1	2	–	–	–	–
Interest charges	(c)	2	9	11	11	–	–	–	–

Notes:

(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.

(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.

(c) Loans advanced to joint venture and associated companies at 31st December 2019 are disclosed in note 20. Advances to and from joint venture and associated companies are disclosed in notes 26 and 29.

The amounts due to the immediate holding company at 31st December 2019 are disclosed in note 29. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management, which includes executive and non-executive directors and three executive officers, is disclosed in note 8.

42. Notes to the Consolidated Statement of Cash Flows

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

	2019 HK$M	2018 HK$M
Operating profit	13,792	30,888
Remeasurement gains on interests in joint venture companies which become subsidiary companies	–	(14)
Bargain purchase gain on acquisition of a subsidiary company	–	(28)
Final purchase consideration adjustment on acquisition of assets	–	(107)
Profit on disposal of subsidiary companies	(1,384)	(1,309)
Profit on disposal of joint venture companies	(994)	(3,177)
Profit on sale of property, plant and equipment	(50)	(57)
Loss/(profit) on sale of investment properties	17	(53)
Provision on restructuring costs	125	–
Change in fair value of investment properties	(3,728)	(19,378)
Depreciation, amortisation and impairment losses	7,700	7,827
Other items	191	(112)
Operating profit before working capital changes	15,669	14,480
(Increase)/decrease in properties for sale	(915)	674
Increase in stocks and work in progress	(337)	(489)
(Increase)/decrease in contract assets	(144)	423
Decrease in trade and other receivables	952	181
(Decrease)/increase in trade and other payables and contract liabilities	(2,408)	3,059
Cash generated from operations	12,817	18,328

(b) Purchase of property, plant and equipment

	2019 HK$M	2018 HK$M
Property	539	574
Plant and machinery	2,849	2,423
Vessels	394	1,106
Total	3,782	4,103

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

(c) Analysis of changes in financing during the year

	Loans and bonds		Lease liabilities
	2019 HK$M	2018 HK$M	2019 HK$M
At 1st January			
as originally stated	71,779	78,586	–
adjustment on adoption of HKFRS 16	(4)	–	5,659
as restated	71,775	78,586	5,659
New leases arranged during the year	–	–	763
Net cash inflow/(outflow) from financing			
– Loans drawn and refinancing	10,564	10,624	–
– Repayment of loans and bonds	(14,135)	(17,571)	–
– Principal elements of lease payments	–	–	(950)
Change in composition of the Group	–	45	–
Effect of exchange differences	(288)	(29)	(6)
Other non-cash movements	117	124	(91)
At 31st December	68,033	71,779	5,375

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

(d) Disposal of subsidiary companies

	Subsidiaries in Property Division HK$M	Subsidiary in Beverages Division HK$M	Total HK$M
Net assets disposed of:			
Property, plant and equipment	–	4	4
Stocks and work in progress	–	1	1
Contract assets	20	–	20
Trade and other receivables	9	–	9
Assets classified as held for sale (including associated liabilities)	15,310	–	15,310
Bank balances and deposits maturing within three months	2	–	2
Trade and other payables	(15)	–	(15)
	15,326	5	15,331
Gains on disposal	1,361	23	1,384
	16,687	28	16,715
Satisfied by:			
Cash received (net of transaction costs)	16,987	28	17,015
Other consideration	(300)	–	(300)
	16,687	28	16,715
Analysis of the net inflow from disposal:			
Net cash proceeds	16,987	28	17,015
Cash and cash equivalents disposed of	(2)	–	(2)
Net inflow of cash and cash equivalents	16,985	28	17,013

Other than the net cash inflow of HK$17,013 million shown in the above, the proceeds from disposals of subsidiary companies also included inflow from receipt of a HK$521 million receivable outstanding at 31st December 2018 relating to disposals of subsidiary companies in Trading & Industrial Division in 2018.

The disposal of subsidiary companies in the Property Division mainly consists of the sales of interests in two office buildings at Taikoo Shing and in other investment properties in Hong Kong, which were classified as assets held for sale at 31st December 2018.

(e) Disposal of a joint venture company

	2019 HK$M
Share of net assets in a joint venture company disposed of	1,358
Gains on disposal	994
	2,352
Satisfied by:	
Cash received (net of transaction costs)	2,352

The share of net assets in the joint venture company disposed of mainly consisted of the Property Division's 50% interest in the fair value of an investment property at 625 King's Road in Hong Kong.

43. Event after the Reporting Period

Cathay Pacific has included the following event after the reporting period note to its financial statements for the year ended and as at 31st December 2019.

"The outbreak of COVID-19 since January 2020 has resulted in a challenging operational environment, and will adversely impact the Group's financial performance and liquidity position. Travel demand has dropped substantially and the Group has taken a number of short-term measures in response, including aggressive reduction of passenger capacity measured in Available Seat Kilometres (ASK) by approximately 30% for February and 65% for March and April, with frequencies cut approximately 65% and 75% over the same periods. Substantial passenger capacity and frequency reduction is also likely for May as we continue to monitor and match market demand. As at the end of February, passenger load factor had declined to approximately 50% and year-on-year yield had also fallen significantly. It is difficult to predict when these conditions will improve. However, the Group is expected to incur a substantial loss for the first half of 2020. The Group's available unrestricted liquidity as at 31st December 2019 was HK$20.0 billion. The Directors believe that with the cost saving measures being taken, the Group's strong vendor relationships, as well as the Group's liquidity position and availability of sources of funds, the Group will remain a going concern."

The negative effect of COVID-19 on Cathay Pacific (in which the Group has a 45% equity interest), together with less significant adverse effects of COVID-19 on some of the Group's other businesses, means that the Group expects to incur a loss for the first half of 2020.

44. Immediate and Ultimate Holding Company

The immediate holding company is John Swire & Sons (H.K.) Limited, a company incorporated in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in England.

Principal Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the financial statements, the other principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention as modified in relation to the revaluation of certain financial assets and financial liabilities (including equity investments at fair value through other comprehensive income and derivative instruments), investment properties and defined benefit assets/liabilities, each of which are carried at fair value.

2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Swire Pacific Limited, its subsidiary companies (together referred to as the Group) and the Group's interests in joint venture and associated companies.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are generally expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquired subsidiary either at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired subsidiary and the acquisition-date fair value of any previous equity interest in the acquired subsidiary over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture company or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the statement of other comprehensive income are reclassified to the statement of profit or loss.

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the owner of the non-controlling interest, which is not part of a business combination, the Group records a financial liability in respect of the present value of the redemption amount with a corresponding charge directly to equity. Changes to the value of the financial liability are recognised in the statement of profit or loss within net finance charges.

The Group's share of its joint venture and associated companies' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the joint venture or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associated company.

The Group recognises the disposal of an interest in a joint venture company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint venture and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its joint venture and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of joint venture and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in respect of investments in associated companies are recognised in the consolidated statement of profit and loss.

3. Subsidiary Companies

Investment in subsidiary companies in the Company's standalone financial statements are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for on the basis of dividends received and receivable. Long-term loans to subsidiary companies are considered to be quasi-equity in nature where there are no defined repayment terms and no expectation of repayment.

4. Joint Venture and Associated Companies

In the Company's statement of financial position, its investments in joint venture and associated companies are stated at cost less provision for any impairment losses. Income from joint venture and associated companies is recognised by the Company on the basis of dividends received and receivable. Long-term loans to joint venture and associated companies are subject to expected credit losses assessment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

5. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any associated translation difference is also recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the statement of profit or loss, any associated translation difference is also recognised in the statement of profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partly disposed of or sold, exchange differences that were recorded in equity are reclassified to the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

6. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Principal Subsidiary, Joint Venture and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2019

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Cathay Limited	82	–	100	807 shares (HK$8,070)	Property investment
Citiluck Development Limited	82	–	100	1,000 shares (HK$1,000)	Property investment
Cityplaza Holdings Limited	82	–	100	100 shares (HK$1,000)	Property investment
Coventry Estates Limited	82	–	100	4 shares (HK$40)	Property investment
Joyful Sincere Limited	65.60	–	100	1 share (HK$1)	Property trading
Keen Well Holdings Limited	65.60	–	100	1 share (HK$1)	Property trading
One Queen's Road East Limited	82	–	100	2 shares (HK$2)	Property investment
Pacific Place Holdings Limited	82	–	100	2 shares (HK$2)	Property investment
Redhill Properties Limited	82	–	100	250,000 shares (HK$7,300,000)	Property investment
Super Gear Investment Limited	82	–	100	2 shares (HK$2)	Property investment
Swire Properties (Finance) Limited	82	–	100	1,000,000 shares (HK$1,000,000)	Financial services
Swire Properties Limited	82	82	–	5,850,000,000 shares (HK$10,449,437,325.77)	Holding company
Swire Properties Management Limited	82	–	100	2 shares (HK$20)	Property management
Swire Properties MTN Financing Limited	82	–	100	1 share (HK$1)	Financial services
Swire Properties Real Estate Agency Limited	82	–	100	2 shares (HK$20)	Real estate agency
Taikoo Place Holdings Limited	82	–	100	2 shares (HK$2)	Property investment
Incorporated in Mainland China:					
(Domestic company)					
Beijing Tianlian Real Estate Company Limited ^•	82	–	100	Registered capital of RMB865,000,000	Holding company
(Sino-foreign joint venture)					
Taikoo Hui (Guangzhou) Development Company Limited ^	79.54	–	97	Registered capital of RMB3,050,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Anye Property Management Company Limited ^•	82	–	100	Registered capital of RMB209,500,000	Property investment
Beijing Sanlitun Hotel Management Company Limited ^	82	–	100	Registered capital of RMB800,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited ^	82	–	100	Registered capital of RMB2,784,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited ^	82	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	82	–	100	Registered capital of RMB295,000,000	Property investment
Swire Properties (China) Investment Company Limited ^	82	–	100	Registered capital of US$30,000,000	Holding company

Notes:
1. This table lists the principal subsidiary, joint venture and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.
2. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of ship owning and ship operating are international, and are not attributable to a principal country of operation.
3. * Group interest held through joint venture or associated companies.
4. • Companies not audited by PricewaterhouseCoopers. These companies accounted for approximately 10.9% of attributable net assets at 31st December 2019.
5. ^ Translated name.

Showing proportion of capital owned at 31st December 2019

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in the USA:					
700 Brickell City Centre LLC	82	–	100	Limited Liability Company	Property trading
Brickell City Centre Plaza LLC	82	–	100	Limited Liability Company	Property investment
Brickell City Centre Project LLC	82	–	100	Limited Liability Company	Property trading and investment
Brickell City Centre Retail LLC	51.60	–	87.93	Limited Liability Company	Property investment
FTL/AD LTD	61.50	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	82	–	100	Limited Liability Company	Property trading
Swire Pacific Holdings Asia LLC	82	–	100	Limited Liability Company	Property trading
Swire Properties Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	82	–	100	Limited Liability Company	Property trading and investment
Swire Properties US Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	82	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands and operating in Hong Kong:					
Boom View Holdings Limited	82	–	100	2 shares of US$1 each	Property investment
Endeavour Technology Limited	71.75	–	87.50	1,000 shares of US$1 each	Holding company
High Grade Ventures Limited	82	–	100	1 share of US$1	Property trading and investment
Novel Ray Limited	82	–	100	1 share of US$1	Property investment
Peragore Limited	65.60	–	80	1,000 shares of US$1 each	Holding company
Sino Flagship Investments Limited	82	–	100	1 share of US$1	Property investment
Swire and Island Communication Developments Limited ●	49.20	–	60	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	82	–	100	1 share of US$1	Holding company
Wonder Cruise Group Limited	82	–	100	1 share of US$1	Property trading
Joint venture companies:					
Incorporated in Hong Kong:					
Hareton Limited ●	41	–	50	100 shares (HK$1,000)	Property investment
Pacific Grace Limited	41	–	*	2 shares (HK$2)	Property investment
Richly Leader Limited	41	–	50	1,000,000,000 shares (HK$700,000,000)	Property investment
Incorporated in the USA:					
Swire Brickell Key Hotel, Ltd.	61.50	–	75	Florida Partnership	Hotel investment
Incorporated in the British Virgin Islands:					
Dazhongli Properties Limited (operates in Mainland China)	41	–	50	1,000 shares of US$1 each	Holding company
Fortune Access Holdings Limited	20.5	–	25	100 shares of US$1 each	Holding company
Great City China Holdings Limited (operates in Mainland China)	41	–	50	100 shares of US$1 each	Holding company
Honster Investment Limited	41	–	50	2 shares of US$1 each	Holding company
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	16.40	–	20	5 shares of US$1 each	Holding company

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY DIVISION (continued)					
Joint venture companies (continued):					
Incorporated in Mainland China:					
(Domestic company)					
Beijing Linlian Real Estate Company Limited ^	41	–	50	Registered capital of RMB400,000,000	Property investment
(Sino-foreign owned enterprise)					
Shanghai Qianxiu Company Limited ^	41	–	50	Registered capital of RMB1,549,777,000	Property investment
(Wholly foreign owned enterprises)					
Chengdu Qianhao Real Estate Company Limited	41	–	*	Registered capital of US$329,000,000	Property investment
Guan Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$1,136,530,000	Property investment
Incorporated in Indonesia:					
PT Jantra Swarna Dipta	41	–	50	1,202,044 shares of Rp1,000,000 each	Property trading
Associated companies:					
Incorporated in Hong Kong:					
Greenroll Limited •	16.40	–	20	45,441,000 shares (HK$454,410,000)	Hotel investment
Queensway Hotel Limited •	16.40	–	*	100,000 shares (HK$1,000,000)	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	16.40	–	20	10,005,000 shares (HK$10,005,000)	Hotel investment
AVIATION DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
HAECO ITM Limited	83.50	–	70 & *	100 shares (HK$100)	Aircraft inventory technical management
Hong Kong Aircraft Engineering Company Limited	100	100	–	1,000,000 shares (HK$185,193,750)	Aircraft overhaul, modification and maintenance
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
HAECO Composite Structures (Jinjiang) Co., Ltd.	82.53	–	84.10 & *	Registered capital of US$11,663,163	Composite material aeronautic parts/ systems repair, manufacturing and sales
Shanghai Taikoo Aircraft Engineering Services Company Limited • ^	69.40	–	75	Registered capital of US$3,700,000	Line services
Taikoo Engine Services (Xiamen) Company Limited	77.27	–	76.59 & *	Registered capital of US$113,000,000	Commercial aero engine overhaul services
Taikoo (Xiamen) Aircraft Engineering Company Limited	62.64	–	58.55 & *	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	90.33	–	90.82 & *	Registered capital of US$83,090,000	Landing gear repair and overhaul
(Wholly foreign owned enterprise)					
HAECO Component Overhaul (Xiamen) Limited	100	–	100	Registered capital of US$18,600,000	Aircraft component overhaul

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
AVIATION DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in the USA:					
HAECO USA Holdings, LLC (previously known as HAECO USA Holdings, Inc.)	100	–	100	2,900 shares of US$0.01 each	Aircraft overhaul and maintenance, cabin modification and interior products manufacturing
Joint venture companies:					
Incorporated in Hong Kong:					
Goodrich Asia-Pacific Limited	49	–	49	9,200,000 shares (HK$9,200,000)	Carbon brake machining and wheel hub overhaul
Hong Kong Aero Engine Services Limited	50	–	50	20 shares (HK$200)	Commercial aero engine overhaul services
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited●	33.64	–	37	Registered capital of US$7,500,000	Tyre services for commercial aircraft
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited	21.92	–	35	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs
Honeywell TAECO Aerospace (Xiamen) Company Limited●	31.26	–	35	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Taikoo (Shandong) Aircraft Engineering Company Limited●	36.26	–	40	Registered capital of RMB200,000,000	Airframe maintenance services for narrow-body aircraft
Associated companies:					
Incorporated in Hong Kong:					
AHK Air Hong Kong Limited●	45	–	*	1,000,000 shares (HK$90,670,000)	Cargo airline
Airline Property Limited●	45	–	*	2 shares (HK$20)	Property investment
Airline Stores Property Limited●	45	–	*	2 shares (HK$20)	Property investment
Airline Training Property Limited●	45	–	*	2 shares (HK$20)	Property investment
Asia Miles Limited●	45	–	*	2 shares (HK$2)	Travel reward programme
Cathay Holidays Limited●	45	–	*	40,000 shares (HK$4,000,000)	Travel tour operator
Cathay Pacific Aero Limited●	45	–	*	1 share (HK$10)	Financial services
Cathay Pacific Aircraft Lease Finance Limited●	45	–	*	1 share (HK$1)	Aircraft leasing facilitator
Cathay Pacific Airways Limited●	45	45	–	3,933,844,572 shares (HK$17,106,252,291)	Operation of scheduled airline services
Cathay Pacific Catering Services (H.K.) Limited●	45	–	*	600 shares (HK$600,000)	Airline catering
Cathay Pacific MTN Financing (HK) Limited●	45	–	*	1 share (HK$1)	Financial services
Cathay Pacific Services Limited●	45	–	*	1 share (HK$1)	Cargo terminal
Deli Fresh Limited●	45	–	*	20 shares (HK$200)	Catering
Global Logistics System (HK) Company Limited●	43.50	–	*	100 shares (HK$1,000)	Computer network for interchange of air cargo related information
Ground Support Engineering Limited	22.50	–	*	2 shares (HK$2)	Airport ground engineering support and equipment maintenance
Hong Kong Airport Services Limited●	45	–	*	100 shares (HK$100)	Aircraft ramp handling
Hong Kong Aviation and Airport Services Limited●	45	–	*	2 shares (HK$2)	Property investment
Hong Kong Dragon Airlines Limited●	45	–	*	500,000,000 shares (HK$545,979,133)	Operation of scheduled airline services

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies (continued):					
Incorporated in Hong Kong (continued):					
Hong Kong Express Airways Limited ●	45	–	*	1,000,000 shares (HK$3,150,607,160)	Operation of scheduled airline services
LSG Lufthansa Service Hong Kong Limited	14.37	–	*	501 shares (HK$501)	Airline catering
Vehicle Engineering Services Limited	22.50	–	*	2 shares (HK$2)	Repair and maintenance services for transportation companies
Vogue Laundry Service Limited ●	45	–	*	3,700 shares (HK$1,850,000)	Laundry and dry cleaning
Incorporated in Mainland China:					
Air China Cargo Co., Ltd. ●	7.98	–	*	Registered capital of RMB7,375,773,772	Cargo carriage service
Air China Limited ●	8.16	–	*	4,562,683,364 'H' shares of RMB1 each 9,962,131,821 'A' shares of RMB1 each	Operation of scheduled airline services
Shanghai International Airport Services Co., Limited ^ ●	13.21	–	*	Registered capital of RMB360,000,000	Ground handling
(Wholly foreign owned enterprise)					
Guangzhou Guo Tai Information Processing Company Limited ●	45	–	*	Registered capital of HK$8,000,000	Information processing
Incorporated in Cayman Islands:					
Cathay Pacific MTN Financing Limited ●	45	–	*	1 share of US$1	Financial services
Incorporated in Bermuda:					
Troon Limited ●	45	–	*	12,000 shares of US$1 each	Financial services
Incorporated in the Isle of Man:					
Cathay Pacific Aircraft Services Limited ●	45	–	*	10,000 shares of US$1 each	Aircraft acquisition facilitator
Incorporated in the Philippines:					
Cebu Pacific Catering Services Inc. ●	18	–	*	37,500,000 shares of PHP1 each	Airline catering
Incorporated in Taiwan:					
China Pacific Catering Services Limited ●	22.05	–	*	86,100,000 shares of NT$10 each	Airline catering
BEVERAGES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Mount Limited	100	–	100	1 share (HK$1)	Holding company
Swire Beverages Holdings Limited	100	100	–	50,010,002 shares (HK$5,001,000,200)	Holding company
Swire Coca-Cola HK Limited	100	–	100	2,400,000 shares (HK$24,000,000)	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Limited (previously known as Swire Beverages Limited)	100	–	100	14,600 shares (US$7,300,000)	Holding company and sale of non-alcoholic beverages
Swire Recycling Limited	100	–	100	10,000 shares (HK$10,000)	Holding company
Top Noble Limited	100	–	100	1 share (HK$1)	Holding company

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
BEVERAGES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China:					
(Domestic company)					
Swire Coca-Cola Beverages Fuzhou Limited ^	100	–	100	Registered capital of RMB48,000,000	Manufacture and sale of non-alcoholic beverages
(Sino-foreign joint ventures)					
Swire Coca-Cola Beverages Hubei Limited	95.80	–	95.80	Registered capital of US$17,988,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited	80	–	92.85	Registered capital of RMB71,300,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Xiamen Ltd.	100	–	100	Registered capital of US$52,737,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhejiang Limited	80	–	80	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Ltd.	94.44	–	94.44	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	62.96	–	85.19	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	62.96	–	62.96	Registered capital of RMB510,669,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Swire BCD Co., Ltd.	100	–	100	Registered capital of US$60,000,000	Holding company
Swire Coca-Cola Beverages Guangxi Limited	100	–	100	Registered capital of US$15,200,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hainan Limited	100	–	100	Registered capital of US$11,700,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hefei Ltd.	100	–	100	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Jiangsu Limited	100	–	100	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Jiangxi Limited	100	–	100	Registered capital of RMB40,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Luohe Limited	94.44	–	100	Registered capital of RMB115,180,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Yunnan Limited	95.10	–	95.10	Registered capital of US$8,800,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola (China) Co., Ltd.	100	–	100	Registered capital of RMB100,000,000	Procurement and management services
Swire Guangdong Coca-Cola Zhanjiang Limited	100	–	100	Registered capital of RMB23,000,000	Manufacture and sale of non-alcoholic beverages
Xiamen Luquan Industries Company Limited	100	–	100	Registered capital of RMB63,370,000	Manufacture and sale of non-alcoholic beverages
Incorporated in Bermuda:					
Swire Pacific Industries Limited	100	–	100	12,000 shares of US$1 each	Holding company

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
BEVERAGES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in the British Virgin Islands:					
SPHI Holdings Limited	100	–	100	2 shares of US$1 each	Holding company
Swire Coca-Cola Beverages Limited (operates principally in Taiwan)	100	–	100	1,599,840,000 'A' shares of US$0.01 each 200,160,000 'B' shares of US$0.01 each	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola (S&D) Limited (operates principally in Taiwan)	100	–	100	20,100 shares of US$1 each	Sale of non-alcoholic beverages
Incorporated in the USA:					
Swire Pacific Holdings Inc.	100	–	100	8,950.28 shares of US$1 each	Manufacture and sale of non-alcoholic beverages and holding company
Joint venture companies:					
Incorporated in Hong Kong:					
New Life Plastics Limited	33.33	–	33.33	30,000,000 shares (HK$30,000,000)	Waste plastics recycling
Incorporated in Mainland China:					
(Sino-foreign co-operative joint ventures)					
Shanghai Shen-Mei Beverage and Food Co., Ltd. •	53.85	–	53.85	Registered capital of US$93,218,600	Manufacture and sale of non-alcoholic beverages and beverage base
Shanghai Shen-Mei Minfa Beverage and Food Co., Ltd. ^•	53.85	–	*	Registered capital of RMB100,000,000	Manufacture and sale of non-alcoholic beverages
Associated companies:					
Incorporated in Hong Kong					
Coca-Cola Bottlers Manufacturing Holdings Limited	41	–	41	30,000 shares are issued and HK$2,093,950,029.67 were paid	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited	41	–	*	Registered capital of US$39,341,450	Manufacture and sale of non-carbonated beverages
(Wholly foreign owned enterprises)					
Coca-Cola Bottlers Management Service (Shanghai) Company Limited ^	41	–	*	Registered capital of US$5,000,000	Management services
Coca-Cola Bottlers Manufacturing (Dongguan) Company Limited ^	41	–	*	Registered capital of US$141,218,820	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Foshan) Company Limited ^	41	–	*	Registered capital of US$31,496,700	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Hangzhou) Company Limited ^	41	–	*	Registered capital of US$14,272,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Jinan) Company Limited	41	–	*	Registered capital of US$5,720,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Nanning) Company Limited	41	–	*	Registered capital of US$9,600,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Shijiazhuang) Company Limited	41	–	*	Registered capital of US$11,460,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Suzhou) Company Limited	41	–	*	Registered capital of US$2,566,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Yingkou) Company Limited	41	–	*	Registered capital of US$12,667,000	Manufacture and sale of non-carbonated beverages

Showing proportion of capital owned at 31st December 2019

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
MARINE SERVICES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Pacific Ship Management Limited	100	–	100	1,000 shares (HK$100,000)	Ship personnel management
Incorporated in Australia:					
Swire Pacific Offshore Pty. Limited ●	100	–	100	40,000 shares of AUD1 each	Ship chartering and operating
Swire Pacific Ship Management (Australia) Pty. Limited ●	100	–	100	20,000 shares of AUD1 each	Ship personnel management
Incorporated in Bermuda:					
Swire Pacific Offshore Holdings Limited ●	100	–	100	500,000 shares of US$100 each	Holding company
Swire Pacific Offshore Limited ●	100	–	100	120 shares of US$100 each	Management services
Incorporated in the United Kingdom:					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of GBP1 each	Ship chartering and operating
Incorporated in Singapore:					
Swire Emergency Response Services Pte. Ltd.	100	–	100	10,000 shares of S$1 each	Emergency response services
Swire Pacific Offshore Operations (Pte) Ltd	100	–	100	500,000 shares of S$1 each and 2,000,000,000 preference shares of US$1 each	Ship owning and operating
Swire Pacific Offshore Services (Pte.) Limited	100	–	100	500,000 shares of S$1 each	Ship operating
Swire Production Solutions Pte. Ltd.	100	–	100	100,000 shares of US$1 each and 2 shares of S$1 each	Owning, chartering and operating vessels servicing the offshore marine industry
Swire Salvage Pte. Ltd.	100	–	100	2 shares of S$1 each	Salvage and maritime emergency response services
Incorporated in Norway:					
Swire Seabed AS	100	–	100	100 shares of NOK1,000 each	Ship operating
Swire Seabed Shipping AS	100	–	100	126,000 shares of NOK2 each	Ship owning and operating
Incorporated in New Zealand:					
Swire Pacific Offshore NZ Limited ●	100	–	100	1 share of NZD100	Supply services to offshore oil and gas exploration and development activities
Incorporated in Cameroon:					
Swire Pacific Offshore Africa ●	100	–	100	1,000 shares of XAF10,000 each	Ship operator
Incorporated in Denmark:					
Swire Blue Ocean A/S ●	100	–	100	780,000 shares of DKK1 each	Ship operator
Incorporated in Cyprus:					
Swire Pacific Offshore (Cyprus) Limited ●	100	–	100	1,000 shares of EUR1.71 each	Owning, chartering and operating vessels servicing the offshore marine industry

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Brazil:					
Swire Pacific Navegação Offshore Ltda.	100	–	100	41,600,000 shares of R$1 each	Ship management services
Incorporated in Dubai:					
Swire Pacific Offshore (Dubai) (L.L.C)•	49	–	49	300 shares of AED1,000 each	Management services
Incorporated in Angola:					
Swire Serviços Maritimos LDA•	49	–	49	20,191,908 shares of AOA1 each	Ship chartering and operating
Joint venture companies:					
Incorporated in Hong Kong:					
Hongkong United Dockyards Limited	50	50	–	7,600,000 shares (HK$76,000,000)	Ship repairing, general engineering, marine towage, salvage and oil spill response, time/bareboat chartering and management of container vessels for waste disposal
Hongkong United Reinforcement Engineering Limited	27.5	–	*	1,000 shares (HK$10,000,000)	Providing off-site rebar cutting, bending and prefabrication facilities/services to the Hong Kong construction industry
HUD General Engineering Services Limited	50	–	*	4,120,000 shares (HK$41,200,000)	General engineering services
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Bakery Limited	100	–	100	1 share (US$1)	Holding company
Swire Environmental Services Limited	100	–	100	1 share (HK$1)	Holding company
Swire Foods Holdings Limited	100	100	–	1 share (HK$1)	Holding company
Swire Industrial Limited	100	100	–	2 shares (HK$2)	Holding company
Taikoo Sugar Limited	100	–	100	300,000 shares (HK$4,360,000)	Packing and trading of branded food products
Incorporated in Mainland China:					
(Domestic companies)					
Chengdu Xin Qinyuan Food Company Limited ^	100	–	100	Registered capital of RMB10,000,000	Bakery chain stores
Chengdu Xin Qinyuan Trading Company Limited ^	100	–	100	Registered capital of RMB11,000,000	Bakery chain stores
Chongqing Qinyuan Catering Management Co., Ltd. ^	100	–	100	Registered capital of RMB100,000	Bakery chain stores
Chongqing Qinyuan Trading Company Limited ^	100	–	100	Registered capital of RMB100,000	Bakery chain stores
Guiyang Qinyuan Catering Management Co., Ltd. ^	100	–	100	Registered capital of RMB13,000,000	Catering services
Guiyang Yuqinyuan Food Company Limited ^	100	–	100	Registered capital of RMB20,000,000	Bakery chain stores
Taikoo Sugar Chengdu Limited ^•	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China (continued):					
(Wholly foreign owned enterprises)					
Chongqing New Qinyuan Bakery Co., Ltd	100	–	100	Registered capital of RMB75,595,238	Bakery chain stores
Reservoir Management Services (Shanghai) Company Limited ^●	100	–	100	Registered capital of RMB200,000	Provision of business consultancy services
Swire Foods Trading (China) Limited ^●	100	–	100	Registered capital of HK$63,500,000	Trading of branded food products
Taikoo Sugar (China) Limited ^●	100	–	100	Registered capital of HK$61,350,000	Packing and trading of branded food products
Joint venture companies:					
Incorporated in Hong Kong:					
Campbell Swire (HK) Limited●	40	–	40	30 shares (HK$746,699,024)	Holding company
Swire Waste Management Limited●	50	–	50	1 'A' share (HK$1) and 1 'B' share (HK$1)	Provision of waste management services
Incorporated in Mainland China:					
(Wholly foreign owned enterprise)					
Campbell Swire (Xiamen) Co., Limited	40	–	*	Registered capital of RMB593,800,000	Distribution of soup and broth products
TRADING & INDUSTRIAL DIVISION – TRADING					
Subsidiary companies:					
Incorporated in Hong Kong:					
Bel Air Motors Limited	100	–	100	1 share (HK$1)	Automobile distribution in Taiwan
Beldare Motors Limited	100	–	100	10,000 shares (HK$1,000,000)	Automobile distribution in Taiwan
Chevon Holdings Limited	85	–	85	160,000,000 shares (HK$160,000,000)	Holding company
Chevon (Hong Kong) Limited	85	–	100	1,000,000 shares (HK$1,000,000)	Marketing, distribution and retailing of branded casual apparel and accessories
Excel Marketing Limited	100	–	100	2 shares (HK$2)	Marketing, distribution and retailing of branded casual apparel and accessories
International Automobiles Limited	100	–	100	10,000 shares (US$10,000)	Automobile distribution in Hong Kong
Liberty Motors Limited	100	–	100	2 shares (HK$20)	Automobile distribution in Taiwan
Nice Access Limited	100	–	100	1,000,000 shares (HK$1,000,000)	Marketing, distribution and retailing of branded casual apparel and accessories
Swire Resources Limited	100	–	100	4,010,000 shares (HK$40,100,000)	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Swire Trading Limited	100	100	–	2 shares (HK$20)	Holding company
Taikoo Commercial Vehicles Limited	100	–	100	2,000 shares (HK$2,000)	Automobile distribution in Taiwan
Yuntung Motors Limited	100	–	100	2 shares (HK$2)	Automobile distribution in Taiwan
Incorporated in Macau:					
Swire Resources (Macau) Limited●	100	–	100	2 shares (MOP25,000)	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
TRADING & INDUSTRIAL DIVISION – TRADING (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China:					
(Wholly foreign owned enterprises)					
Chevon (Shanghai) Trading Company Limited ^	85	–	100	Registered capital of US$12,000,000	Marketing, distribution and retailing of branded casual apparel and accessories
Nice Access (Shanghai) Trading Company Limited ^	100	–	100	Registered capital of RMB5,000,000	Marketing, distribution and retailing of branded casual apparel and accessories
Swire Resources (Shanghai) Trading Company Limited ^	100	–	100	Registered capital of US$6,040,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Taiwan:					
Biao Yi Limited ^ •	100	–	100	10,000,000 shares of NT$1 each	Automobile distribution in Taiwan
Incorporated in the British Virgin Islands:					
Biao Da Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Supreme Motors Limited •	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Joint venture company:					
Incorporated in Hong Kong:					
Intermarket Agencies (Far East) Limited	70	–	70	7 'A' shares (HK$70) and 3 'B' shares (HK$30)	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
OTHERS					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Finance Limited	100	100	–	1,000 shares (HK$10,000)	Financial services
Swire Pacific MTN Financing (HK) Limited	100	100	–	1 share (HK$1)	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated statement of profit or loss and consolidated statement of other comprehensive income for the year ended 31st December 2019 and consolidated statement of financial position at 31st December 2019, modified to conform to the Group's financial statements presentation.

Consolidated Statement of Profit or Loss

For the year ended 31st December 2019

	Note	2019 HK$M	2018 HK$M
Revenue		106,973	111,060
Operating expenses		(103,646)	(107,465)
Operating profit before non-recurring items		3,327	3,595
Gain on deemed partial disposal of an associated company	1	114	–
Operating profit		3,441	3,595
Finance charges		(3,276)	(2,457)
Finance income		337	343
Net finance charges		(2,939)	(2,114)
Share of profits less losses of associated companies		1,643	1,762
Profit before taxation		2,145	3,243
Taxation		(454)	(466)
Profit for the year		1,691	2,777
Profit for the year attributable to:			
– Cathay Pacific's shareholders		1,691	2,345
– Non-controlling interests		–	432
		1,691	2,777

	HK¢	HK¢
Earnings per share attributable to Cathay Pacific's shareholders (basic and diluted)	43.0	59.6

Note 1: Gain on deemed partial disposal of an associated company
On 31st October 2019, the Cathay Pacific group's equity and economic interest in Air China Cargo of 49.00% was reduced to 34.78%, when the China National Aviation Holding Company group injected certain equity interests and cash. A gain of HK$114 million was recorded on this deemed partial disposal.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2019

	2019 HK$M	2018 HK$M
Profit for the year	1,691	2,777
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)	33	–
Defined benefit plans	1,061	(270)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges	551	1,586
Share of other comprehensive income of associated companies	(186)	628
Net translation differences on foreign operations	(472)	(1,495)
Other comprehensive income for the year, net of tax	987	449
Total comprehensive income for the year	2,678	3,226
Total comprehensive income attributable to:		
Cathay Pacific's shareholders	2,678	2,794
Non-controlling interests	–	432
	2,678	3,226

Consolidated Statement of Financial Position

At 31st December 2019

	2019 HK$M	2018 HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment[1]	140,114	117,124
Intangible assets	15,151	11,174
Investments in associated companies	27,055	27,570
Other long-term receivables and investments	3,823	4,015
Deferred tax assets	1,089	793
	187,232	160,676
Current assets		
Stock	1,812	1,828
Trade and other receivables	10,608	12,475
Liquid funds	14,864	15,315
	27,284	29,618
Current liabilities		
Current portion of long-term liabilities[2]	20,752	13,694
Trade and other payables	18,218	17,646
Contract liabilities	15,941	15,792
Bank overdrafts – unsecured	–	19
Taxation	1,951	1,193
Dividend payable to non-controlling interests	–	1
	56,862	48,345
Net current liabilities	(29,578)	(18,727)
Total assets less current liabilities	157,654	141,949
Non-current liabilities		
Long-term liabilities[2]	76,508	60,183
Other long-term payables	4,806	4,649
Deferred tax liabilities	13,564	13,178
	94,878	78,010
NET ASSETS	62,776	63,939
EQUITY		
Share capital	17,106	17,106
Reserves	45,667	46,830
Equity attributable to Cathay Pacific's shareholders	62,773	63,936
Non-controlling interests	3	3
TOTAL EQUITY	62,776	63,939

1. Include right-of-use assets in respect of 2019
2. Include lease liabilities in respect of 2019

Summary of Past Performance

	2010 HK$M	2011 HK$M	2012 HK$M	2013 HK$M
Ratios				
Return on equity	20.4%	14.9%	8.0%	6.2%
Derived from:				
Recurring underlying profit	*5.9%*	*4.0%*	*3.6%*	*4.0%*
Net non-recurring items	*2.7%*	*4.0%*	*0.2%*	*0.0%*
Net property valuation adjustments	*11.8%*	*6.9%*	*4.2%*	*2.2%*
5-year average	*16.2%*	*14.7%*	*12.0%*	*12.7%*
Gearing ratio	19.7%	15.4%	17.8%	19.2%
Statement of Profit or Loss				
Revenue				
Property	8,809	9,518	13,988	12,856
Aviation	2,574	5,171	5,830	7,387
Beverages	12,189	14,105	14,396	15,053
Marine Services	3,046	3,505	4,864	6,292
Trading & Industrial	6,212	8,862	9,956	9,836
Head Office	7	8	6	13
	32,837	41,169	49,040	51,437
Profit attributable to the Company's shareholders				
Property	25,925	24,981	15,282	10,207
Aviation	8,767	2,869	984	1,627
Beverages	705	664	556	802
Marine Services	782	854	964	1,307
Trading & Industrial	1,197	416	247	237
Head Office	719	2,269	(623)	(889)
	38,095	32,053	17,410	13,291
Dividends for the year	5,266	9,780	5,266	5,266
Share repurchases	–	–	–	–
Retained profit less share repurchases	32,829	22,273	12,144	8,025
Statement of Financial Position				
Assets employed				
Property – cost and working capital	75,491	71,868	76,907	84,035
– valuation surplus	119,072	131,609	144,176	151,019
Aviation	38,306	39,689	40,304	43,801
Beverages	5,205	5,662	6,200	6,032
Marine Services	8,872	11,233	17,631	21,412
Trading & Industrial	1,004	1,594	2,663	2,286
Head Office	2,657	5,631	4,755	4,428
	250,607	267,286	292,636	313,013
Financed by				
Equity attributable to the Company's shareholders	204,464	226,380	208,467	220,297
Non-controlling interests	4,922	5,138	39,915	42,211
Net debt	41,221	35,768	44,254	50,505
Lease liabilities	–	–	–	–
	250,607	267,286	292,636	313,013
	HK$	HK$	HK$	HK$
'A' Shares				
Earnings per share	25.32	21.30	11.57	8.83
Dividends per share	3.50	6.50	3.50	3.50
Equity attributable to shareholders per share	135.89	150.46	138.55	146.41
'B' Shares				
Earnings per share	5.06	4.26	2.31	1.77
Dividends per share	0.70	1.30	0.70	0.70
Equity attributable to shareholders per share	27.18	30.09	27.71	29.28
Underlying				
Profit (HK$M)	15,986	17,135	8,270	8,471
Return on equity (historic cost)	19.9%	18.9%	8.9%	8.9%
Earnings per 'A' share (HK$)	10.6	11.4	5.5	5.6
Earnings per 'B' share (HK$)	2.1	2.3	1.1	1.1
Cash Interest cover – times	8.3	8.3	5.4	4.5
Dividend payout ratio	32.9%	57.1%	63.7%	62.2%

* The attributable realised profit (HK$12.7 billion or 4.7% of the return) in 2019 arising from the sales of interests in Cityplaza Three and Four and 625 King's Road has been reclassified from net non-recurring items to net property valuation adjustments.

2014 HK$M	2015 HK$M	2016 HK$M	2017 HK$M	2018 HK$M	2019 HK$M
5.0%	6.1%	4.4%	10.9%	9.0%	3.3%
4.2%	*4.2%*	*2.3%*	*2.0%*	*2.8%*	*2.7%*
0.2%	*0.3%*	*-0.9%*	*0.0%*	*0.4%*	*-0.8%**
0.6%	*1.6%*	*3.0%*	*8.9%*	*5.8%*	*1.4%**
10.9%	*8.1%*	*5.9%*	*6.5%*	*7.1%*	*6.7%*
22.4%	22.6%	23.5%	23.7%	19.3%	14.2%
15,297	16,351	16,691	18,443	14,604	14,135
11,927	12,095	13,760	14,546	14,892	15,901
16,382	17,172	18,420	34,066	41,189	43,316
7,234	5,988	4,237	3,066	3,018	2,451
10,430	9,245	9,276	10,163	10,896	9,843
31	34	5	5	7	6
61,301	60,885	62,389	80,289	84,606	85,652
7,786	11,494	12,357	27,731	23,437	11,007
1,822	3,017	441	(1,002)	1,781	1,550
854	976	813	2,441	1,630	1,686
1,072	(1,255)	(3,013)	(2,232)	(5,033)	(3,634)
423	155	114	69	2,904	(452)
(888)	(958)	(1,068)	(937)	(1,090)	(1,150)
11,069	13,429	9,644	26,070	23,629	9,007
5,868	5,867	3,159	3,155	4,505	4,505
–	35	–	165	9	–
5,201	7,527	6,485	22,750	19,115	4,502
88,491	89,009	90,797	95,846	92,805	95,777
154,116	162,217	171,591	198,496	217,858	208,172
41,195	39,311	42,606	44,798	45,449	47,187
6,048	5,833	7,845	17,274	16,657	17,177
23,537	22,293	18,170	16,755	13,014	10,120
3,950	4,445	5,246	5,631	2,252	3,249
3,417	462	(41)	(192)	(253)	(125)
320,754	323,570	336,214	378,608	387,782	381,557
218,775	218,449	224,879	253,163	270,424	273,352
43,355	45,537	47,289	52,931	54,691	56,142
58,624	59,584	64,046	72,514	62,667	46,688
–	–	–	–	–	5,375
320,754	323,570	336,214	378,608	387,782	381,557
HK$	HK$	HK$	HK$	HK$	HK$
7.36	8.93	6.41	17.34	15.74	6.00
3.90	3.90	2.10	2.10	3.00	3.00
145.40	145.22	149.50	168.58	180.09	182.04
1.47	1.79	1.28	3.47	3.15	1.20
0.78	0.78	0.42	0.42	0.60	0.60
29.08	29.04	29.90	33.72	36.02	36.41
9,739	9,892	3,063	4,742	8,523	17,797
10.1%	11.2%	3.6%	5.4%	9.3%	18.2%
6.5	6.6	2.0	3.2	5.7	11.9
1.3	1.3	0.4	0.6	1.1	2.4
4.9	4.6	2.6	4.0	5.0	10.5
60.3%	59.3%	103.1%	66.5%	52.9%	25.3%

Schedule of Principal Group Properties

At 31st December 2019

	Gross floor areas in square feet							
	Hong Kong		Mainland China		USA and Elsewhere		Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment								
Retail	2,323,135	167,927	2,859,885	1,734,156	496,508	–	5,679,528	7,581,611
Office	8,108,902	727,847	1,751,513	1,208,566	263,384	–	10,123,799	12,060,212
Residential/serviced apartment	573,637	–	51,517	128,565	109,000	–	734,154	862,719
Hotels	358,371	384,796	753,647	471,318	218,000	258,750	1,330,018	2,444,882
	11,364,045	1,280,570	5,416,562	3,542,605	1,086,892	258,750	17,867,499	22,949,424
Property developments for investment								
Retail	2,835	–	255,731	623,503	–	–	258,566	882,069
Office	1,218,000	–	–	–	–	–	1,218,000	1,218,000
Residential/serviced apartment	–	–	–	–	–	–	–	–
Hotels	–	26,393	–	–	–	–	–	26,393
Under planning	–	–	–	–	1,444,000*	–	1,444,000	1,444,000
	1,220,835	26,393	255,731	623,503	1,444,000	–	2,920,566	3,570,462
Completed properties for sale								
Retail	–	–	–	–	–	–	–	–
Residential	–	–	–	–	306,019	–	306,019	306,019
Office	–	–	–	–	–	–	–	–
	–	–	–	–	306,019	–	306,019	306,019
Property developments for sale								
Retail	2,000	–	–	–	–	–	2,000	2,000
Residential	722,867	159,576	–	–	1,073,000	569,954	1,795,867	2,525,397
Under planning	–	–	–	–	825,000	–	825,000	825,000
	724,867	159,576	–	–	1,898,000	569,954	2,622,867	3,352,397
	13,309,747	1,466,539	5,672,293	4,166,108	4,734,911	828,704	23,716,951	30,178,302

* One Brickell City Centre is currently under planning. The site is included under "Properties held for development" in the financial statements.

Notes:
1. All properties held through subsidiary companies are wholly-owned by Swire Properties group except for Island Place (60% owned), Chai Wan Inland Lot No. 88 (80% owned), Taikoo Hui, Guangzhou (97% owned), Brickell City Centre (Retail: 62.93% owned) and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these five properties in 100%.
2. "Other companies" comprise joint venture or associated companies. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas in Hong Kong and Mainland China exclude carparking spaces; there are about 10,400 completed carparking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the USA are freehold.
6. Gross floor areas for all properties in the USA represent saleable or leasable areas for completed and nearly completed properties, which exclude carparking spaces; there are about 1,976 completed carparking spaces held by subsidiaries and other companies for investment.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext	2050-2852	40,236	627,657	111	2004/07	Linked to The Mall at Pacific Place and Admiralty MTR station.
3. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Above part of Cityplaza shopping centre.
4. Devon House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Linked to Dorset House and Cambridge House.
5. Dorset House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Linked to Devon House.
6. Lincoln House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,529	164	1998	Linked to PCCW Tower and One Taikoo Place.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office (continued)							
7. Oxford House, Taikoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/ 2899	33,434	501,253	182	1999	Linked to One Taikoo Place.
8. Cambridge House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Linked to Devon House.
9. One Island East, Taikoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/ 2899	109,929	1,537,011	–	2008	
10. One Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,013,368	82	2018	Linked to Lincoln House and Oxford House.
11. 8 Queen's Road East, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	2013 (Refurbishment)	With ground floor retail.
12. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	
	Total held through subsidiaries			8,108,902	1,065		
13. PCCW Tower, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Linked to Dorset House. Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
14. Berkshire House, Taikoo Place	IL 8854	2047	25,926	388,838	84	1998	Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
15. One Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	160,522	63	1999/ 2000	Above Citygate shopping centre. Floor area shown represents the whole of the office area of the development, in which the Swire Properties group owns a 20% interest. Citygate also comprises a hotel, details of which are given in the Hotel Category below.
16. South Island Place, Wong Chuk Hang	AIL 461	2064	25,500	382,499	137	2018	Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			1,552,007	501		
	– of which attributable to the Swire Properties group			727,847			

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Pacific Place, 88 Queensway, Central							
The Mall at Pacific Place	IL 8571 (part) IL 8582 & Ext. (part)	2135/ 2047	318,289 (part)	711,182	426	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,227	834	1983/87/ 97/2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
3. Commercial areas in Stages I - X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2889/ 2899	–	331,079	3,826	1977-85	Neighbourhood shops, schools and carparking spaces.
4. Island Place 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, in which the Swire Properties group owns a 60% interest.
5. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail podium.
6. EAST Residences, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	12,312	–	2014	Floor area shown represents the whole of a 3-storey retail podium (excluding serviced-suites above).
	Total held through subsidiaries			2,323,135	5,457		

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail (continued)							
7. Tung Chung Crescent, Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	75	1998/ 1999	Floor area shown represents the retail space, in which the Swire Properties group owns a 20% interest.
8. Citygate Outlets, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	462,428	1,093	1999/ 2000	Floor area shown represents the whole of the retail area of the development, in which the Swire Properties group owns a 20% interest. Major renovation works covering approximately 126,000 square feet of the shopping centre was completed in 2019.
9. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	341,154	122	2019	Floor area shown represents the retail portion of the development, in which the Swire Properties group owns a 20% interest, and excludes the area of a public transport terminus. A public transport terminus of approximately 65,000 square feet is to be handed over to the Government.
	Total held through joint venture companies			839,635	1,290		
	– of which attributable to the Swire Properties group			167,927			
Residential							
1. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. EAST Residences, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	62,756	–	2014	111 serviced suites above a 3-storey retail podium. Floor area shown excludes retail portion.
3. STAR STUDIOS I & II 8-10 & 18 Wing Fung Street	IL 47 sF (part) IL 47 sG (part) IL 47 sH (part) IL 47 sI (part) IL 8464 (part)	2056/ 2852	6,775 (part)	47,076	–	2016 (Refurbishment)	120 apartments above ground floor shops. Floor area shown excludes retail area (5,197 square feet).
4. Rocky Bank 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi-detached houses.
5. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
6. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,440 (part)	3,318	1	1965	One apartment unit.
	Total held through subsidiaries			573,637	1		
Hotel							
1. EAST, Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009 (Refurbishment)	117-room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			358,371	–		

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel (continued)							
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	608-room hotel, in which the Swire Properties group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Swire Properties group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through associated companies			1,687,222	–		
	– of which attributable to the Swire Properties group			337,444			
6. Novotel Citygate Hong Kong Hotel, Citygate	TCTL 2 (part)	2047	358,557 (part)	236,758	7	2005	440-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through joint venture companies			236,758	7		
	– of which attributable to the Swire Properties group			47,352			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun South)	19 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	417	2007	Shopping centre with restaurants and cinema.
2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North)	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	519,399	340	2007	Shopping centre with restaurants.
3. Hui Fang	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,377 (part)	90,847	100	2008	Shopping centre with restaurants and carparking spaces.
4. Taikoo Hui	381-389 Tianhe Road (odd numbers), Tianhe District, Guangzhou	2051	526,941 (part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			2,859,885	1,575		
5. INDIGO	18 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	631,072 (part)	939,493	617	2012	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
6. Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	1,314,973	1,051	2014	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
7. Heritage Buildings in Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2034	N/A (part)	40,387	–	2014	Heritage buildings leased from the local government as part of the retail operation of Sino-Ocean Taikoo Li Chengdu, in which the Swire Properties group owns a 50% interest.
8. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jing'an District, Shanghai	2049	676,091 (part)	1,105,646	240	2016	Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail (continued)							
9. Metrolink in HKRI Taikoo Hui	South of West Nanjing Road and underneath Shimenyi Road,Jing'an District, Shanghai	2028	N/A (part)	67,813	–	2018	Shopping corridor leased from Shanghai Shentong Metro and operated by HKRI Taikoo Hui, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			3,468,312	1,908		
	– of which attributable to the Swire Properties group			1,734,156			
Office							
1. Taikoo Hui Towers 1 & 2	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,731,766	–	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 97% interest.
2. No. 15 Building	15 Sanlitun North, Chaoyang District, Beijing	2022	N/A	19,747	–	2000s	Commercial building leased by the Swire Properties group mainly for office letting.
	Total held through subsidiaries			1,751,513	–		
3. ONE INDIGO	20 Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)	589,071	390	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 50% interest.
4. HKRI Center 1 and HKRI Center 2	South of West Nanjing Road and east of Shimenyi Road, Jing'an District, Shanghai	2059	676,091 (part)	1,828,060	798	2016	Floor area shown represents the office portion, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			2,417,131	1,188		
	– of which attributable to the Swire Properties group			1,208,566			
Hotel							
1. The Opposite House	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	169,463	32	2007	99-room hotel.
2. Mandarin Oriental, Guangzhou	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel: 584,184 Serviced apartment: 51,517 635,701	– –	2012	263-room hotel and 24 serviced apartments, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			805,164	32		
3. EAST, Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Office and Carpark)	631,072 (part)	358,301	240	2012	369-room hotel, in which the Swire Properties group owns a 50% interest.
4. The Temple House	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Hotel: 196,508 Serviced apartment: 109,857 306,365	– –	2015	100-room hotel and 42 serviced apartments, in which the Swire Properties group owns a 50% interest.
5. The Sukhothai Shanghai Hotel	380 Weihai Road, Jing'an District, Shanghai	2049	676,091 (part)	Hotel: 246,646	79	2018	201-room hotel in which the Swire Properties group owns 50% interest.
The Middle House	366 Shi Men Yi Road, Jing'an District, Shanghai			Hotel: 141,181	43	2018	111-room hotel, in which the Swire Properties group owns 50% interest.
The Middle House Residences	366 Shi Men Yi Road, Jing'an District, Shanghai			Serviced apartment: 147,273 535,100	40	2018	102 serviced apartments, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			1,199,766	402		
	– of which attributable to the Swire Properties group			599,883			

Completed properties for investment in the USA	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail						
1. Brickell City Centre – retail portion	701 S Miami Avenue, Miami, Florida	380,670 (part)	496,508	1,137	2016	Floor area shown represents the whole shopping centre, in which the Swire Properties group owns a 62.93% interest.
	Total held through subsidiaries		496,508	1,137		
Office						
1. Two Brickell City Centre	78 SW 7th Street, Miami, Florida	380,670 (part)	128,842	145	2016	
2. Three Brickell City Centre	98 Southeast Seventh Street, Miami, Florida	380,670 (part)	134,542	144	2016	
	Total held through subsidiaries		263,384	289		
Serviced apartments						
1. EAST Residences	788 Brickell Plaza, Miami, Florida	380,670 (part)	109,000	20	2016	89 serviced suites within the EAST, Miami Hotel tower.
	Total held through subsidiaries		109,000	20		
Hotel						
1. Mandarin Oriental, Miami	South Brickell Key, Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Swire Properties group owns a 75% interest.
	Total held through joint venture companies		345,000	600		
	– of which attributable to the Swire Properties group		258,750			
2. EAST, Miami	788 Brickell Plaza, Miami, Florida	380,670 (part)	218,000	80	2016	263-room hotel.
	Total held through subsidiaries		218,000	80		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Office								
1. Two Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,000,000	351	Superstructure works in progress	2022	Floor area shown is an approximation.
2. 46-56 Queen's Road East, 1A-11 Landale Street and 2A-12 Anton Street	IL 2242 IL 2244 sA IL 2244 sB IL 2244 sC IL 2245 sA IL 2245 sB IL 2245 sC IL 2245 sD IL 2245 sE IL 2245 sF	2843	14,433	218,000	88	Foundation works in progress	2023	Floor area shown is an approximation.
	Total held through subsidiaries			1,218,000	439			
Retail								
1. 21-31 Wing Fung Street	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,612 (part)	2,835	–	Foundation works are in progress	2022	Residential block over retail podium is proposed. Floor area shown represents the retail portion of the development. The area shown is subject to change.
	Total held through subsidiaries			2,835	–			

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Hotel								
1. The Silveri Hong Kong – MGallery, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	131,965	5	License application in progress	2019	Floor area shown represents the hotel portion of the development, in which the Swire Properties group owns 20% interest, and excludes the area of a public transport terminus.
	Total held through joint venture companies			131,965	5			
	– of which attributable to the Swire Properties group			26,393				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun West)	58 Gongti North Road, Chaoyang District, Beijing	2033	40,102	255,731	50	In Refurbishment	2020	Shopping centre with restaurants.
	Total held through subsidiaries			255,731	50			
2. Taikoo Li Qiantan	East of Yangsi West Road, West of Dongyu Road, North of Haiyang West Road, Pudong New District, Shanghai	2053	638,125 (part)	1,247,006	907	Superstructure in progress	2020	Swire Properties group owns a 50% interest.
	Total held through joint venture companies			1,247,006	907			
	– of which attributable to the Swire Properties group			623,503				

Property developments for investment in the USA	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. One Brickell City Centre, Miami, Florida	123,347	Under planning: 1,444,000	To be determined	To be determined	One Brickell City Centre is being planned as a future mixed-use development comprised of retail, Grade A office space, condominiums and a hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre (comprising approximately 1.4 million square feet) is planned as an 80-storey luxury high rise tower.
	Total held through subsidiaries	1,444,000	–		

Completed properties for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pinnacle One	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	702,243 (part)	–	240	2014	Pinnacle One has been completed; the remaining one-and-half floors will be retained for its own use by the joint venture company which owns the property. The tradable assets outstanding are the 240 carparks.
	Total held through joint venture companies			–	240		
	– of which attributable to the Swire Properties group			–			

Completed properties for sale in the USA	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential						
1. Reach, Brickell City Centre, Miami, Florida	68 SE 6th Street, Miami, Florida	380,670 (part)	55,941	40	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2019, sales of 363 units had been closed.
2. Rise, Brickell City Centre, Miami, Florida	1 SW 8 Street, Miami, Florida	380,670 (part)	172,866	220	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2019, sales of 272 units had been closed.
	Total held through subsidiaries		228,807	260		

Completed properties for sale in Singapore	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential							
1. EDEN	LOT 01316N TS 25	Freehold	33,425	77,212	40	2019	Floor area shown represents a residential tower with 20 units.
	Total held through subsidiaries			77,212	40		

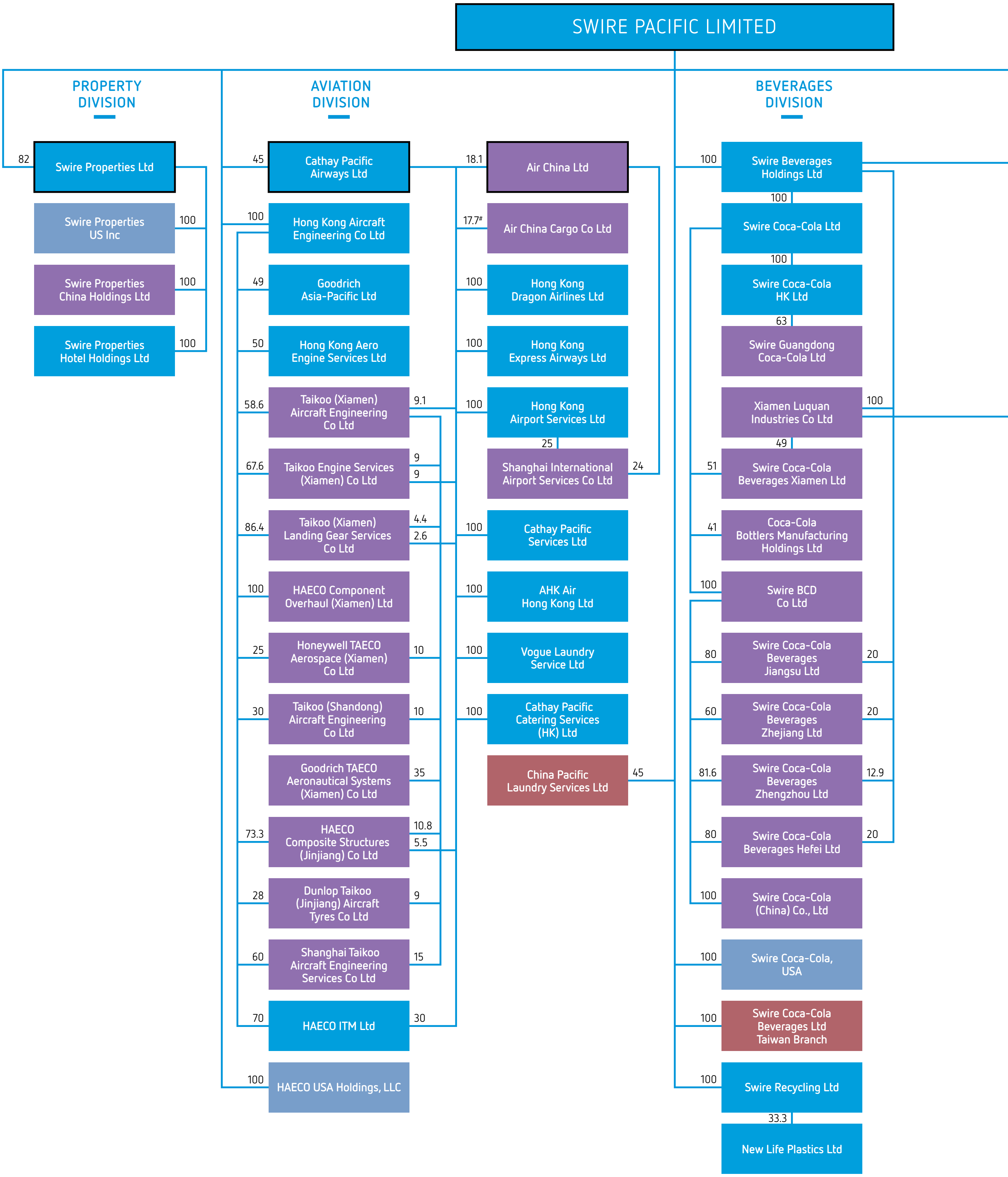
Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
Residential							
1. 21-31 Wing Fung Street	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,612 (part)	30,867	–	2022	Residential block over retail podium is proposed. Floor area shown represents the residential portion of the development. The area shown is subject to change.
2. Chai Wan Inland Lot No. 88	Subject to Land Exchange with the Government	2118 (To be revised upon successful Land Exchange with the Government)	To be determined	692,000	To be determined	To be determined	Land exchange under negotiation with the Government. Floor area shown is subject to changes and represents the whole development, in which the Swire Properties group owns 80%.
	Total held through subsidiaries			722,867	–		
3. Wong Chuk Hang Station Package Four Property Development	AIL 467	2067	738,199 (part)	638,305	To be determined	2024	Floor area shown represents the whole Package Four development, in which the Swire Properties group owns a 25% interest.
	Total held through joint venture company			638,305	–		
	– of which attributable to the Swire Properties group			159,576			
Retail							
1. Chai Wan Inland Lot No. 88	Subject to Land Exchange with the Government	2118 (To be revised upon successful Land Exchange with the Government)	To be determined	2,000	To be determined	To be determined	Land exchange under negotiation with the Government. Floor area shown is subject to changes and represents the whole development, in which the Swire Properties group owns 80%.
	Total held through subsidiaries			2,000	–		

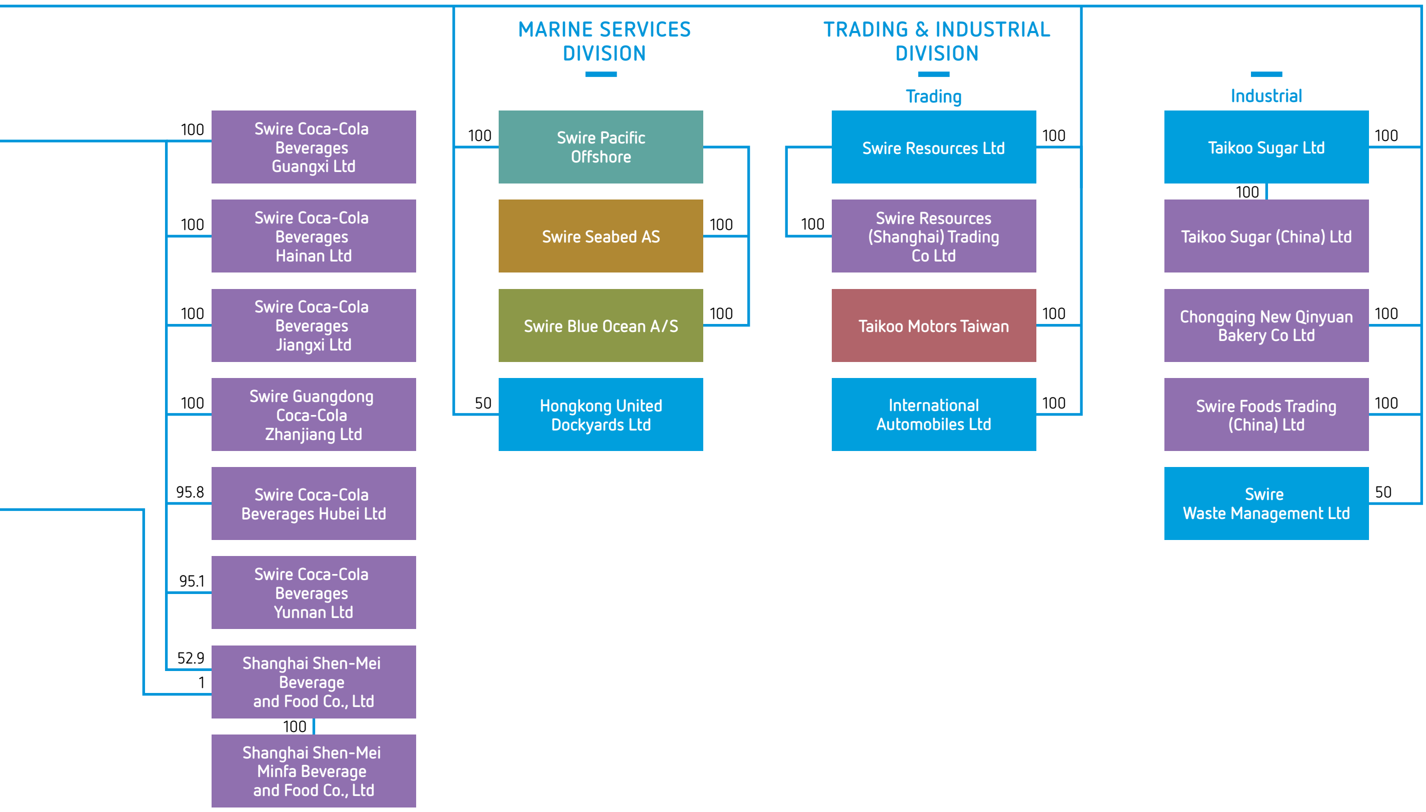
Property developments for sale in the USA	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential: 550,000	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	203,941	Under planning: 825,000	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Swire Properties group owns 100%, with 75% defined profits.
3. North Squared, Miami, Florida	380,670 (part)	Residential: 523,000	544	–	The development on the North Squared site is currently on hold.
	Total held through subsidiaries	1,898,000	1,989		

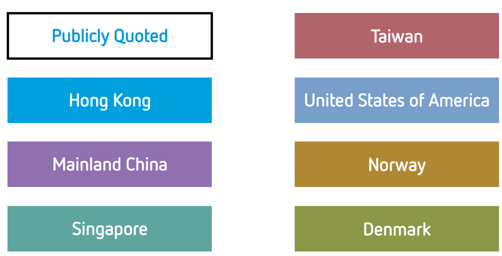
Property developments for sale in Indonesia	Lot number/Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Jakarta Project	Jalan Wijaya II/ Jalan Dharmawangsa Raya, Kebayoran Baru, South Jakarta	227,982	Residential: 1,139,908	847	2023	Residential tower with 431 units, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies		1,139,908	847		
	– of which attributable to the Swire Properties group		569,954			

Group Structure Chart

at 31st December 2019







* This organisation chart is for illustrative purposes only and does not represent the legal structure of the Group.

Shareholding held through subsidiary at 17.74%, another 17.04% held through an economic interest with total holding at 34.78%.

Glossary

Terms

Financial

Underlying profit
Reported profit adjusted principally for the impact of (i) changes in the fair value of investment properties, (ii) deferred tax on investment properties and (iii) amortisation of right-of-use assets reported under investment properties.

Recurring profit or loss
Recurring profit or loss is attributable profit or loss adjusted for significant credits and charges of a non-recurring nature, including gains and losses on the sale of businesses and investment properties and non-cash impairments.

Recurring underlying profit or loss
Recurring underlying profit or loss is the recurring profit or loss adjusted principally for changes in the valuation of investment properties and the associated deferred tax impact.

EBIT
Earnings before interest and tax.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Capital employed
Total equity plus net debt and lease liabilities.

Consolidated net worth
Total of share capital, reserves and non-controlling interests.

Consolidated tangible net worth
Consolidated net worth less goodwill and other intangible assets.

Equity attributable to the Company's shareholders
Equity excluding non-controlling interests.

Gross borrowings
Total of loans, bonds and overdrafts.

Net debt or consolidated borrowed money
Total of loans, bonds and overdrafts net of cash, bank deposits and bank balances.

Aviation

Available tonne kilometres (ATK)
Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage and cargo on each sector multiplied by the sector distance.

Available seat kilometres (ASK)
Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Available cargo tonne kilometres (AFTK)
Cargo capacity, measured in tonnes available for the carriage of freight on each sector multiplied by the sector distance.

Revenue tonne kilometres (RTK)
Traffic volume, measured in tonnes from the carriage of passengers, excess baggage and cargo on each sector multiplied by the sector distance.

Revenue passenger kilometres (RPK)
Number of passengers carried on each sector multiplied by the sector distance.

Cargo revenue tonne kilometres (RFTK)
Amount of cargo, measured in tonnes, carried on each sector multiplied by the sector distance.

On-time performance
Departure within 15 minutes of scheduled departure time.

Beverages

Water use ratio represents the litres of water used to produce a litre of production. It is calculated as total water used divided by total production volume. Production volume only includes volume produced by Swire Coca-Cola and excludes volume that is purchased from third parties.

Energy use ratio represents the energy consumed (measured in Mega joules) used to produce a litre of production. Energy consumed consists of all energy consumed, except for fuel used in fleet operations. Production volume only includes volume produced by Swire Coca-Cola and excludes volume that is purchased from third parties.

Sustainable Development

Carbon Dioxide Equivalent (CO_2e)
A measure of the global warming potential of releases of the six greenhouse gases specified by the Kyoto protocol. These are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

Greenhouse Gas (GHG)
A gas that contributes to the greenhouse effect by absorbing infrared radiation.

– **Scope 1 emissions** are direct GHG emissions from sources that are owned or controlled by the Group.

– **Scope 2 emissions** are indirect GHG emissions from consumption of purchased electricity, heat and steam as well as GHG emissions from the generation and transportation of Towngas in Hong Kong from the production plant to users.

Cubic metres (cbm)
A metric unit of volume or capacity equal to 1,000 litres or 1.0 metric tonne of water.

Global Reporting Initiative (GRI)
(www.globalreporting.org)
An international independent organisation that helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights, governance and social well-being.

Lost Day Rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the total days lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

Lost Time Injury Rate (LTIR) represents the number of injuries per 100 employees per year. It is calculated as the total injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year. The definitions of an injury and the number of hours worked may vary slightly in different jurisdictions and in different industries. In such cases local legal definitions and industry norms will take precedence.

Total injuries are the number of injuries in the year which result in lost time of a minimum of one scheduled working day.

RATIOS

Financial

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on equity} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on capital employed} = \frac{\text{Profit/(loss) before net interest after taxation}}{\text{Average capital employed}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend payout ratio} = \frac{\text{Dividends paid and proposed}}{\text{Underlying profit/(loss) attributable to the Company's shareholders}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Aviation

$$\text{Passenger/Cargo load factor} = \frac{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}{\text{Available seat kilometres/Available cargo tonne kilometres}}$$

$$\text{Passenger/Cargo yield} = \frac{\text{Passenger revenue/Cargo revenue}}{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses}}{\text{ATK}}$$

Financial Calendar and Information for Investors

Financial Calendar 2020

'A' and 'B' shares trade ex-dividend	7th April
Annual Report available to shareholders	8th April
Share registers closed for second interim dividends entitlement	9th April
Payment of 2019 second interim dividends	8th May
Share registers closed for attending and voting at Annual General Meeting	11th – 14th May
Annual General Meeting	14th May
Interim results announcement	August
First interim dividends payable	October

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e-mail: shrrelations@cpushareownerservices.com
Tel: Calls within USA – toll free: 1-888-BNY-ADRS
International callers: 1-201-680-6825

Stock Codes

	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

Auditors

PricewaterhouseCoopers

Certified Public Accountants and Registered PIE Auditor

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Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

Disclaimer

This document may contain certain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including changes in the economies and industries in which the Group operates (in particular in Hong Kong and Mainland China), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

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