SWIRE PACIFIC

Annual Report 2020

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

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 2,000 retail outlets. Its offices house a working population estimated to exceed 70,000. 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 the Chinese mainland, it has developed six 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 HK Express and Air Hong Kong, had 239 aircraft at the end of 2020. Before the onset of COVID-19, Cathay Pacific directly connected Hong Kong to 119 destinations in 35 countries worldwide (255 and 54 respectively with codeshare agreements), including 26 destinations in the Chinese mainland. Cathay Pacific has an interest of 18.13% in Air China.

HAECO is a leading provider of international aircraft maintenance and repair services. In 2020, the HAECO group, operating from bases in Hong Kong, the Chinese mainland and the USA, performed work for more than 300 airlines and other customers.

Our Beverages Division sold the products of The Coca-Cola Company to a franchise population of 741 million people in Greater China and the USA at the end of 2020. These products comprised 15 carbonated and 45 non-carbonated brands.

At the end of 2020, the Swire Pacific Offshore group operated a fleet of 61 vessels supporting the offshore energy industry in every major offshore production and exploration region outside the USA.

Swire Resources operated 184 footwear and apparel retail outlets in Hong Kong, Macau and the Chinese mainland at the end of 2020. Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters, principally in Taiwan. Our bakery business in southwest China operated 546 stores at the end of 2020. Taikoo Sugar operates a branded sugar distribution business in Hong Kong and the Chinese mainland.

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 34,000 employees. In the Chinese mainland, we have over 34,000 employees. Globally, we employ over 86,000 staff.

2020 PERFORMANCE HIGHLIGHTS

	Note	2020	2019	Change
Return on equity		-4.1%	3.3%	-7.4% pt
Dividend per 'A' share (HK$)		1.70	3.00	-43%

	Note	2020 HK$M	2019 HK$M	Change
(Loss)/profit attributable to the Company's shareholders				
As reported		(10,999)	9,007	N/A
Underlying (loss)/profit	(a)	(3,969)	17,797	N/A
Recurring underlying (loss)/profit	(a)	(609)	7,221	N/A
Revenue		80,032	85,652	-7%
Operating profit		2,695	13,792	-80%
Operating profit excluding change in fair value of investment properties		7,116	10,064	-29%
Change in fair value of investment properties		(4,421)	3,728	N/A
Cash generated from operations		15,124	12,817	+18%
Net cash inflow before financing		13,184	22,910	-42%
Total equity (including non-controlling interests)		319,146	329,494	-3%
Net debt		38,900	46,688	-17%
Gearing ratio (excluding lease liabilities)		12.2%	14.2%	-2.0% pt

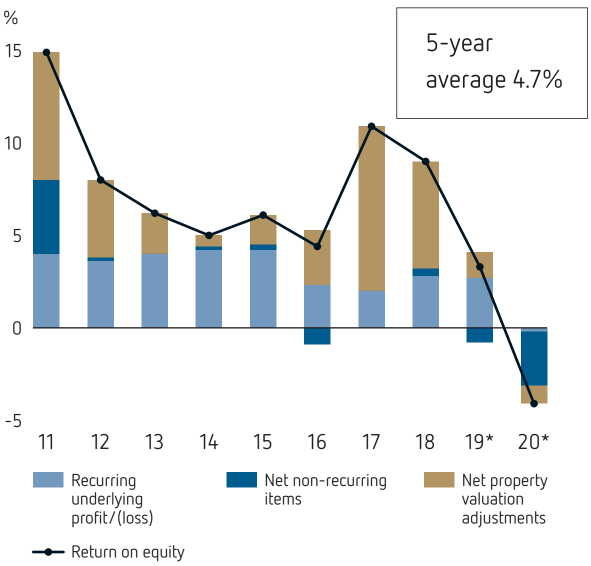
	Note	2020 HK$	2019 HK$	Change
(Loss)/earnings per share	(b)			
As reported				
'A' share		(7.32)	6.00	N/A
'B' share		(1.46)	1.20	
Underlying				
'A' share		(2.64)	11.85	N/A
'B' share		(0.53)	2.37	
Dividends per share				
'A' share		1.70	3.00	-43%
'B' share		0.34	0.60	
Equity attributable to the Company's shareholders per share	(c)			
'A' share		174.94	182.04	-4%
'B' share		34.99	36.41	

2020 SUSTAINABLE DEVELOPMENT PERFORMANCE (d)

	2020	2019	Change
GHG emissions (Million tonnes of CO_2e)	8.4	19.3	-57%
Energy consumed (GJ Million)	112.1	264.3	-58%
Water withdrawn (cbm Million)	17.8	18.4	-3%
LTIR (Number of injuries per 100 full-time equivalent employees)	0.83	2.01	-59%
Employee fatalities (Number of fatalities)	1	2	-50%

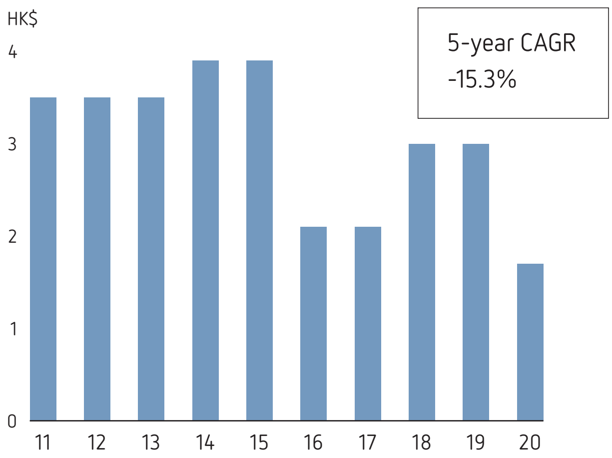
Notes:
(a) Reconciliations between the reported and underlying (loss)/profit, and between underlying (loss)/profit and recurring underlying (loss)/profit are provided on page 72.
(b) Refer to note 13 in the financial statements for the daily weighted average number of shares in issue throughout the year.
(c) Refer to note 34 in the financial statements for the number of shares at the year end.
(d) Including the Cathay Pacific group.

Return on Equity

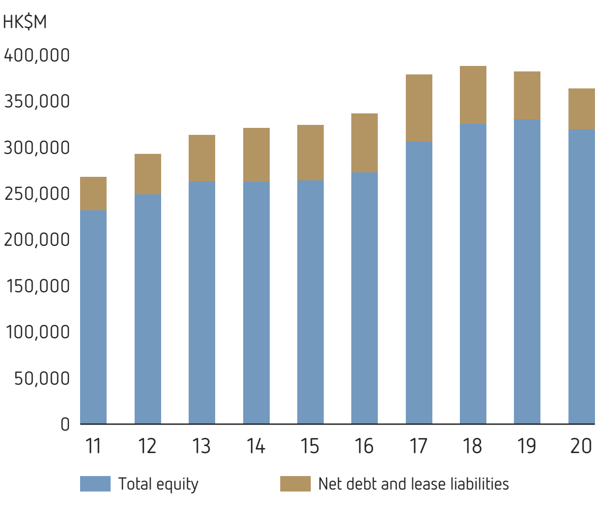


* The attributable realised profit (HK$12.7 billion or 4.7% of the return) in 2019 arising from the sales of interests in Cityplaza Three and Four and 625 King's Road and the attributable realised profit (HK$4.5 billion or 1.7% of the return) in 2020 arising from the sale of the interest in Cityplaza One have been reclassified from net non-recurring items to net property valuation adjustments.

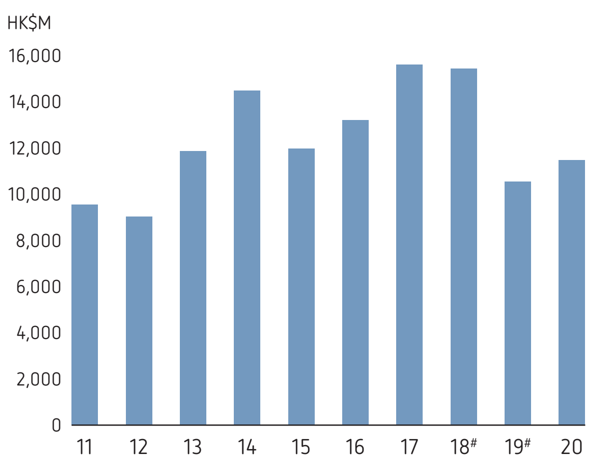
Ordinary Dividends per 'A' Share



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.

CHAIRMAN'S STATEMENT

Year In Review

The progress of many of our businesses was arrested in 2020 by COVID-19. Cathay Pacific was particularly hard hit. We recorded an underlying loss in 2020 for the first time since listing in 1959. I would encourage shareholders, however, to draw comfort from the resilience our organisation has shown in the face of unprecedented challenges, from the strong momentum of our property and beverages businesses in the Chinese mainland and from the healthy condition of our balance sheet.

The Group recorded an underlying loss for the year of HK$3,969 million, compared with an underlying profit of HK$17,797 million in 2019. The deterioration in the results was primarily due to a significant reduction in profits on the sale of investment properties and to losses (including impairment charges and restructuring costs) at Cathay Pacific. Disregarding non-recurring items in both years, the Group recorded a recurring underlying loss of HK$609 million in 2020, compared to a profit of HK$7,221 million in 2019. There was also a small decrease in the value of our property portfolio. This, with the loss for the year, was the main reason for our return on equity falling to a negative 4.1% in 2020 from 3.3% in 2019 and an average over the last five years of 4.7%.

Cathay Pacific experienced the most challenging 12 months of its more than 70-year history in 2020. Travel restrictions and quarantine requirements in place around the world as a result of COVID-19 paralysed the global air travel market. Cathay Pacific reduced operating capacity in its passenger network to below 10% of normal levels for most of the year, and reported a loss of HK$21.6 billion. In response to the challenges facing it, Cathay Pacific completed a HK$39 billion recapitalisation (which was anchored by the Hong Kong government) in August and announced a major restructuring of its business in October, which included a reduction in headcount of 8,500. COVID-19 also adversely affected HAECO, which reported a much lower profit in 2020 than in 2019.

Recurring profit of the Property Division decreased in 2020, principally due to higher losses from hotels due to COVID-19. Our retail portfolio in the Chinese mainland, which was initially affected by COVID-19, recovered strongly from March. The Hong Kong office portfolio continued to perform solidly.

The profits of Swire Coca-Cola grew robustly in 2020. Business was adversely affected by COVID-19 in the early part of the year, but recovered well outside Hong Kong, particularly in the Chinese mainland. Swire Pacific Offshore continued to incur losses and was subject to a further impairment charge. The Trading & Industrial Division made a small profit in 2020. Swire Resources was badly affected by COVID-19.

Capital recycling continued following the disposals of a number of non-core assets in 2018 and 2019. We disposed of Two and Three Brickell City Centre in Miami and Cityplaza One in Hong Kong in 2020. The total proceeds from disposing of non-core or underperforming assets from 2018 to 2020 was HK$44.5 billion. This has left us with a strong balance sheet. At the end of 2020, our gearing, excluding lease liabilities, was 12.2% (compared with 14.2% at the end of 2019) and our liquidity was strong.

Our focus remains on Asia (in particular Greater China), which we believe has strong growth potential and where we have long experience and deep capabilities. Our capital commitments in Greater China aggregated HK$26.7 billion at the end of 2020 (including HK$3.6 billion for a major mixed-use property project in Beijing). In February 2021, we made our second healthcare investment and now have exposure to the sector in the Yangtze River Delta and the Greater Bay Area.

Dividends

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. This remains our policy. However, given COVID-19 and the consequential challenging operating environment and uncertain outlook, we consider it appropriate to reduce our 2020 dividends. Dividends for the year are HK$1.70 per 'A' share and HK$0.34 per 'B' share. During the five years ending with 2020, our dividends represented 59% of underlying profits.

Sustainability

In 2020, we introduced SwireTHRIVE 2.0, which focuses on five priorities for our businesses: climate, water, waste, people and communities. The revised strategy reflects greater ambition, and we will report progress later in the year in our annual sustainability report.

We are particularly conscious of the need to minimise workplace accidents, and to provide a healthy and safe working environment. We put in place robust procedures designed to minimise the transmission of COVID-19 in our workplaces. The response of our teams in implementing and following these procedures has been outstanding.

Our People

2020 has been a difficult year for our people, in particular for those in the Aviation and Marine Services Divisions. We very much regret the job losses that have been necessary, and thank those who have left the Group for their hard work and dedication over many years.

I would like to salute all of our people for the tremendous teamwork, resilience and professionalism they have shown in response to the challenges, both professional and personal, arising from COVID-19.

Board

In April this year, Michelle Low will retire from the Board after three years' service as finance director and 33 years with the Swire group. During her tenure, great strides have been taken in strengthening financial controls. I thank Michelle for her exemplary commitment to our values and her substantial contribution to the Group.

Also in April this year, Martin Murray will join the Board as finance director. Martin has worked for the Swire group for 26 years. He was the chief financial officer of Cathay Pacific until January this year. He was previously the deputy finance director of the Company. His experience and insights will be most valuable.

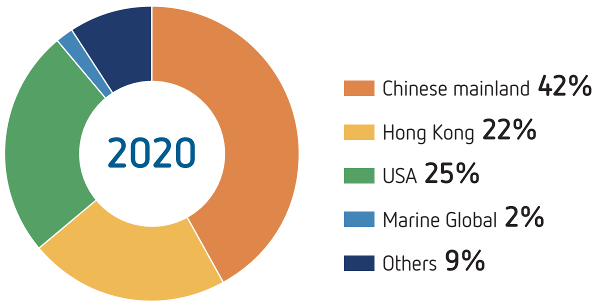
I thank all of my fellow Directors for their wise counsel.

Outlook

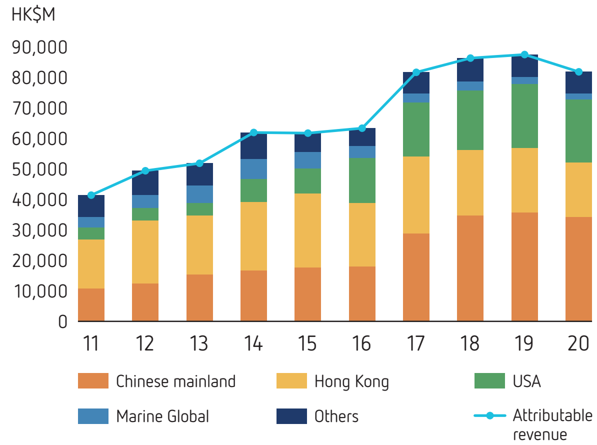
We continue to face significant challenges and uncertainties in 2021 as a result of COVID-19. The effect on the Aviation Division, particularly Cathay Pacific, is severe. We expect to incur a recurring loss in the first half of 2021. But in the long run we remain confident of Swire Pacific's prospects. They are underpinned by Hong Kong's role as a major international financial centre and by robust economic growth in the Chinese mainland, where our businesses are improving year by year. We have a strong balance sheet and a strong pipeline of investment opportunities in Greater China.

Merlin Swire
Chairman
Hong Kong, 11th March 2021

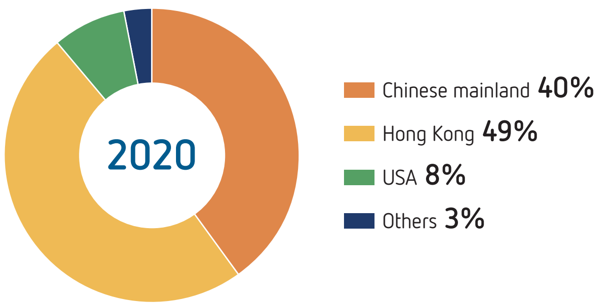
Attributable Revenue by Region[1]



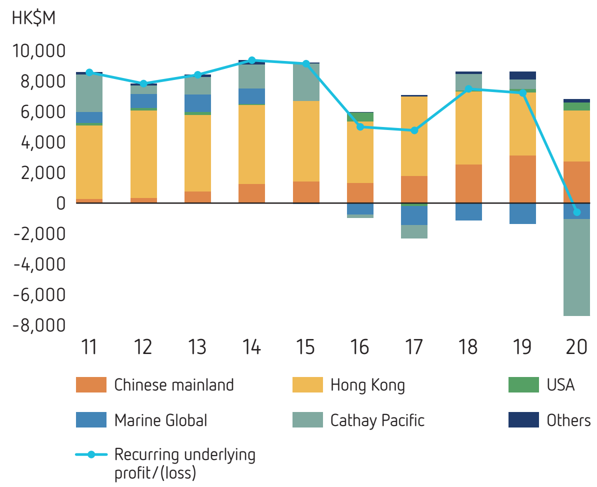
Attributable Revenue by Region[1]



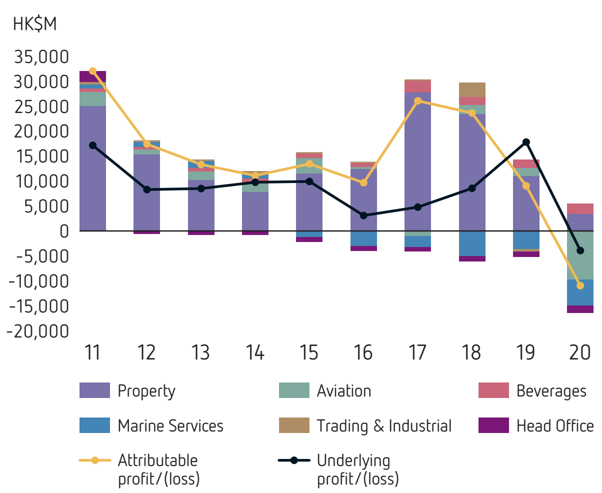
Recurring Underlying Profit/(Loss) by Region[2]



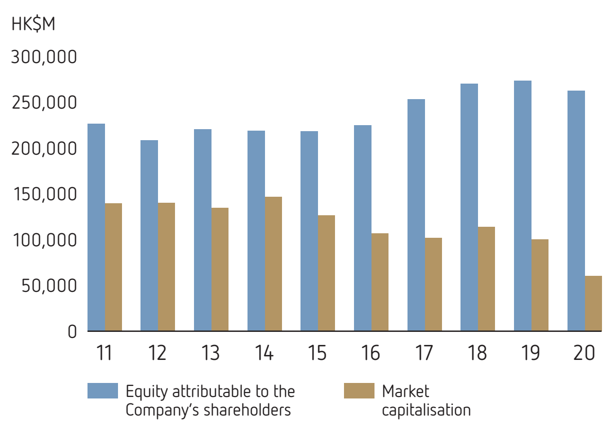
Recurring Underlying Profit/(Loss) by Region



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



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



Notes:
1. Includes joint ventures' attributable gross rental income of the Property Division.
2. Excludes Marine Global and Cathay Pacific.

FINANCE DIRECTOR'S STATEMENT

Results Summary

The consolidated loss attributable to shareholders for 2020 was HK$10,999 million, compared to a profit of HK$9,007 million in 2019. The underlying loss attributable to shareholders, which principally adjusts for changes in the value of investment properties, was HK$3,969 million, compared to a profit of HK$17,797 million in 2019. The deterioration in the results principally reflects (i) a significant reduction in profits on the sale of interests in investment properties and (ii) losses (including impairment charges and restructuring costs) at Cathay Pacific. Disregarding significant non-recurring items in both years, the 2020 recurring underlying loss was HK$609 million, compared with a profit of HK$7,221 million in 2019.

The Property Division is the largest contributor to the Group's results. The recurring underlying profit from the Property Division in 2020 (which excludes gains from the sale of interests in investment properties aggregating HK$4,584 million, compared with HK$13,528 million in 2019) was HK$5,834 million, compared with HK$6,269 million in 2019. Demand for office space in Hong Kong was weak, reflecting the state of the economy and rising unemployment. Retail sales in Hong Kong were adversely affected as COVID-19 stopped most inbound tourism and caused social distancing. In the Chinese mainland, office rents were under pressure in 2020. Retail sales in the Chinese mainland were adversely affected by COVID-19 in the early part of 2020. They recovered strongly from March. In Miami in the USA, retail sales were adversely affected by COVID-19 and demand for condominiums was weak. The losses from hotels were substantially higher in 2020 than in 2019, principally as a result of COVID-19.

The Aviation Division incurred a loss of HK$9,751 million in 2020, compared to a profit of HK$1,550 million in 2019. Cathay Pacific and the HAECO group were severely affected by COVID-19.

The Cathay Pacific group's attributable loss on a 100% basis was HK$21,648 million (2019: profit of HK$1,691 million). The loss was net of receipt of HK$2,689 million of COVID-19 related government grants globally and included impairment charges of HK$4,056 million and restructuring costs of HK$3,973 million. The operating environment for Cathay Pacific was extremely challenging in 2020. Passenger revenues during 2020 fell to only 2-3% of pre-crisis levels. The passenger schedule was reduced drastically. The cargo business performed better, though it was affected by the substantial reduction in capacity usually provided by the bellies of passenger aircraft. Measures were taken to reduce cash expenditure. Cathay Pacific completed a HK$39 billion recapitalisation in August 2020 (which was anchored by the Hong Kong government) and announced a restructuring in October 2020.

The HAECO group reported an attributable profit of HK$96 million in 2020, compared with HK$825 million in 2019. Disregarding non-recurring items in both years, the recurring profit of the HAECO group was HK$370 million in 2020, compared with HK$1,059 million in 2019. The demand for maintenance and repair services at all HAECO group companies was adversely affected by COVID-19. Financial assistance from governments in Hong Kong and the USA provided some mitigation.

The recurring profit of Swire Coca-Cola was HK$2,076 million in 2020, 31% higher than the profit of HK$1,584 million in 2019. Revenue (including that of a joint venture company and excluding sales to other bottlers) increased by 2% to HK$45,657 million. Volume decreased by 2% to 1,743 million unit cases. Attributable profit increased in all regions. Business was affected by COVID-19, but recovered strongly outside Hong Kong, particularly in the Chinese mainland.

The recurring loss of the Marine Services Division was HK$1,019 million in 2020, compared to HK$1,347 million in 2019. In addition, there were net non-recurring losses (including impairment charges) at Swire Pacific Offshore of HK$4,221 million in 2020 and HK$2,287 million in 2019. Offshore industry conditions were very difficult. Vessel utilisation rates and charter hire rates were lower in 2020 than in 2019. The oversupply of offshore support vessels continued to put pressure on charter hire rates. At the end of the year, SPO reduced its interest in its windfarm installation business when the business was subject to an IPO.

The recurring profit of the Trading & Industrial Division was HK$12 million in 2020, compared with HK$41 million (which excludes net non-recurring losses of HK$493 million) in 2019. The results principally reflected worse results from Swire Resources, as COVID-19 stopped inbound tourism.

Dividends

The Directors have declared second interim dividends of HK$1.00 per 'A' share and HK$0.20 per 'B' share which, together with the first interim dividends paid in October 2020, amount to full year dividends of HK$1.70 per 'A' share and HK$0.34 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 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 2022. Swire Properties has a 50% interest in a 1.24 million square feet retail development in Shanghai. Construction was completed in December 2020. A non-managed hotel is expected to open at Citygate in Hong Kong in 2021. In September 2020, Swire Properties announced a joint venture to develop a luxury residential property in Ho Chi Minh City, Vietnam. In December 2020, in joint venture with the Sino-Ocean group, Swire Properties agreed to develop two plots of land next to the existing INDIGO development in Beijing into an office-led, mixed-use Phase Two extension of INDIGO with a gross floor area of 4.1 million square feet. In March 2021, Swire Properties made a minority investment in a residential-led mixed-use development (with residential, retail, office, hotel and serviced apartment components) in Ho Chi Minh City, Vietnam. Swire Properties completed the sale of two office towers in Miami, USA in July 2020 and of the Cityplaza One office tower in Hong Kong in December 2020.

The Company contributed HK$5.3 billion to the HK$39 billion recapitalisation of Cathay Pacific by subscribing in full for its entitlement under the rights issue which was part of the recapitalisation. We remain a committed long-term shareholder in Cathay Pacific, and supportive of the prospects and long-term investment plans of the airline group.

In March 2020, the HAECO group acquired an engine maintenance business in Dallas, Texas, USA. HAECO management is working with the Xiamen authorities on the relocation of HAECO Xiamen's premises to the planned new Xiamen airport.

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, Cadeler A/S (formerly known as Swire Blue Ocean) was listed on the Oslo Stock Exchange in November 2020. Our interest in Cadeler was reduced to 46.5% at the end of 2020. Swire Pacific Offshore disposed of 12 vessels (including the two owned by Cadeler) in 2020.

In April 2020, the Group made an investment (which has been accounted for as an associate) in Columbia China Healthcare Co., Limited, a business which owns and operates private hospitals, clinics and senior housing in the Yangtze River Delta area. In February 2021, the Group made a further healthcare investment, in a hospital being developed in Shenzhen. Like the Columbia China investment, it will be accounted for as an associate.

In 2020, we generated cash of HK$15.1 billion from operations (compared with HK$12.8 billion in 2019) and HK$11.6 billion from disposals (compared with HK$20.8 billion in 2019) and we made total capital investments of HK$9.9 billion (compared with HK$8.4 billion in 2019). Our net debt at the end of 2020 was HK$38.9 billion, a reduction of 17% from its amount of HK$46.7 billion at the end of 2019. Our gearing (excluding lease liabilities) at the end of 2020 was 12.2%, reduced from 14.2% at the end of 2019. Our cash and undrawn committed facilities were HK$62.2 billion at the end of 2020. Swire Properties accounted for HK$33.0 billion of this amount.

Outlook By Division

We expect to incur a recurring loss in the first half of 2021, principally because of continuing poor results at Cathay Pacific. COVID-19 will continue to affect our overall results. In general, a steady performance is expected from our other businesses. Management remains focused on cost management and other responses appropriate to current challenges.

At Swire Properties, demand for office space in Hong Kong is weak, reflecting the state of the economy and rising unemployment. Increasing vacancies in Central are exerting downward pressure on rents. Occupancy is high at our Taikoo Place developments. Rents there are generally resilient compared with those at offices in other areas. But increasing vacancies and new supply in Kowloon East are exerting downward pressure on rents in our older curtain wall buildings. In Guangzhou, Shanghai and Beijing, the office market is expected to recover modestly in 2021. But, with continued new supply and weak demand, office rents in the Chinese mainland are expected to be under pressure.

Retail rents in Hong Kong will continue to be under pressure so long as the adverse effects of COVID-19 persist. Rental concessions may continue to be offered to affected tenants. Amortised rental concessions (including those relating to concessions granted in 2020) are likely to have an adverse effect on our 2021 financial results. In Guangzhou and Chengdu, demand for retail space from retailers of luxury international brands is expected to be strong in 2021. In Shanghai, demand for retail space from fashion, cosmetics, lifestyle and food and beverages outlets is expected to be stable. In Beijing, retail sales and demand for retail space from the owners of lifestyle and apparel brands are expected to recover steadily in 2021. In Miami, retail sales continue to be affected by COVID-19. But there is a gradual recovery.

In Hong Kong, buyers of residential property are cautious because of COVID-19 and the contracting economy. Demand for residential accommodation is expected to be resilient in the medium and long term. It is supported by low interest rates and a limited supply of housing due to a shortage of land. In Miami, sales of Reach and Rise units are expected to be slow. Despite new supply being low, the market is weak and COVID-19 is restricting travel to and from South America. The markets for the sale of residential properties in Singapore and Jakarta, Indonesia have been adversely affected by COVID-19. However, in Singapore, low interest rates and the long-term prospects of the property market are expected to underpin demand for residential accommodation. In Jakarta, urbanisation and a growing middle class are expected to support a stable residential property market. In Vietnam, COVID-19 has been largely contained, there is limited supply of luxury residential properties, the economy is strong and there is rapid urbanisation. All this has led to strong demand for luxury residential properties.

The outlook for our hotels in Hong Kong is difficult. Recovery depends on opening the borders and COVID-19 vaccination. Business at the Miami hotels is gradually recovering. Domestic travel is strong in the Chinese mainland. If COVID-19 is stabilised in major cities, the Chinese mainland hotels should do well.

Market conditions remain challenging and dynamic for Cathay Pacific. It is not clear how the pandemic will develop over the coming months. From 20th February 2021, the Hong Kong SAR Government has implemented stricter quarantine requirements for Hong Kong-based pilots and cabin crew. The new measures have resulted in a reduction in Cathay Pacific's passenger capacity of about 60% and a reduction in its cargo capacity of about 25% compared to January 2021 levels, and an increase in its cash burn of approximately HK$300-400 million per month from its previous HK$1.0-1.5 billion levels.

Cathay Pacific stated at the end of last year that it expected to operate at well below a quarter of pre-pandemic passenger flight capacity in the first half of 2021 with an improvement in the second half of the year. This assumed that vaccines would prove to be effective and would be widely adopted in key markets by summer 2021. Consequently, well below 50% of 2019 passenger capacity is expected to be operated.

The prospects for the HAECO group's businesses in 2021 are dependent on the aviation industry's recovery from the effects of COVID-19, in particular on how quickly travel restriction are lifted. Demand for the HAECO group's airframe services is expected to recover gradually. In Hong Kong, some work has been deferred from 2020 to 2021. In the USA, demand in 2021 is expected to return to near 2019 levels as domestic air travel recovers. In Xiamen, the recovery for passenger aircraft maintenance is expected to be slow in 2021. Line services work in Hong Kong is expected to remain weak for much of 2021. Demand for engine services at TEXL in the first half of 2021 is expected to be similar to that in the second half of 2020, with some improvement expected in the second half of 2021. Demand for engine services at HAESL is expected to be significantly lower in 2021. Demand for cabin solutions products is expected to be weak.

At Swire Coca-Cola, assuming no resurgence of COVID-19, revenue in the Chinese mainland is expected to grow strongly in 2021. This reflects better product and package mixes, and improved market execution. Increased operating costs, particularly staff costs, will put pressure on profits. Significant capital expenditure will continue as planned.

In Hong Kong, the beverages market is expected to continue to be adversely affected by COVID-19 in 2021. Increased depreciation charges and operating costs (due to the enhancement of distribution and production facilities) will put pressure on profits.

Revenue is expected to grow strongly in Taiwan in 2021. Capacity constraints should be eased when a contract packer's new production line is operated at full capacity.

In the USA, revenue is expected to grow strongly in 2021. Expansion of logistics facilities will improve operational efficiency but will add depreciation charges and operating costs.

COVID-19 and reduced oil prices have severely affected the offshore oil and gas industry. There have been cancellations and suspensions of exploration and production. Future projects have been deferred indefinitely. There are too many vessels. Charter hire rates are depressed. SPO's vessel utilisation stabilised in the second half of 2020. However, a significant increase in charter hire rates will be required to restore SPO's business to profitability. SPO continues to adapt to market conditions and manage costs prudently.

In the Trading & Industrial Division, the retail market continues to be very difficult for Swire Resources in Hong Kong because of COVID-19.

Taikoo Motors is upgrading its outlets and developing motor-related businesses. Its results are expected to be stable in 2021.

Qinyuan Bakery is upgrading its stores. The range and quality of its products are improving. Its supply chain is becoming more agile and efficient.

Michelle Low
Finance Director
Hong Kong, 11th March 2021


SWIRE

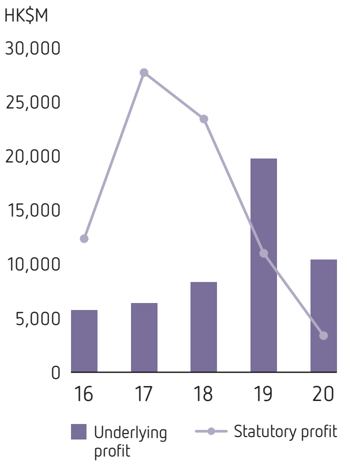
PROPERTY DIVISION

Taikoo Place, Hong Kong

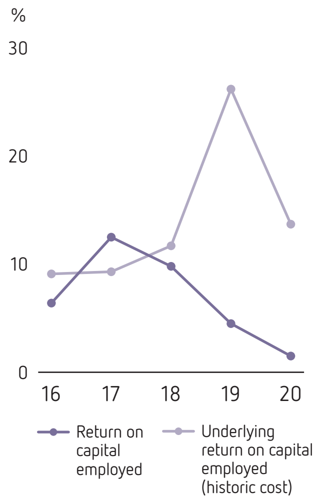
PROPERTY DIVISION

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

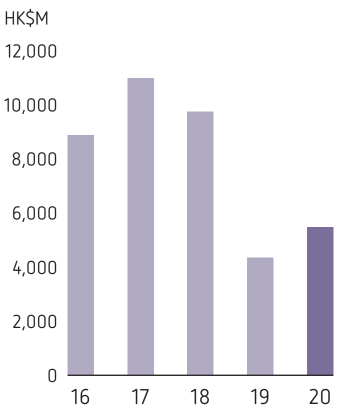
Statutory and Underlying Profit Attributable to the Company's Shareholders



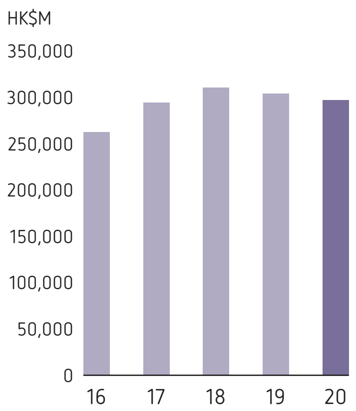
Return on Capital Employed



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 12.0 million square feet of gross floor area, with an additional 1.2 million square feet under development. In the Chinese mainland, 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 11.3 million square feet on completion. Of this, 9.6 million square feet has already been completed. In the USA, Swire Properties is the primary developer of a 0.8 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 the Chinese mainland, 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 (The Silveri Hong Kong – MGallery) which is part of the 20% owned Citygate extension in Hong Kong is expected to open later this year.

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 six residential projects under development, three in Hong Kong, one in Indonesia and two new investments (made in September 2020 and March 2021 respectively) in Vietnam. 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 the Chinese mainland. The strategies employed in order to achieve this objective are these:

- **The continual 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 the Chinese mainland.**
- **Conservative management of its capital base.**

Principal Investment Property and Hotel Portfolio – Gross Floor Area

('000 Square Feet)

	At 31st December 2020						At 31st December 2019
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	–	1,097	200	–	–	1,297	1,934
Others	450	668	73	50	–	1,241	1,229
– Hong Kong	8,207	2,488	769	556	–	12,020	12,645
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	831
HKRI Taikoo Hui	914	587	194	73	–	1,768	1,768
Taikoo Li Qiantan	–	619	–	–	–	619	–
Others	20	91	–	–	–	111	111
– Chinese mainland	2,960	5,214	1,224	180	–	9,578	8,959
– USA	–	497	477	109	–	1,083	1,346
Total completed	11,167	8,199	2,470	845	–	22,681	22,950
Under and pending development							
– Hong Kong ^	1,218	3	–	15	–	1,236	1,247
– Chinese mainland	–	256	–	–	1,429	1,685	879
– USA	–	–	–	–	1,444	1,444	1,444
Total	12,385	8,458	2,470	860	2,873	27,046	26,520

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.

2020 PERFORMANCE

Financial Highlights

	2020 HK$M	2019 HK$M
Revenue		
Gross rental income derived from		
Office	6,555	6,598
Retail	5,245	5,107
Residential	454	566
Other revenue *	101	139
Property investment	12,355	12,410
Property trading	312	516
Hotels	641	1,296
Total revenue	13,308	14,222
Operating profit/(loss) derived from		
Property investment		
From operations	8,495	8,387
Sales of interests in investment properties	1,826	2,338
Valuation (losses)/gains on investment properties	(4,421)	3,728
Property trading	(49)	4
Hotels	(310)	(62)
Total operating profit	5,541	14,395
Share of post-tax profit from joint venture and associated companies	732	1,430
Attributable profit	4,132	13,423
Swire Pacific share of attributable profit	3,388	11,007

* Other revenue is mainly estate management fees.

Underlying Profit/(Loss) by Segment

	2020 HK$M	2019 HK$M
Property Investment	13,316	24,231
Property Trading	(87)	(18)
Hotels	(524)	(70)
Total underlying attributable profit	12,705	24,143

2020 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 valuation movements on investment properties and the associated deferred tax in the Chinese mainland 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	2020 HK$M	2019 HK$M
Attributable profit		4,132	13,423
Adjustments in respect of investment properties:			
Valuation losses/(gains) of investment properties	(a)	4,263	(4,571)
Deferred tax on investment properties	(b)	446	1,138
Valuation gains realised on sales of interests in investment properties	(c)	3,990	14,159
Depreciation of investment properties occupied by the Group	(d)	31	32
Amortisation of right-of-use assets reported under investment properties	(e)	(49)	(13)
Non-controlling interests' share of valuation movements less deferred tax		(108)	(25)
Underlying attributable profit		12,705	24,143
Profit on sales of interests in investment properties		(5,590)	(16,497)
Recurring underlying attributable profit		7,115	7,646
Swire Pacific share of underlying attributable profit		10,418	19,797
Swire Pacific share of recurring underlying attributable profit		5,834	6,269

Notes:
(a) This represents the net valuation movements as shown in the Group's consolidated statement of profit or loss and the Group's share of net valuation movements of joint venture companies.
(b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on valuation movements on investment properties in the Chinese mainland 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 valuation 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.

2020 PROPERTY INDUSTRY REVIEW

Office and Retail

Hong Kong

OFFICE | Demand for office space in Hong Kong was weak reflecting the state of the economy and rising unemployment. Office leasing decisions were put on hold, affected by COVID-19 related economic uncertainty.

RETAIL | COVID-19 stopped most inbound tourism and caused social distancing. The retail market was severely disrupted. Retail sales, except of daily necessities, fell sharply.

Chinese mainland

RETAIL | Retail sales in the Chinese mainland were adversely affected by COVID-19 in the early part of 2020. They started to recover strongly from March. Sales of jewellery, watches and other luxury items benefited from restrictions on overseas travel. There was strong demand for retail space from retailers of international luxury brands.

OFFICE | In Guangzhou and Beijing, office rents were under pressure in 2020. There was significant new supply. Demand was weak and adversely affected by COVID-19. In Shanghai, more new space was available than was taken up in the first half of 2020. This put downward pressure on rents despite an increase in demand from the third quarter. Demand came mainly from those engaged in financial services, domestic pharmaceutical companies, law firms, gaming companies and retailers.

USA

RETAIL | Retail sales were adversely affected by COVID-19, but recovered gradually. Successful retailers sell both in stores (where customers are engaged and services are provided) and on-line. Expansion in new locations is considered carefully.

Property Sales Markets

In Hong Kong, buyers of residential property were cautious in 2020 because of COVID-19 and the contracting economy.

In Miami, demand for condominiums was weak in 2020. It was adversely affected by restrictions on travel to and from South America. The supply of new condominium projects in South Florida is low by historical standards.

2020 RESULTS SUMMARY

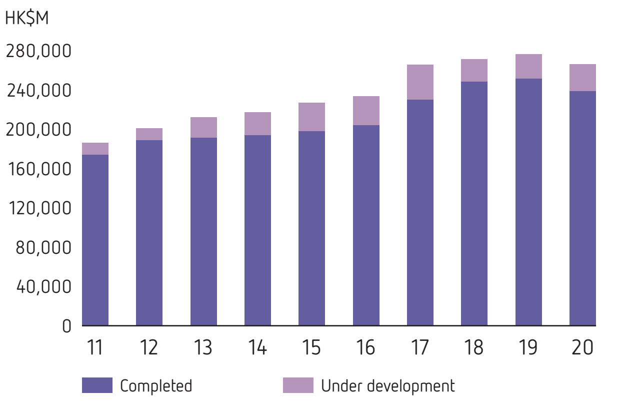
Attributable profit from the Property Division for the year was HK$3,388 million compared to HK$11,007 million in 2019. These figures include net property valuation losses, before deferred tax and non-controlling interests, of HK$4,263 million in 2020 and gains of HK$4,571 million in 2019. Attributable underlying profit decreased to HK$10,418 million in 2020 from HK$19,797 million in 2019. The decrease principally reflected the reduction in profit arising from the sale of interests in investment properties in Hong Kong. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK$5,834 million in 2020, compared with HK$6,269 million in 2019. The decrease principally reflected higher losses from hotels due to COVID-19.

Recurring underlying profit from property investment was approximately the same as in 2019, despite the adverse effects of COVID-19. This principally reflected lower rental income from Hong Kong, largely offset by lower finance charges. In Hong Kong, lower rental income was principally due to lower residential and retail income, both being adversely affected by COVID-19. Hong Kong office rental income increased slightly. This was principally due to positive rental reversions and firm occupancy at Taikoo Place, partly offset by a loss of rental income from the Cityplaza Three and Four office towers (the sale of which was completed in April 2019). In the Chinese mainland, gross rental income increased slightly because of higher retail sales, partly offset by rental concessions due to COVID-19 and by lower office rental income. In the USA, gross rental income decreased, mainly due to the loss of office rental income following the disposal of two office towers in July 2020.

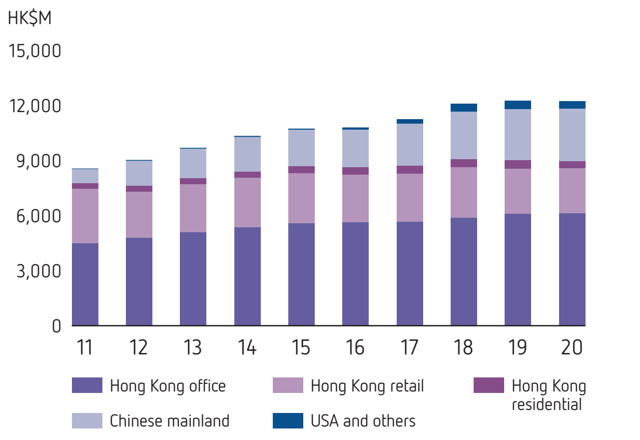
The underlying loss from property trading in 2020 related to residential units in the USA and marketing expenses at the developments in Hong Kong and Southeast Asia.

All hotels, managed and non-managed, were badly affected by COVID-19. Higher losses were recorded.

Valuation of Investment Properties



Gross Rental Income



KEY DEVELOPMENTS

In July 2020, Swire Properties completed the sale of two office towers (Two and Three Brickell City Centre) in Miami, USA.

In September 2020, Swire Properties agreed with City Garden Joint Stock Company to develop The River, a luxury residential property in Ho Chi Minh City, Vietnam. The development comprises 525 luxury apartments in three towers. Swire Properties has an effective 20% interest in the development.

In December 2020, Swire Properties completed the sale of its Cityplaza One office tower in Hong Kong.

In December 2020, in joint venture with the Sino-Ocean group, Swire Properties agreed to develop two plots of land next to the existing INDIGO development in Beijing into an office-led mixed-use Phase Two extension of INDIGO with a gross floor area of 4,083,732 square feet. The Phase Two extension of INDIGO is planned to be completed in two phases, in late 2025 and 2027. Swire Properties has a 35% interest in the Phase Two extension of INDIGO.

In January 2021, Swire Properties started to offer by way of tender three residential units at EIGHT STAR STREET in the Starstreet Precinct in Hong Kong. Two units had been pre-sold at 9th March 2021.

In March 2021, Swire Properties made a minority investment in a residential-led mixed-use development (with residential, retail, office, hotel and serviced apartment components) in Ho Chi Minh City, Vietnam. The development is under construction and is expected to be completed in phases over 2021 to 2026.

INVESTMENT PROPERTIES

Hong Kong

OFFICE | Gross rental income from the Hong Kong office portfolio in 2020 was HK$6,131 million, a slight increase from 2019. There were positive rental reversions and occupancy was firm, particularly at Taikoo Place. This was partly offset by the loss of rental income from the Cityplaza Three and Four office towers. The sale of these office towers was completed in April 2019. Disregarding this disposal, gross rental income increased by 3%. At 31st December 2020, the office portfolio was 96% let.

Pacific Place

The performance of the offices at One, Two and Three Pacific Place was mixed in 2020. The occupancy rate was 95% at 31st December 2020.

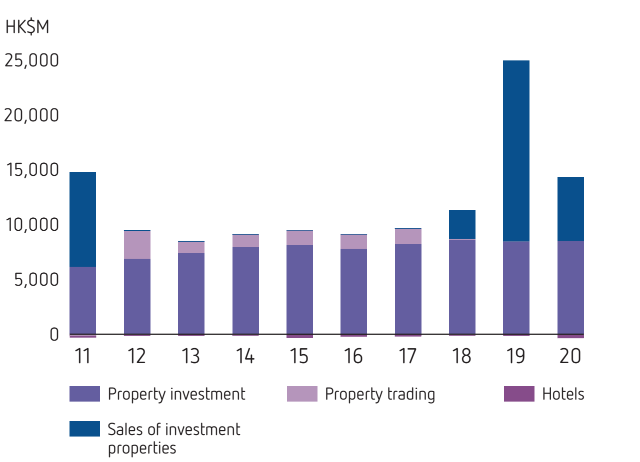
Taikoo Place

The occupancy rate at Taikoo Place was 98% and that at One Taikoo Place and One Island East was 100% at 31st December 2020.

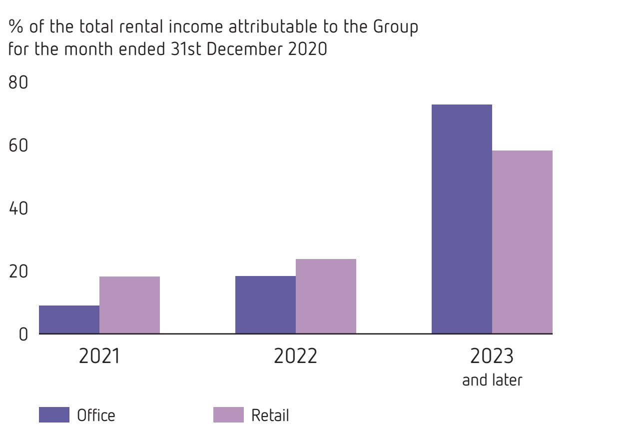
South Island Place

The occupancy rate at South Island Place was 87% at 31st December 2020. Swire Properties has a 50% interest in the development.

Underlying Operating Profit



Hong Kong Lease Expiry Profile – at 31st December 2020



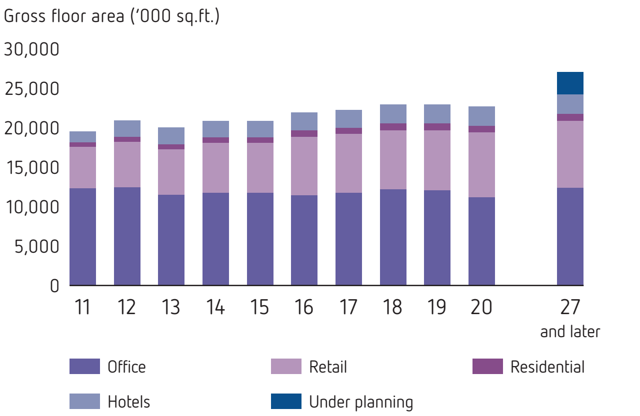
There were positive rental reversions in the Hong Kong office portfolio and occupancy was firm at Taikoo Place.

RETAIL | The Hong Kong retail portfolio's gross rental income was HK$2,441 million in 2020, approximately the same as in 2019.

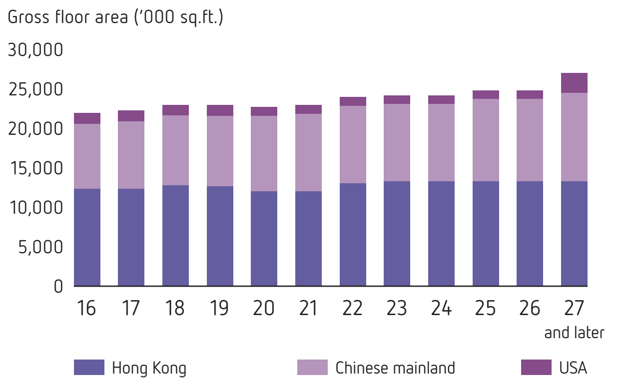
Retail sales in 2020 decreased by 31% at The Mall, Pacific Place, by 18% at Cityplaza and by 16% at Citygate Outlets. These decreases compare with a 24% decrease in retail sales in Hong Kong as a whole. The decreases reflected increasingly difficult market conditions due to COVID-19, the related absence of tourists and changes in the spending patterns of local consumers. Rental concessions were given for specific periods on a case by case basis to support tenants and to maintain high occupancy. There was a slight improvement in retail sales in our Hong Kong malls starting from the last quarter of the year despite difficult market conditions, with fitness centres and cinemas being closed. The malls remained almost fully let throughout the year.

Rental concessions granted in 2020 were amortised over the remaining lease terms. Those granted in 2019 were fully accounted for in 2019. Disregarding rental concessions in both years, gross rental income was 5% less in 2020 than in 2019.

Completed Investment Property and Hotel Portfolio by Type



Completed Investment Property and Hotel Portfolio by Location



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 on Hong Kong Island and Lantau Island. The occupancy rate at the residential portfolio was approximately 69% at 31st December 2020.

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 tower 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 2022.

Planning permission to develop the site at 46-56 Queen's Road East 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.

In November 2020, Swire Properties offered 227 car parking spaces in the Taikoo Shing residential estate in Hong Kong for sale. 164 of the car parking spaces had been sold at 9th March 2021. Profits are expected to be recognised later this year.

Chinese mainland

RETAIL | COVID-19 adversely affected our retail investment properties in the Chinese mainland in the early part of 2020. Rental concessions were provided to retail tenants on a case by case basis. From March 2020, there was a strong recovery of footfall and of retail sales, particularly of watches, jewellery and other luxury items. Our overall retail sales on an attributable basis in the Chinese mainland in 2020 increased by 10%, and by 29% in the second half. This reflected successful containment of COVID-19 and restrictions on overseas travel. Retail sales in Taikoo Hui in Guangzhou, Sino-Ocean Taikoo Li Chengdu and HKRI Taikoo Hui in Shanghai increased by 36%, 6% and 15% respectively in 2020. The increases in the second half were 65%, 26% and 25% respectively. Retail sales decreased by 18% at Taikoo Li Sanlitun and by 12% at INDIGO in Beijing in 2020. The decreases in the second half were 1% and 17% respectively. These decreases reflected COVID-19. National retail sales decreased by 4% in 2020.

The Chinese mainland retail portfolio's gross rental income for 2020 increased by 5% compared with 2019, to HK$2,491 million (despite a 1% depreciation of the Renminbi against the Hong Kong dollar). Disregarding amortised rental concessions and Renminbi depreciation, gross rental income increased by 10%.

Gross rental income at Taikoo Li Sanlitun was adversely affected by COVID-19 in 2020. The occupancy rate was 99% at 31st December 2020. Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination in Beijing.

Gross rental income at Taikoo Hui in Guangzhou grew strongly in 2020. The occupancy rate at Taikoo Hui was 100% at 31st December 2020.

Occupancy at the shopping mall at INDIGO, Beijing was 98% at 31st December 2020.

At 31st December 2020, the occupancy rate at Sino-Ocean Taikoo Li Chengdu was 95%. The development continues to gain popularity as a shopping destination in Chengdu.

At 31st December 2020, the occupancy rate at HKRI Taikoo Hui was 95%.

Jointly developed with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd., Taikoo Li Qiantan is a retail development in Qiantan, Pudong New District in Shanghai. It has an aggregate gross floor area of 1,238,037 square feet and space for over 200 shops. Construction was completed in December 2020. A soft opening is scheduled for the second half of 2021. Pre-leasing is in progress. The response from the market is encouraging.

OFFICE | The Chinese mainland office portfolio's gross rental income for 2020 decreased by 6% compared with 2019, to HK$358 million (after taking into account a 1% depreciation of the Renminbi against the Hong Kong dollar). The decrease reflected weak demand for office space because of COVID-19 and economic uncertainty as well as significant new supply in Guangzhou and Beijing.

At 31st December 2020, the occupancy rates at the office towers at Taikoo Hui, Guangzhou and at ONE INDIGO, Beijing were 95% and 70% respectively.

The occupancy rate at the two office towers at HKRI Taikoo Hui in Shanghai was 97% at 31st December 2020.

INVESTMENT PROPERTIES UNDER DEVELOPMENT | Taikoo Li Sanlitun West, an extension to Taikoo Li Sanlitun, is next to Taikoo Li Sanlitun South. It has an aggregate gross floor area of approximately 256,000 square feet. Its refurbishment is expected to be completed later in the first half of 2021.

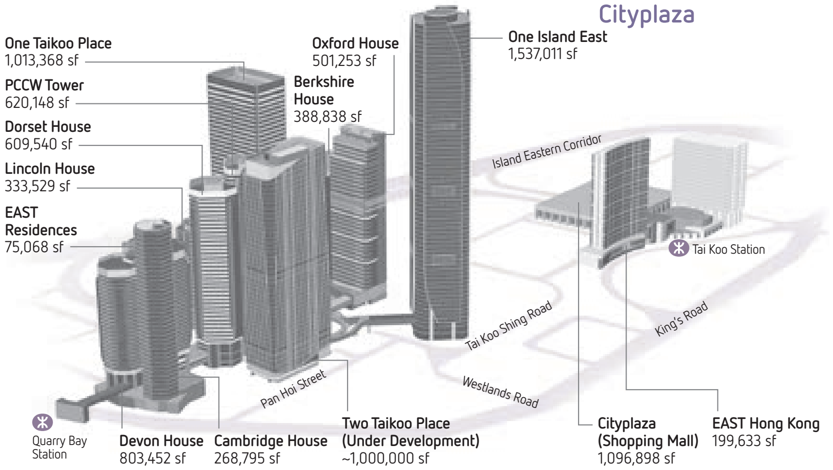
In December 2020, in joint venture with the Sino-Ocean group, Swire Properties agreed to develop two plots of land next to the existing INDIGO development in Beijing into an office-led mixed-use Phase Two extension of INDIGO with a gross floor area of 4,083,732 square feet. The Phase Two extension of INDIGO is planned to be completed in two phases, in late 2025 and 2027. Swire Properties has a 35% interest in the Phase Two extension of INDIGO.

In December 2020, Swire Properties agreed with Sino-Ocean group to develop a Phase Two extension of the INDIGO development in Beijing.

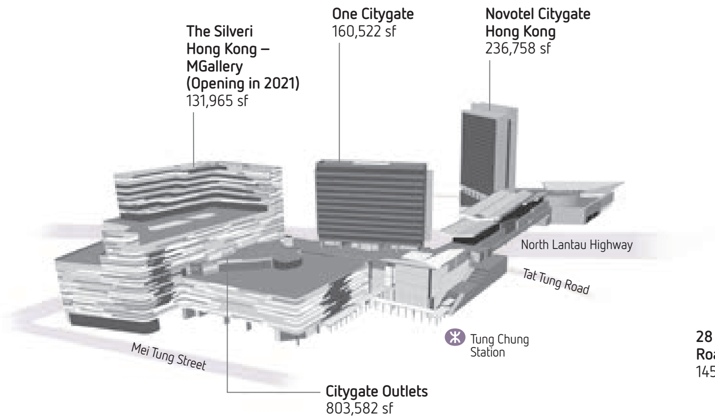
Hong Kong

Taikoo Place

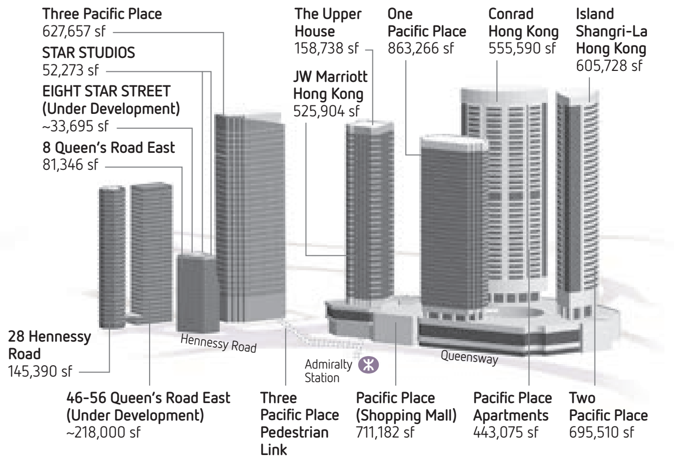
Cityplaza



Citygate



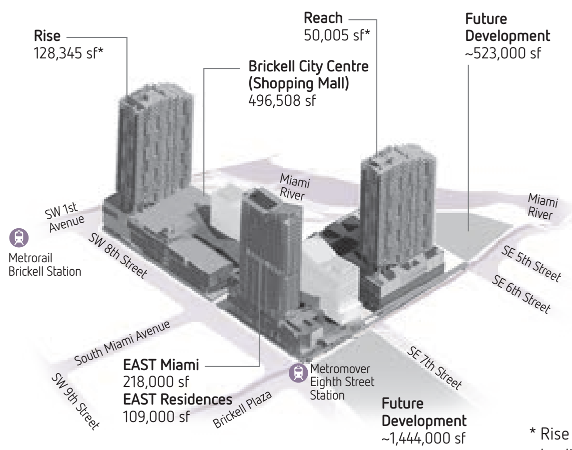
Pacific Place



USA

Brickell City Centre

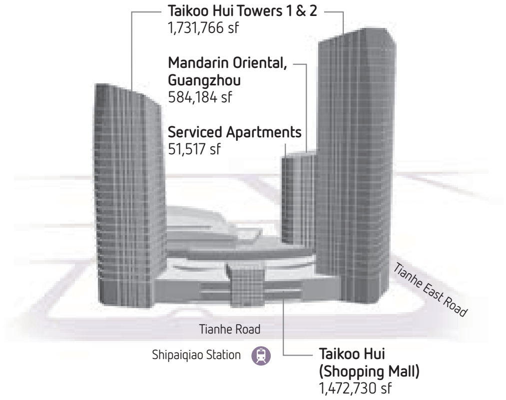
Miami, Florida



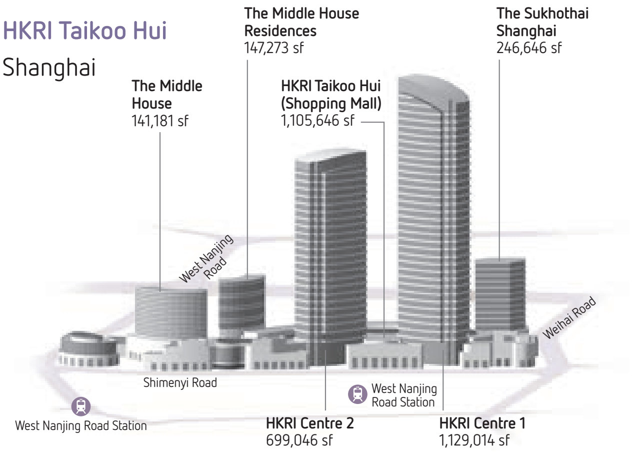
* Rise and Reach are developed for trading purposes. Floor area shown represents the unclosed portion.

Chinese mainland

Taikoo Hui
Guangzhou

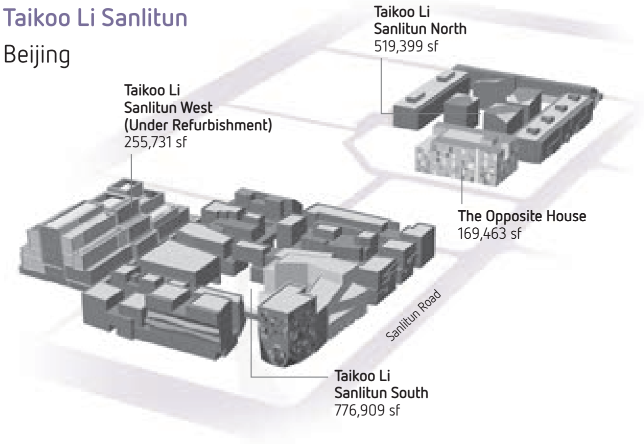


HKRI Taikoo Hui
Shanghai

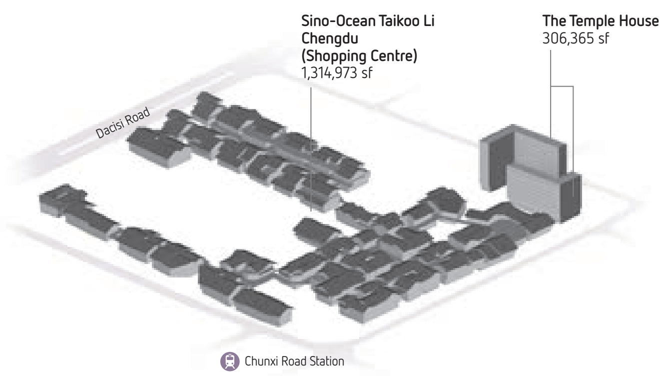


INDIGO
Beijing

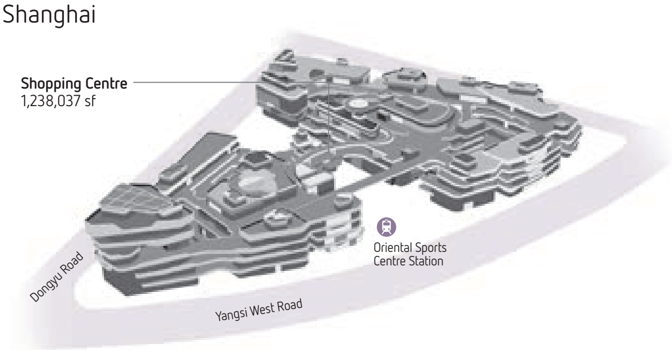
Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



Taikoo Li Qiantan
Shanghai



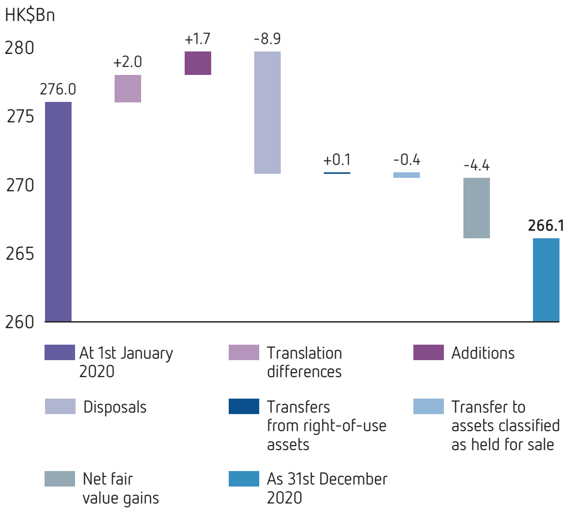
Notes:
- These diagrams are not to scale and are for illustration purposes only.
- These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 222 to 231.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast expenditure				Total commitments	Commitments relating to joint venture companies*
						At 31st December 2020	At 31st December 2020
	2020 HK$M	2021 HK$M	2022 HK$M	2023 HK$M	2024 and later HK$M	HK$M	HK$M
Hong Kong	1,452	3,778	3,775	1,590	4,184	13,327	76
Chinese mainland	5,770	1,468	502	1,011	2,356	5,337	4,300
USA	65	6	–	–	–	6	–
Total	7,287	5,252	4,277	2,601	6,540	18,670	4,376

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 was committed to funding HK$1,330 million of the capital commitments of joint venture companies in the Chinese mainland. In addition to this, the Swire Properties group was committed to make a capital injection into a joint venture company of HK$3,946 million in the Chinese mainland.

Movement in Investment Properties



USA

The first phase of the Brickell City Centre development consists of a shopping centre, two office towers (Two and Three Brickell City Centre, which have been sold), 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.

In July 2020, Swire Properties completed the sale of two office towers (Two and Three Brickell City Centre) at the development.

At 31st December 2020, Swire Properties owned 100% of the hotel and the 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.

The shopping centre was 95% leased (including by way of letters of intent) at 31st December 2020. Retail sales in 2020 decreased by 43%. The mall was closed from the second half of March to the end of May because of COVID-19.

One Brickell City Centre is planned to be a mixed-use development comprising retail, office, hotel and residential space. 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 2020 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$266,133 million, compared to HK$276,008 million at 31st December 2019 and HK$272,684 million at 30th June 2020.

The decrease in the valuation in the investment property portfolio was mainly due to removal from the valuation of the Cityplaza One office tower in Hong Kong and the two office towers in Miami, USA (because of their disposal in 2020) and a decrease in the valuation of the retail and office properties in Hong Kong (reflecting rental decreases). There were increases in the valuations of car parking spaces in Hong Kong and of the retail properties in the Chinese mainland. The latter increases reflected rental increases and a reduction of 25 basis points in the capitalisation rate applicable to some properties.

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 Swire Properties' managed hotels in 2020 was adversely affected by COVID-19 associated travel restrictions.

The operating loss before depreciation of the managed hotels in 2020 was HK$134 million. The performance of the non-managed hotels in Hong Kong and the Chinese mainland was adversely affected by COVID-19.

PROPERTY TRADING

Hong Kong

The site at 8 Star Street, Wanchai is to be redeveloped into an approximately 34,000 square feet residential building with retail outlets on the lowest two levels. Superstructure works are in progress. The development is expected to be completed in 2022. Two of 37 units had been pre-sold at 9th March 2021.

A joint venture formed by Swire Properties Limited, Kerry Properties Limited and Sino Land Company Limited is undertaking a residential development in Wong Chuk Hang in Hong Kong. The development will comprise two residential towers with an aggregate gross floor area of approximately 638,000 square feet and about 800 residential units. Foundation works are in progress. The development is expected to be completed in 2024. Swire Properties has a 25% interest in the joint venture.

In 2019, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited completed the acquisition of a plot of land in Chai Wan, Hong Kong (Inland Lot No. 88). 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.

USA

The residential portion of the first phase of the Brickell City Centre development was developed for trading purposes. 367 of 390 units at Reach and 327 of 390 units at Rise had been sold at 9th March 2021. Sales of two units at Reach and 29 units at Rise were recognised in 2020.

In September 2020, Swire Properties agreed with City Garden Joint Stock Company to develop a luxury residential property in Ho Chi Minh City.

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 2019 and is available for sale.

Indonesia

In 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 is being developed into a residential development with an aggregate gross floor area of approximately 1,123,000 square feet. Demolition works have been completed and foundation works have commenced. The development is expected to comprise over 400 residential units and to be completed in 2024. Swire Properties has a 50% interest in the joint venture.

Vietnam

In September 2020, Swire Properties agreed with City Garden Joint Stock Company to develop The River, a luxury residential property in Ho Chi Minh City, Vietnam. The development comprises 525 luxury apartments in three towers. Swire Properties has an effective 20% interest in the development. 447 units had been pre-sold at 9th March 2021.

In March 2021, Swire Properties made a minority investment in a residential-led mixed-use development (with residential, retail, office, hotel and serviced apartment components) in Ho Chi Minh City, Vietnam. The development is under construction and is expected to be completed in phases over 2021 to 2026.

OUTLOOK

Demand for office space in Hong Kong is weak, reflecting the state of the economy and rising unemployment. Increasing vacancies in Central are exerting downward pressure on rents. Occupancy is high at our Taikoo Place developments. Rents there are generally resilient compared with those at offices in other areas. But increasing vacancies and new supply in Kowloon East are exerting downward pressure on rents in our older curtain wall buildings. In Guangzhou, Shanghai and Beijing, the office market is expected to recover modestly in 2021. But, with continued new supply and weak demand, office rents in the Chinese mainland are expected to be under pressure.

Retail rents in Hong Kong will continue to be under pressure so long as the adverse effects of COVID-19 persist. Rental concessions may continue to be offered to affected tenants. Amortised rental concessions (including those relating to concessions granted in 2020) are likely to have an adverse effect on our 2021 financial results. In Guangzhou and Chengdu, demand for retail space from retailers of luxury international brands is expected to be strong in 2021. In Shanghai, demand for retail space from fashion, cosmetics, lifestyle and food and beverages outlets is expected to be stable. In Beijing, retail sales and demand for retail space from the owners of lifestyle and apparel brands are expected to recover steadily in 2021. In Miami, retail sales continue to be affected by COVID-19. But there is a gradual recovery.

In Hong Kong, buyers of residential property are cautious because of COVID-19 and the contracting economy. Demand for residential accommodation is expected to be resilient in the medium and long term. It is supported by low interest rates and a limited supply of housing due to a shortage of land. In Miami, sales of Reach and Rise units are expected to be slow. Despite new supply being low, the market is weak and COVID-19 is restricting travel to and from South America. The markets for the sale of residential properties in Singapore and Jakarta, Indonesia have been adversely affected by COVID-19. However, in Singapore, low interest rates and the long-term prospects of the property market are expected to underpin demand for residential accommodation. In Jakarta, urbanisation and a growing middle class are expected to support a stable residential property market. In Vietnam, COVID-19 has been largely contained, there is limited supply of luxury residential properties, the economy is strong and there is rapid urbanisation. All this has led to strong demand for luxury residential properties.

The outlook for the hotels in Hong Kong is difficult. Recovery depends on opening the borders and COVID-19 vaccination. Business at the Miami hotels is gradually recovering. Domestic travel is strong in the Chinese mainland. If COVID-19 is stabilised in major cities, the Chinese mainland hotels should do well. A non-managed hotel (The Silveri Hong Kong - MGallery) which is part of the Citygate extension in Hong Kong is expected to open later this year.

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

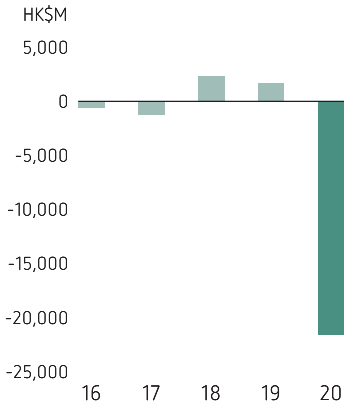

CATHAY PACIFIC

AVIATION DIVISION

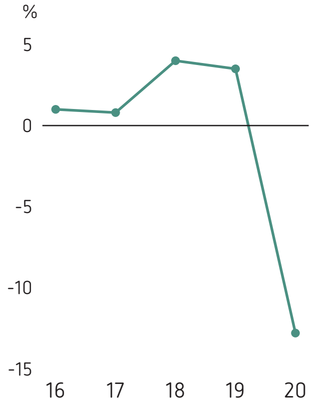
The Aviation Division comprises an associate interest in the Cathay Pacific group and the Hong Kong Aircraft Engineering Company (HAECO) group.

Cathay Pacific group (100% Basis)

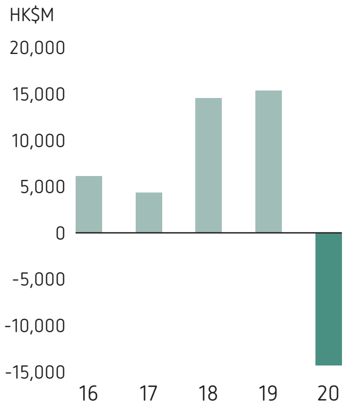
(Loss)/Profit Attributable to the Shareholders of Cathay Pacific



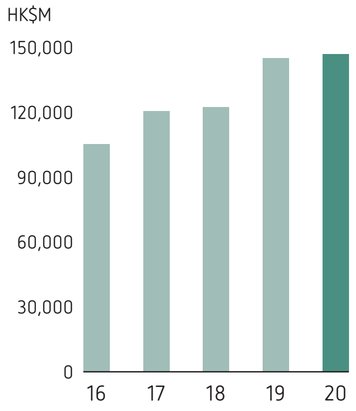
Return on Capital Employed



Net Cash Generated from/(Used in) Operating Activities

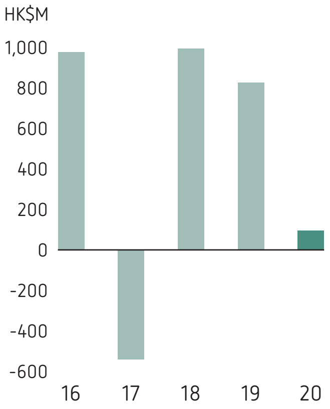


Capital Employed

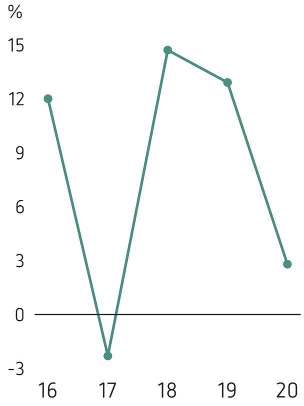


HAECO group (100% Basis)

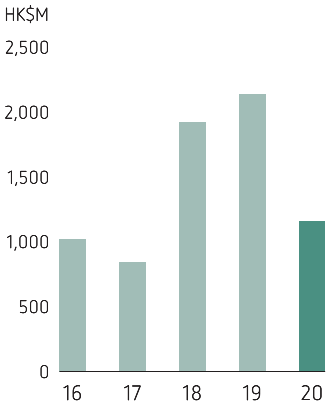
Profit/(Loss) Attributable to the Shareholders of HAECO



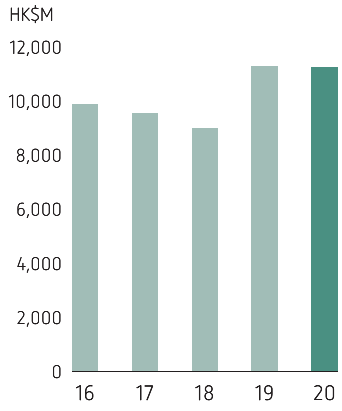
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



The Cathay Pacific group

Cathay Pacific Airways Limited (Cathay Pacific) is listed on The Stock Exchange of Hong Kong Limited. The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiaries Hong Kong Dragon Airlines Limited (Cathay Dragon, which ceased operations in October 2020) (Cathay Pacific and Cathay Dragon together the Airlines), Hong Kong Express Airways Limited (HK Express) and AHK Air Hong Kong Limited (Air Hong Kong) and associate interests in Air China Limited (Air China) and Air China Cargo Co., Ltd. (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.

Immediately prior to the onset of COVID-19, Cathay Pacific offered scheduled passenger and cargo services to 77 destinations in 33 countries (244 and 54 respectively including codeshare agreements). At 31st December 2020, it had 199 aircraft and had ordered 43 new aircraft for future delivery (including those deliveries of which it was in negotiations to defer).

HK Express is a low-cost airline based in Hong Kong and offers scheduled services within Asia. At 31st December 2020, it had 28 aircraft and had ordered 17 new aircraft for delivery up to 2025.

Air Hong Kong operates express cargo services for DHL Express to 17 Asian cities. At 31st December 2020, Air Hong Kong operated 12 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 the Chinese mainland. Cathay Pacific has a cargo joint venture in the Chinese mainland, Air China Cargo, which operated 15 freighters at 31st December 2020 and carries cargo in the bellies of Air China's passenger aircraft.

Cathay Pacific and its subsidiaries employed more than 25,600 people worldwide (around 80% of them in Hong Kong) at 31st December 2020.

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), and engine overhaul work in Hong Kong (by HAECO's 50% joint venture company, Hong Kong Aero Engine Services Limited (HAESL)) and in Xiamen (by Taikoo Engine Services (Xiamen) Company Limited (TEXL)).

HAECO Americas manufactures aircraft seats. The HAECO group has other subsidiaries and joint venture companies in the Chinese mainland, 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 and HK Express) and aircraft engineering (HAECO) brands.**
- **Developing the fleets of Cathay Pacific and HK Express (by investing in modern fuel-efficient aircraft) with a view to their becoming two of the youngest, most fuel-efficient fleets in the world.**
- **Maintaining and enhancing high standards of service to passenger, cargo and aircraft engineering customers.**
- **Strengthening the airlines' passenger and cargo networks and improving what they do on the ground and in the air.**
- **Continuing to build the strategic relationship with Air China.**
- **Increasing the range and depth of aircraft engineering services offered by HAECO.**
- **Endeavouring to minimise the impact of the airlines and of HAECO on the environment.**

2020 PERFORMANCE

Financial Highlights

	2020 HK$M	2019 HK$M
HAECO group		
Revenue	**11,483**	15,901
Operating (loss)/profit	**(94)**	1,048
Attributable profit	**96**	825
Cathay Pacific group		
Share of post-tax (loss)/profit from associated companies	**(9,742)**	761
Attributable (loss)/profit	**(9,751)**	1,550

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 Swire Pacific's consolidation adjustments.

CATHAY PACIFIC GROUP

Cathay Pacific and Cathay Dragon* – 2020 Performance

		2020	2019	Change
Available tonne kilometres (ATK)	Million	**14,620**	33,077	-55.8%
Available seat kilometres (ASK)	Million	**34,609**	163,244	-78.8%
Available cargo tonne kilometres (AFTK)	Million	**11,329**	17,558	-35.5%
Revenue tonne kilometres (RTK)	Million	**10,220**	24,090	-57.6%
Passenger revenue	HK$M	**11,313**	72,168	-84.3%
Passenger revenue per ASK	HK¢	**32.7**	44.2	-26.0%
Revenue passenger kilometres (RPK)	Million	**20,079**	134,397	-85.1%
Revenue passengers carried	'000	**4,631**	35,233	-86.9%
Passenger load factor	%	**58.0**	82.3	-24.3%pt
Passenger yield	HK¢	**56.3**	53.7	+4.8%
Cargo revenue	HK$M	**24,573**	21,154	+16.2%
Cargo revenue per AFTK	HK$	**2.17**	1.20	+80.8%
Cargo revenue tonne kilometres (RFTK)	Million	**8,309**	11,311	-26.5%
Cargo carried	'000 Tonnes	**1,332**	2,022	-34.1%
Cargo load factor	%	**73.3**	64.4	+8.9%pt
Cargo yield	HK$	**2.96**	1.87	+58.3%
Cost per ATK (with fuel)	HK$	**4.14**	3.06	+35.3%
Cost per ATK (without fuel)	HK$	**3.41**	2.19	+55.7%
Fuel consumption per million RTK	Barrels	**1,708**	1,867	-8.5%
Fuel consumption per million ATK	Barrels	**1,195**	1,360	-12.1%
Aircraft utilisation (including parked aircraft)	Hours per day	**4.3**	11.9	-63.9%
On-time performance	%	**86.7**	76.3	+10.4%pt
Average age of fleet	Years	**10.1**	10.3	-0.2 years

* Cathay Dragon ceased its operations in October 2020.

2020 AIRLINE INDUSTRY REVIEW

The Cathay Pacific group experienced the most challenging 12 months of its more than 70-year history in 2020. COVID-19, and the resultant travel restrictions and quarantine requirements in place around the world, brought about an unprecedented disruption of the global air travel market and the repercussions have been huge. The International Air Transport Association (IATA) estimates that global passenger traffic will not return to pre-COVID-19 levels until 2024.

2020 RESULTS SUMMARY

The Cathay Pacific group's attributable loss on a 100% basis was HK$21,648 million in 2020, compared with a profit of HK$1,691 million in 2019. Cathay Pacific and Cathay Dragon reported an attributable loss after tax of HK$17,393 million (2019: profit of HK$241 million), and the share of losses from subsidiaries and associates was HK$4,255 million (2019: profit of HK$1,450 million).

The loss for 2020 was net of the receipt of HK$2,689 million of COVID-19 related government grants globally and included impairment and related charges of HK$4,056 million relating to 34 aircraft that are unlikely to re-enter meaningful economic service again before they retire or are returned to lessors, and to certain airline service subsidiaries' assets and HK$3,973 million on restructuring costs inclusive of a HK$1,590 million write off of a deferred tax asset at Cathay Dragon.

Since the onset of the pandemic, passenger revenues in 2020 shrunk to only 2-3% of pre-crisis levels. With demand at an all-time low, the passenger schedule was reduced drastically to just a bare skeleton and operating capacity remained below 10% for much of 2020. Cathay Pacific and Cathay Dragon saw occasional pockets of demand, notably in the summer season with student travel from Hong Kong and the Chinese mainland to the UK and other destinations in Europe. Nonetheless, the 2020 summer season, which is usually the peak period of the year, was incredibly difficult.

The cargo business was by far the better performer, though it too was affected by the substantial drop in capacity usually provided by the bellies of passenger aircraft. Yields increased and revenue improved due to the imbalance in the market between available capacity and demand. The Airlines increased cargo capacity by chartering services from Cathay Pacific's all-cargo subsidiary, Air Hong Kong, operating cargo-only passenger flights and carrying cargo in the passenger cabins of some aircraft.

To reduce cash expenditure, the Airlines reduced capacity, deferred capital expenditure, suspended non-critical expenditure, froze hiring, cut executive pay and asked employees to participate in two special leave schemes.

In June 2020, Cathay Pacific announced a HK$39 billion recapitalisation. It is very grateful to the Hong Kong SAR Government and its shareholders for their support for the recapitalisation at a critical time.

The recapitalisation enabled the Cathay Pacific group to continue. But the business needed to be restructured as well. A restructuring was announced in October 2020. Headcount was reduced by 8,500. Cathay Dragon ceased to operate. Hong Kong-based Cathay Pacific pilots and cabin crew were asked to transition to new competitive conditions of service. 98.5% of pilots and 91.6% of cabin crew accepted. These were extremely difficult but necessary decisions. They had to be made so that the Cathay Pacific group could survive and rebuild its business.

The cost of the restructuring was about HK$2.4 billion. It is saving about HK$500 million per month.

Passenger Services

Cathay Pacific and Cathay Dragon

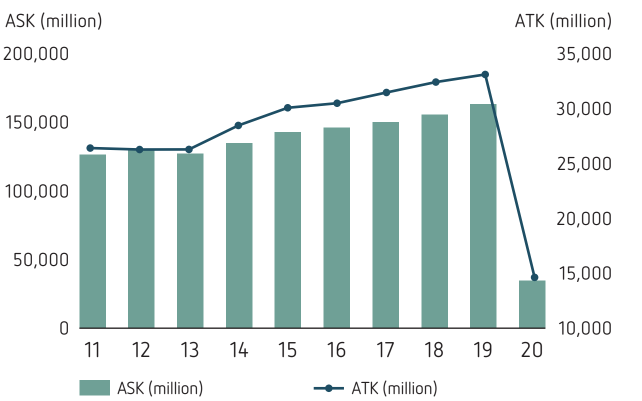
Passenger revenue in 2020 was HK$11,313 million, a decrease of 84% compared to 2019. RPK traffic decreased by 85%, while ASK capacity decreased by 79%. Consequently the load factor decreased by 24.3 percentage points, and reached a low of 18.2% in October. Yield increased by 5% to HK56.3 cents. 87% fewer passengers were carried in 2020 than in 2019.

HK Express

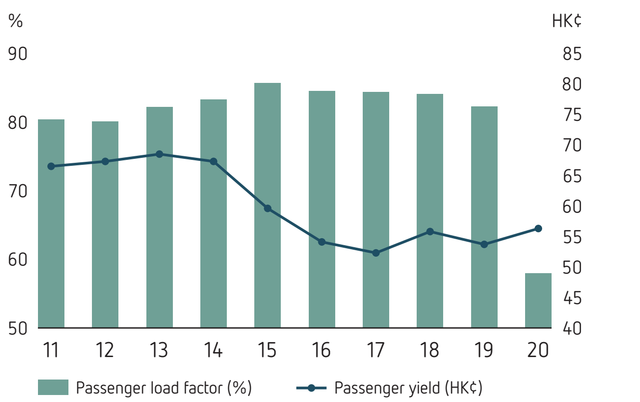
HK Express reported a loss of HK$1,723 million for 2020. It suspended all flight operations between late March and the beginning of August.

In 2020, Cathay Pacific completed a HK$39 billion recapitalisation in August and announced a major restructuring of its business in October.

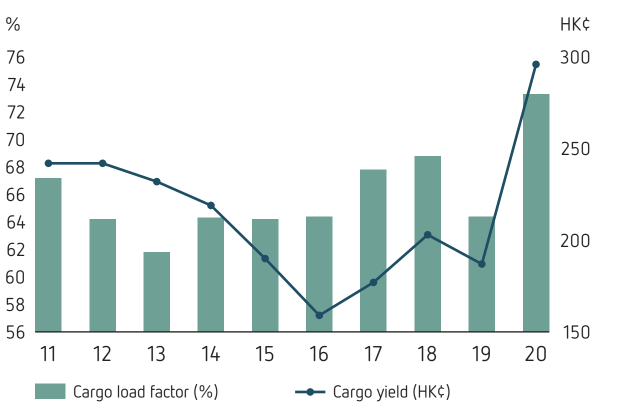
Capacity – Available Seat Kilometres and Available Tonne Kilometres



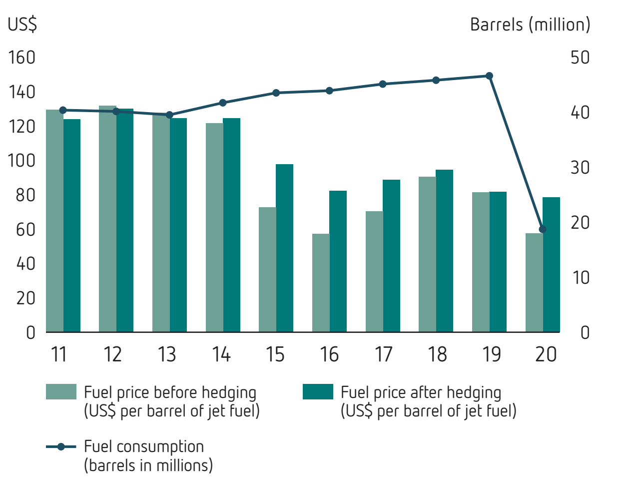
Passenger Services Load Factor and Yield



Cargo Services Load Factor and Yield



Fuel Price and Consumption



Cathay Pacific increased cargo capacity by chartering services from Air Hong Kong, operating cargo-only passenger flights and carrying cargo in the passenger cabins of some aircraft.

Cargo Services

Cathay Pacific and Cathay Dragon

The cargo revenue of Cathay Pacific and Cathay Dragon in 2020 was HK$24,573 million, an increase of 16% compared to 2019. This reflected the imbalance in the market between demand and available capacity. RFTK traffic decreased by 27%, while AFTK capacity decreased by 36%. Consequently the load factor increased by 8.9 percentage points to 73.3%. Yield increased by 58% to HK$2.96.

Air Hong Kong

Air Hong Kong's financial results improved compared with those of 2019 due to strong COVID-19 related air cargo demand.

Operating Costs

Total fuel costs for Cathay Pacific and Cathay Dragon (before the effect of fuel hedging) decreased by HK$20,881 million (or 73%) compared with 2019. Hedging losses were incurred because of the steep decline in fuel usage and in fuel prices. After taking hedging losses into account, fuel costs decreased by HK$18,068 million or 63% compared to 2019. Non-fuel costs per available tonne kilometre increased.

Fleet Profile

At 31st December 2020, the total number of aircraft in the Cathay Pacific group's fleet was 239. 92 passenger aircraft (44% of the Cathay Pacific group's passenger fleet) which had been parked at Hong Kong International Airport were transferred to locations outside Hong Kong, including Alice Springs in Australia and Ciudad Real in Spain. These locations provide better environmental conditions than those to which the aircraft were exposed in Hong Kong.

Cathay Pacific reached agreement with Airbus to defer delivery of A350-900 and A350-1000 aircraft from 2020-21 to 2020-23, and to defer delivery of A321neo aircraft from 2020-23 to 2020-25. Advanced negotiations are taking place with Boeing for the deferral of the delivery of 777-9 aircraft. 10 aircraft were delivered in 2020 (including the first A321neo, in November). These aircraft will modernise the fleets and improve efficiency.

Fleet profile*

	Number at 31st December 2020														
		Leased**				Orders				Expiry of operating leases**					
Aircraft type	Owned	Finance	Operating	**Total**	Average age	'21	'22	'23 and beyond	**Total**	'21	'22	'23	'24	'25	'26 and beyond
Cathay Pacific and Cathay Dragon:															
A320-200	5		6	**11**	15.1					3[a]	3				
A321-200	2		5	**7**	17.3					2	2	1			
A321-200neo			2	**2**	0.1	4[b]	6	4	**14**						2
A330-300	37	10	4	**51**	14.2									2	2
A350-900	19	6	2	**27**	3.3	1		2	**3**						2
A350-1000	10	3		**13**	1.9	2[c]	3		**5**						
747-400ERF	2	4		**6**	12.0										
747-8F	3	11		**14**	7.9										
777-300	17			**17**	19.2										
777-300ER	23	7	21	**51**	8.8					6	4	2	3	2	4
777-9								21	**21**						
Total	118	41	40	**199**	10.4	7	9	27	**43**	11	9	3	3	4	10
HK Express:															
A320-200			8	**8**	11.2					3		1	4		
A320-200neo			9	**9**	2.1	1[b]			**1**						9
A321-200			11	**11**	3.2									1	10
A321-200neo							1	15	**16**						
Total			28	**28**	5.1	1	1	15	**17**	3		1	4	1	19
Air Hong Kong*:**															
A300-600F			9	**9**	16.7						5	3			1
A330-243F			1	**1**	7.6										1
A330-300P2F			2	**2**	14.3										2
Total			12	**12**	15.5						5	3			4
Grand total	**118**	**41**	**80**	**239**	**10.1**	**8**	**10**	**42**	**60**	**14**	**14**	**7**	**7**	**5**	**33**

* The table does not reflect aircraft movements after 31st December 2020.

** Leases previously classified as operating leases are accounted for in a similar manner to finance leases under accounting standards. The majority of operating leases in the above table are within the scope of HKFRS 16.

*** The nine Airbus A300-600F, one Airbus A330-243F and two A330-300P2F freighters are considered to be 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 2021. The aircraft was returned to its lessor.
(b) Three Airbus A321neo aircraft and one A320neo aircraft are on operating leases.
(c) One aircraft was delivered in March 2021.

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 2020 results include Air China's results for the 12 months ended 30th September 2020, adjusted for any significant events or transactions for the period from 1st October 2020 to 31st December 2020.

For the 12 months ended 30th September 2020, Air China was adversely affected by COVID-19. Its financial results declined compared to those for the 12 months ended 30th September 2019.

Air China Cargo's 2020 financial results improved from those of 2019.

OUTLOOK

Market conditions remain challenging and dynamic. It is not clear how the pandemic will develop over the coming months. From 20th February 2021, the Hong Kong SAR Government has implemented stricter quarantine requirements for Hong Kong-based pilots and cabin crew. The new measures have resulted in a reduction in Cathay Pacific's passenger capacity of about 60% and a reduction in its cargo capacity of about 25% compared to January 2021 levels, and an increase in its cash burn of approximately HK$300-400 million per month from its previous HK$1.0-1.5 billion levels.

Cathay Pacific stated at the end of last year that it expected to operate at well below a quarter of pre-pandemic passenger flight capacity in the first half of 2021 with an improvement in the second half of the year. This assumed that vaccines would prove to be effective and would be widely adopted in key markets by summer 2021. Consequently, well below 50% of 2019 passenger capacity is expected to be operated in 2021.

The short-term outlook of Cathay Pacific continues to be challenging. However, it remains absolutely confident in the long-term future and competitive position of its airlines. Its important role at the centre of the Hong Kong aviation hub, and the critical role that Hong Kong will play in the Greater Bay Area and beyond, will continue to place the Cathay Pacific group in good stead as it recovers and rebuilds from the impact of COVID-19.

Augustus Tang

HONG KONG AIRCRAFT ENGINEERING COMPANY (HAECO) GROUP

Financial Highlights

	2020 HK$M	2019 HK$M
Revenue		
HAECO Hong Kong	**3,092**	4,612
HAECO Americas	**2,007**	2,730
HAECO Xiamen	**1,368**	2,138
TEXL	**3,774**	4,978
Others	**1,242**	1,443
	11,483	15,901
Operating (loss)/profit	**(94)**	1,048
Attributable profits/(losses)		
HAECO Hong Kong	**(49)**	243
HAECO Americas	**(167)**	(190)
HAECO Xiamen	**20**	225
TEXL	**113**	180
Share of profits of:		
HAESL	**354**	415
Other subsidiary and joint venture companies	**99**	186
Attributable profit (excluding non-recurring items)	**370**	1,059
Impairment charges in respect of:		
Goodwill	**–**	(204)*
Customer relationships and other intangible assets	**(90)***	(30)*
Rotable aircraft parts	**(184)^**	–
Attributable profit	**96**	825

* representing impairment charges of HAECO Americas.
^ representing impairment charges of HAECO ITM.

Operating Highlights

		2020	2019
Airframe services manhours sold			
HAECO Hong Kong	Million	**1.92**	2.80
HAECO Americas	Million	**2.54**	3.22
HAECO Xiamen	Million	**2.61**	4.07
Line services movements handled			
HAECO Hong Kong	Thousand	**55**	116
Chinese mainland and overseas	Thousand	**20**	45
Engines overhauled			
TEXL		**67**	88
HAESL		**263**	244

2020 AVIATION MAINTENANCE AND REPAIR INDUSTRY REVIEW

The impact of COVID-19 on the aviation industry is unprecedented. The travel industry has been decimated. Airlines parked up to 80% of their aircraft at certain times in 2020. Older aircraft are unlikely to return to operation. Less flying means less maintenance and repair of airframes, aircraft engines and components. The impact is likely to be felt for some years. It is unclear how soon air traffic will recover to pre-COVID-19 levels.

2020 RESULTS SUMMARY

The HAECO group reported an attributable profit of HK$96 million for 2020, including post-tax impairment charges of HK$184 million in respect of rotable aircraft parts at HAECO ITM, and HK$90 million in respect of intangible assets at HAECO Americas. This compares with a 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.

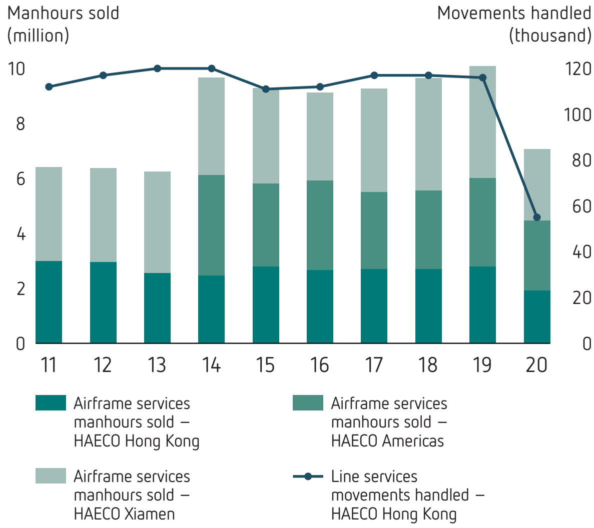
Disregarding impairment charges in both years, the HAECO group's attributable profit for 2020 was HK$370 million, HK$689 million lower than the profit in 2019. Demand for maintenance and repair services at all group companies was adversely affected from February 2020 by COVID-19. HAECO Hong Kong, HAECO Xiamen and HAECO Americas all performed less airframe services work, selling 7.07 million airframe services manhours in 2020, 3.02 million less than in 2019. There were significant profit reductions at HAECO Hong Kong (which was affected in particular by a substantial reduction in demand for line maintenance services), HAECO Xiamen and TEXL. Financial assistance from governments in Hong Kong and the USA provided some mitigation.

At 31st December 2020, HAECO had outstanding capital commitments of HK$6,291 million.

HAECO Hong Kong

HAECO Hong Kong recorded a loss of HK$49 million, compared to a profit of HK$243 million in 2019. All airline customers flew substantially less because of COVID-19. This particularly affected line maintenance services. The Hong Kong government's employment subsidy scheme and cost savings provided partial offsets.

HAECO group – Key Operating Highlights



In line services, approximately 54,500 aircraft movements were handled in 2020, representing less than half of those handled in 2019. 1.92 million airframe services manhours were sold in 2020, 31% less than those sold in 2019. Customers rescheduled airframe maintenance.

HAECO Americas

HAECO Americas recorded a loss of HK$257 million in 2020 (including impairment charges of HK$90 million in respect of intangible assets), HK$167 million less than the loss of HK$424 million in 2019 (including impairment charges of HK$234 million in respect of intangible assets). Excluding the impairment charges in both years, HAECO Americas' 2020 loss was HK$167 million, HK$23 million less than in 2019. The decline in demand for airframe services and cabin solutions was mitigated by US government financial assistance under the CARES Act and cost savings.

Demand for airframe services decreased by 21% from 2019. 2.54 million manhours were sold in 2020 compared with 3.22 million sold in 2019. This reflected reduced demand for commercial airframe maintenance because of COVID-19. Overheads were reduced.

Fewer Panasonic communication kits, seats and seating spares were sold in 2020. There was less cabin reconfiguration work. Financial provisions were made in respect of the cabin solutions business. More restructuring was done than initially planned, in order to reduce costs and capacity in response to COVID-19.

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$90 million were made in 2020 in respect of intangible assets.

HAECO Xiamen

Compared to 2019, HAECO Xiamen recorded a 91% reduction in attributable profit to HK$20 million in 2020. COVID-19 reduced demand for airframe services (the principal reason for the profit reduction) and for line services and parts manufacturing. The results were adversely affected by unfavourable foreign exchange movements.

In airframe services, 2.61 million manhours were sold in 2020, 36% less than in 2019. Airlines deferred airframe maintenance because of COVID-19. In line services, 8,200 aircraft movements were handled in 2020, 62% less than in 2019. Airlines flew less because of COVID-19. Aircraft parts manufacturing revenue decreased by 53% in local currency terms. This was due to reduced orders from original equipment manufacturers.

TEXL

TEXL recorded a 37% decrease in profit attributable to HAECO in 2020, to HK$113 million. TEXL performed 36 performance restoration workscopes and 31 quick turn workscopes on GE90 aircraft engines in 2020 (compared with 49 performance restoration workscopes and 39 quick turn workscopes in 2019). The reduction in profit in 2020 principally reflected a significant reduction in demand for the repair and overhaul of GE90 aircraft engines. Airlines deferred engine maintenance because COVID-19 resulted in aircraft being used less.

HAESL

HAESL recorded a 15% decrease in profit attributable to HAECO in 2020, to HK$354 million. The decrease in profit reflected a lighter work mix due to COVID-19's effect on aircraft usage. 263 engines were completed in 2020, compared with 244 in 2019.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM recorded a loss in 2020 as compared to a profit in 2019. This mainly reflected impairment charges in respect of the carrying value of rotable aircraft parts, less exchange of aircraft parts and customers' aircraft flying less because of COVID-19, partly offset by lower finance charges.

HAECO Landing Gear Services and HAECO Composite Services recorded substantially lower profits in 2020 than in 2019. They did less work because of COVID-19.

In March 2020, the HAECO group acquired an engine maintenance business (renamed HAECO Global Engine Support) in Dallas, Texas, USA. It performs quick-turn repairs and lease returns for commercial aircraft engines. Its operating results in 2020 were in line with expectations.

OUTLOOK

The prospects for the HAECO group's businesses in 2021 are dependent on the aviation industry's recovery from the effects of COVID-19, in particular on how quickly travel restrictions are lifted. Demand for the HAECO group's airframe services is expected to recover gradually. In Hong Kong, some work has been deferred from 2020 to 2021. In the USA, demand in 2021 is expected to return to near 2019 levels as domestic air travel recovers. In Xiamen, the recovery for passenger aircraft maintenance is expected to be slow in 2021. Line services work in Hong Kong is expected to remain weak for much of 2021. Demand for engine services at TEXL in the first half of 2021 is expected to be similar to that in the second half of 2020, with some improvement expected in the second half of 2021. Demand for engine services at HAESL is expected to be significantly lower in 2021. Demand for cabin solutions products is expected to be weak.

Management is working with the Xiamen authorities on the relocation of HAECO Xiamen's premises to the planned new Xiamen airport. The relocation will be material to HAECO Xiamen's operations.

Frank Walschot

BEVERAGES DIVISION

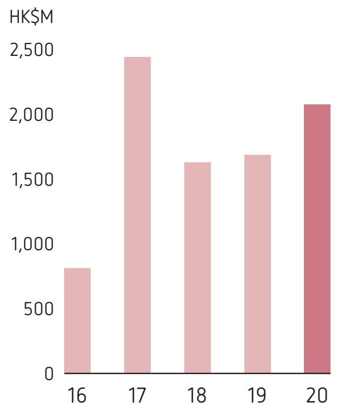
Coca-Cola beverages bring a refreshing taste to consumers.


可口可乐
汽水
畅爽怡神，始于1886

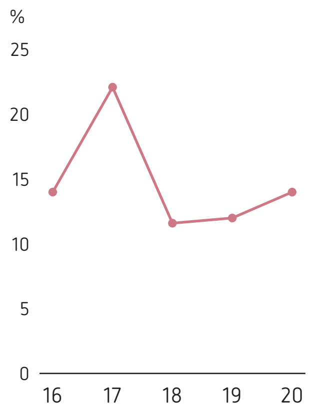
BEVERAGES DIVISION

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

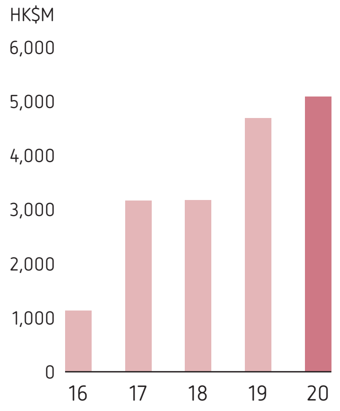
Profit Attributable to the Company's Shareholders



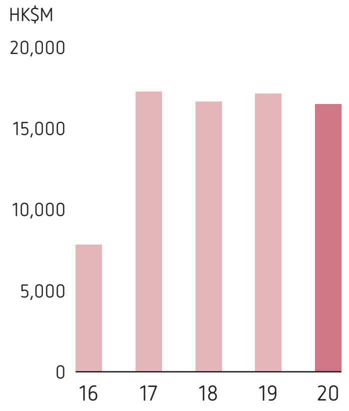
Return on Capital Employed



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 the Chinese mainland) and five majority-owned franchise businesses (in Zhejiang, Guangdong (excluding the cities of Zhanjiang, Maoming and Zhuhai), Henan, Yunnan and Hubei provinces in the Chinese mainland). It has a joint venture interest in a franchise in the Shanghai Municipality in the Chinese mainland and an associate interest in Coca-Cola Bottlers Manufacturing Holdings Limited (CCBMH), which supplies still beverages to all Coca-Cola franchises in the Chinese mainland.

At the end of 2020, Swire Coca-Cola manufactured 60 beverage brands and distributed them to a franchise population of 741 million people.

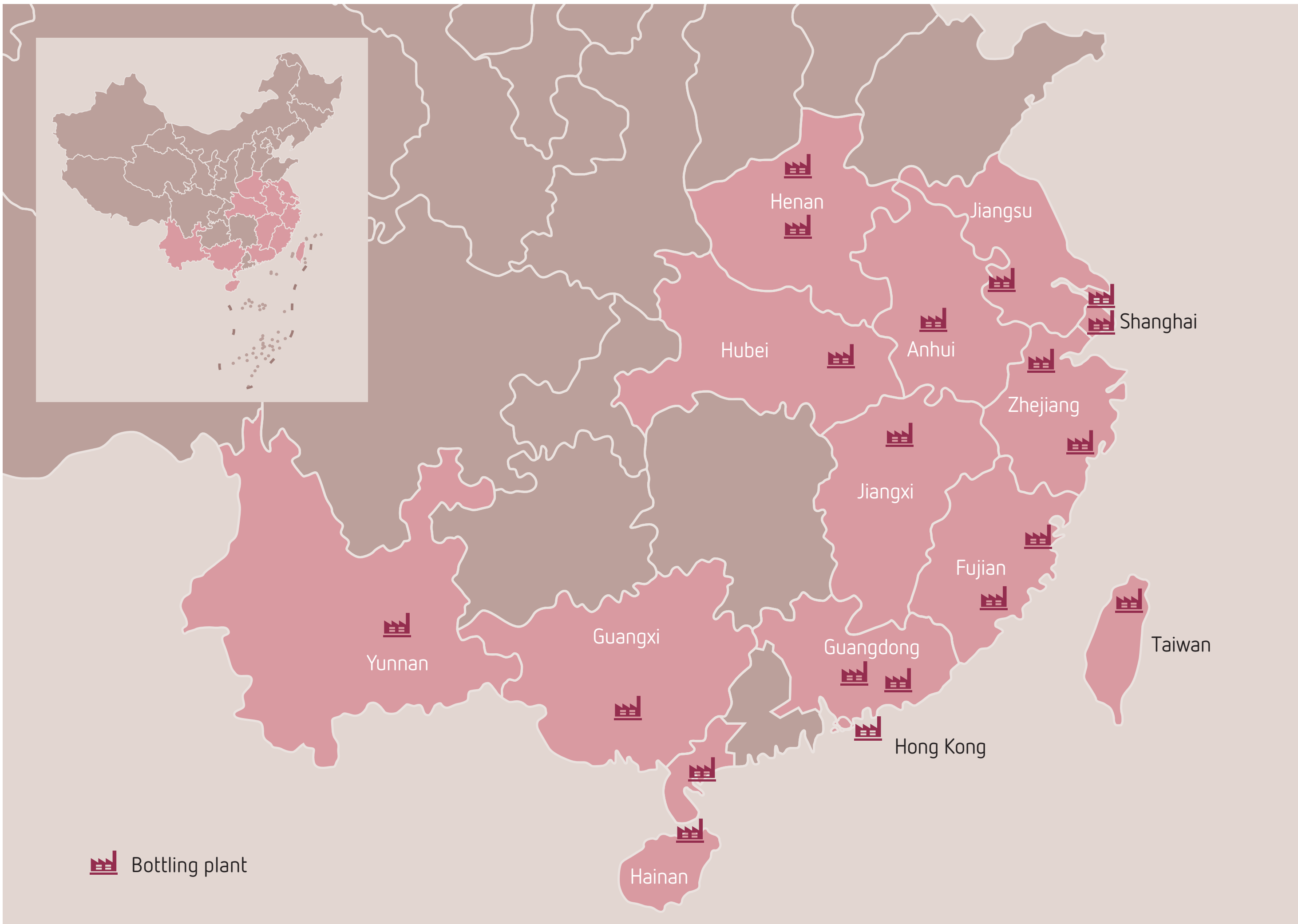
STRATEGY

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**
  We are fully aligned with The Coca-Cola Company's commitment to providing drinks that meet the needs of consumers and will capture growth in a fast-changing marketplace. We must not just increase sales of sparkling drinks. We must also develop winning propositions across other major categories of drinks, so as to increase our share of the value of the total 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 in order to meet our commitments to decarbonisation, to reductions in the consumption of water and packaging materials and in the production of waste, to wider product choice, to sustainable sourcing, to supporting our communities and to creating a safe, diverse and inclusive working environment.

Franchise Territories

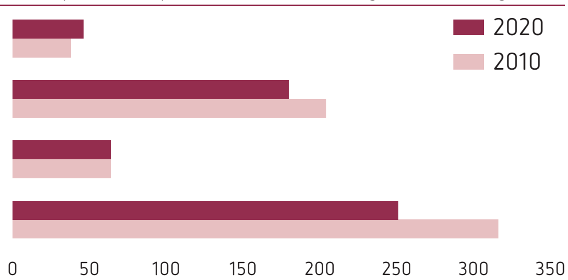
GREATER CHINA



Per Capita Consumption in Franchise Territories

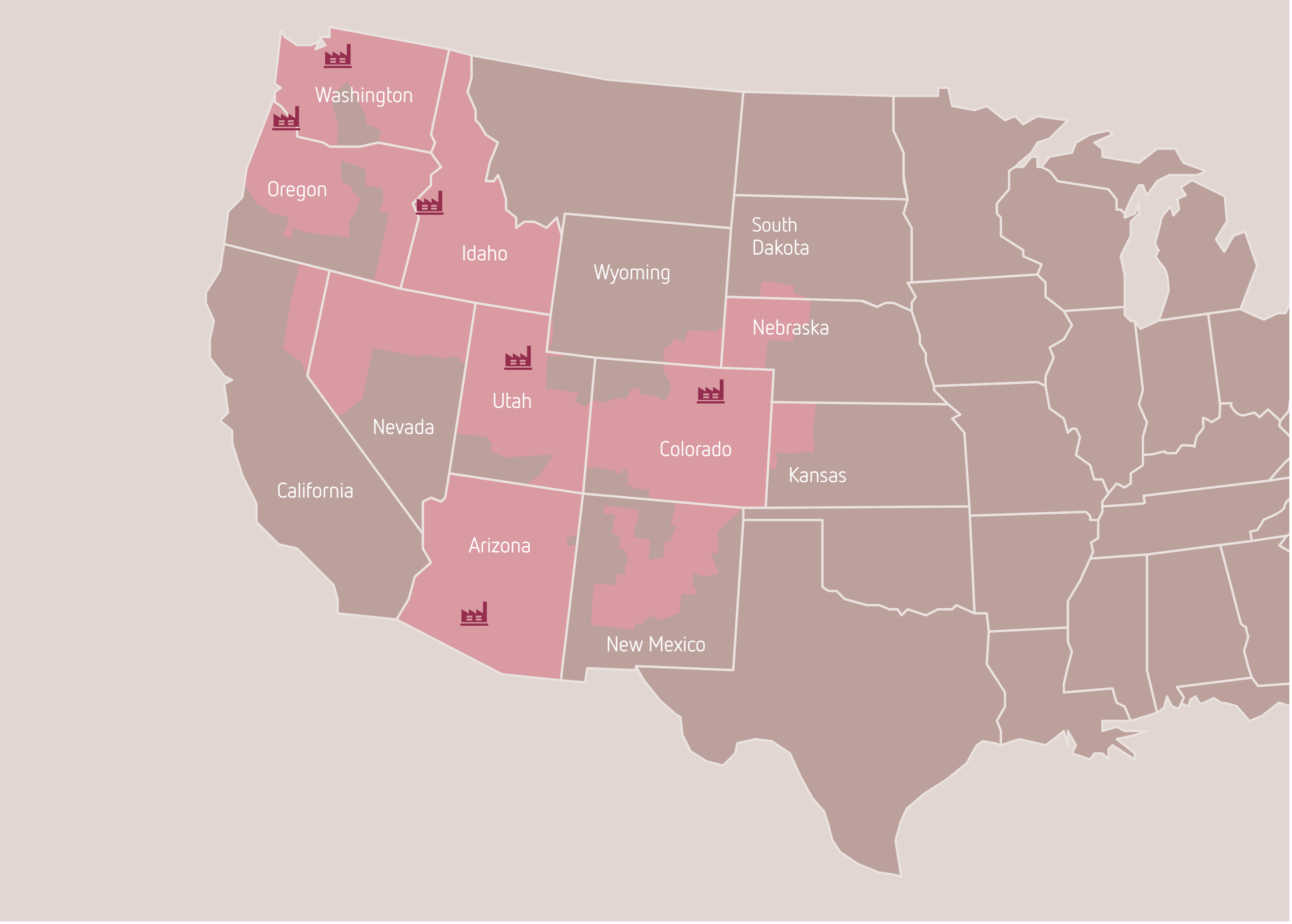
	Franchise population (millions) (end 2020)	GDP per capita (US$)	Sales volume (million unit cases) 2020	Sales volume (million unit cases) 2010
Chinese mainland	679.9	13,715	1,307	719
Hong Kong	7.5	45,510	56	60
Taiwan	23.6	28,180	63	62
USA	30.3	53,902	317	82
	741.3		1,743	923

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



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

USA



Established in
1965

Annual Revenue
HK$45.1 billion

Annual Sales Volume
1,743 million unit cases

Present in
4 markets

Bottling Plants
26

Beverage Brands
60

Consumers
741 million

Employees
32,060

2020 PERFORMANCE

Financial Highlights

	2020 HK$M	2019 HK$M
Revenue	45,082	43,317
EBITDA	4,918	4,344
Operating profit derived from		
Operating activities	2,854	2,346
Non-recurring items	–	141
Total operating profit	2,854	2,487
Share of post-tax profits from joint venture and associated companies	153	153
Attributable profit (excluding non-recurring items)	2,076	1,584
Non-recurring items		
Gain on disposal of a plant in Yunnan, the Chinese mainland	–	85
Gain on disposal of a sales centre in the USA	–	17
Attributable profit	2,076	1,686

Segment Financial Highlights

	Revenue		EBITDA		Attributable Profit	
	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M
Chinese mainland						
Operating activities	22,942	22,087	2,755	2,362	1,041	856
Non-recurring items	–	–	–	118	–	85
	22,942	22,087	2,755	2,480	1,041	941
Hong Kong	2,199	2,340	340	327	216	207
Taiwan	1,933	1,694	227	164	118	75
USA						
Operating activities	18,008	17,196	1,692	1,453	797	550
Non-recurring items	–	–	–	23	–	17
	18,008	17,196	1,692	1,476	797	567
Central costs	–	–	(96)	(103)	(96)	(104)
Beverages Division	45,082	43,317	4,918	4,344	2,076	1,686

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 the Chinese mainland) and five majority-owned franchise businesses (in Zhejiang, Guangdong (excluding the cities of Zhanjiang, Maoming and Zhuhai), Henan, Yunnan and Hubei provinces in the Chinese mainland) were accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue, EBITDA and operating profit from these franchise businesses are included in the revenue, EBITDA 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	Chinese mainland	Hong Kong	Taiwan	USA	Swire Coca-Cola
		Percentage Change in 2020				
Active Outlets		6%	-9%	0%	-5%	4%
Revenue	1	1%	-6%	9%	7%	2%
Sales Volume	2	-4%	-12%	5%	4%	-2%
Gross Profit per unit case		9%	7%	12%	5%	7%
Water Use Ratio ^		3%	7%	2%	1%	3%
Energy Use Ratio ^		7%	6%	-9%	10%	7%
LTIR		-41%	8%	-54%	8%	-15%

	Note	Chinese mainland	Hong Kong	Taiwan	USA	Swire Coca-Cola
EBITDA Margin	3					
2020		11.4%	16.1%	11.8%	10.0%	11.1%
2019		9.4%	14.5%	9.8%	9.3%	9.6%
EBIT Margin	3					
2020		7.7%	11.5%	8.0%	5.9%	7.2%
2019		5.9%	10.6%	5.9%	5.3%	5.9%

^ 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$45,657 million (2019: HK$44,719 million).

Note 2: The sales volume for the Chinese mainland 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$5,064 million (2019: HK$4,300 million) and HK$3,286 million (2019: HK$2,636 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).

2020 RESULTS SUMMARY

Swire Coca-Cola made an attributable profit of HK$2,076 million in 2020. This compares with an attributable profit of HK$1,686 million in 2019. The 2019 figure included a non-recurring gain of HK$85 million from the disposal of a plant in Yunnan in the Chinese mainland and a non-recurring gain of HK$17 million on the disposal of a sales centre in the USA.

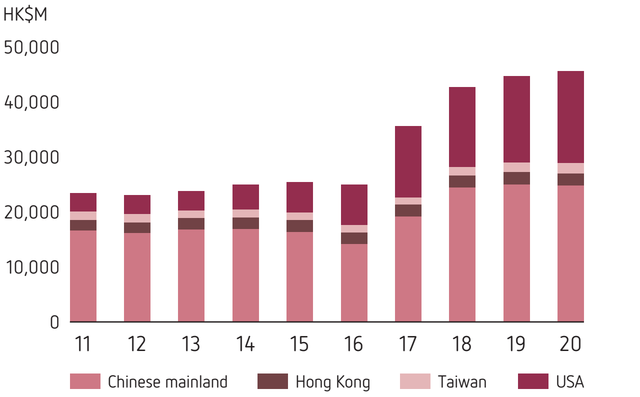
Disregarding the non-recurring gains in 2019, the attributable profit of HK$2,076 million in 2020 was 31% higher than the attributable profit of HK$1,584 million in 2019.

Total revenue (including that of a joint venture company and excluding sales to other bottlers) increased by 2% to HK$45,657 million. Sales volume decreased by 2% to 1,743 million unit cases. Revenue grew but volume declined in the Chinese mainland. Revenue and volume grew in Taiwan and the USA. In Hong Kong, revenue and volume declined.

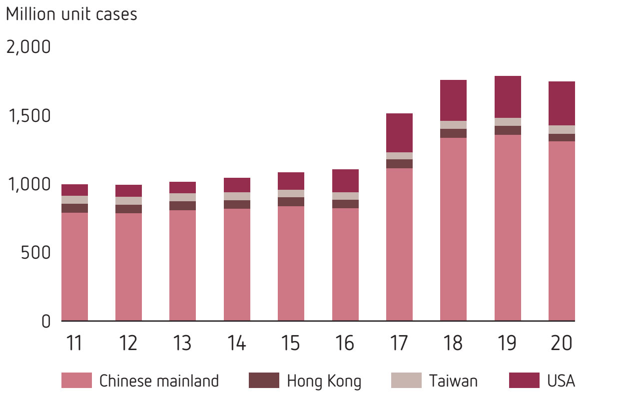
EBITDA (including that of a joint venture company and excluding non-recurring gains and central costs) increased by 18% to HK$5,064 million. The EBITDA margin increased from 9.6% to 11.1%.

In 2020, Swire Coca-Cola continued to make significant investments in production assets, logistics infrastructure, merchandising equipment and digital capabilities. Capital commitments at 31st December 2020 were HK$1,845 million.

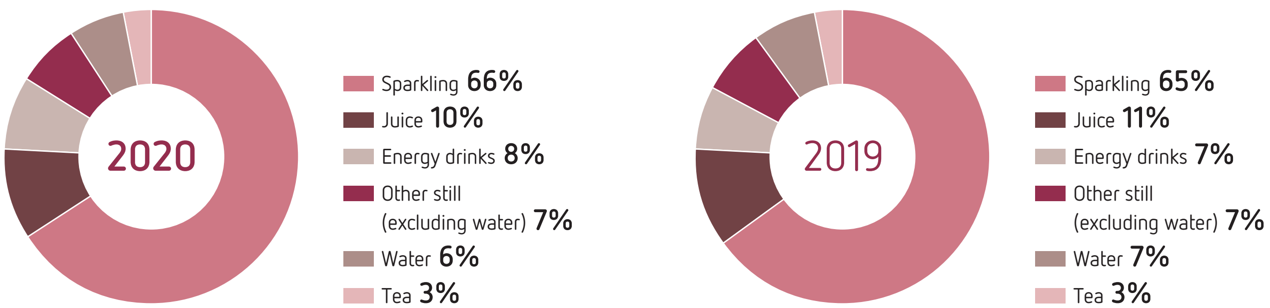
Revenue#



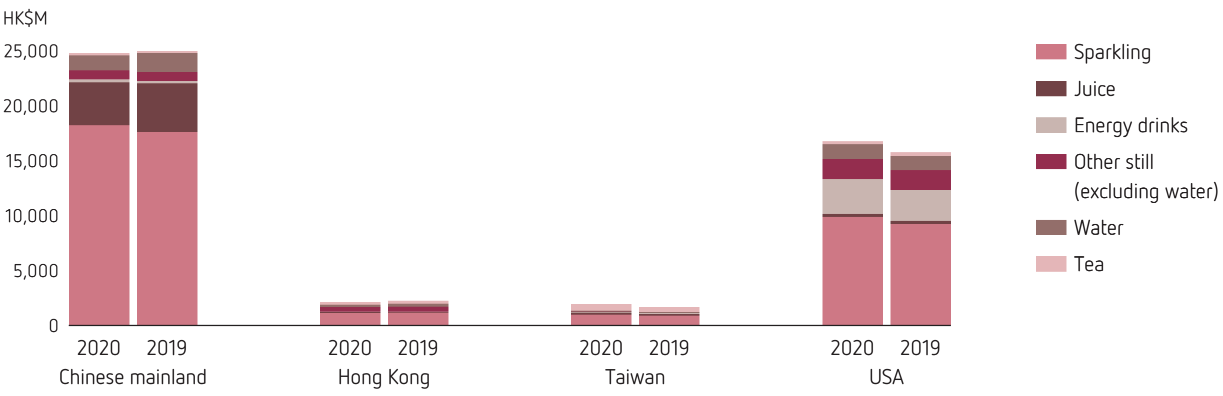
Sales Volume#



Breakdown of Total Revenue by Category#



Breakdown of Revenue by Region and Category#



Revenue and volume include those of a joint venture company and exclude sales to other bottlers.

Growth in Revenue and Volume in 2020 by Category##

	Chinese mainland		Hong Kong		Taiwan		USA	
	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume
Sparkling	6%	4%	-1%	-7%	7%	5%	9%	3%
Juice	-10%	-10%	-13%	-14%	1%	-1%	-17%	-28%
Tea	14%	2%	-7%	-8%	14%	4%	-7%	-8%
Energy drinks	24%	23%	13%	10%	19%	21%	14%	13%
Other still (excluding water)	0%	-9%	-4%	-8%	-2%	12%	5%	1%
Water	-18%	-21%	-25%	-23%	16%	14%	1%	10%

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

Chinese mainland

Attributable profit from the Chinese mainland was HK$1,041 million in 2020. Disregarding a non-recurring gain on disposal of a plant in 2019, the attributable profit increased by 22%.

Revenue (including that of a joint venture company and excluding sales to other bottlers) grew by 1% in local currency terms. At the start of 2020, sales were adversely affected by COVID-19. There was a strong recovery from May.

Sparkling sales revenue grew by 6%. Juice and water sales revenue declined by 10% and 18% respectively. A lot of juice and water is drunk away from home. COVID-19 adversely affected consumption of drinks away from home. Revenue from premium categories of coffee, tea and energy drinks increased by 210%, 14% and 24% respectively.

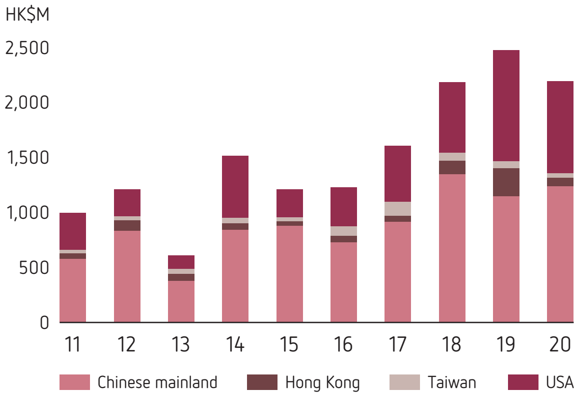
Total sales volume decreased by 4%.

The increase in revenue and lower raw material costs were partly offset by higher depreciation charges.

EBITDA and EBIT (including that of a joint venture company and excluding non-recurring gains and central costs) increased by 23% and 32% in local currency terms respectively. The EBITDA margin increased from 9.4% in 2019 to 11.4% in 2020. The EBIT margin increased from 5.9% to 7.7%.

Swire Coca-Cola's business was adversely affected by COVID-19 in the early part of the year, but recovered strongly outside Hong Kong.

Capital Expenditure



Hong Kong

Attributable profit from Hong Kong in 2020 was HK$216 million, a 4% increase from 2019. A decrease in revenue was more than offset by savings in the costs of raw materials and the financial support provided by the Hong Kong government under the employment subsidy scheme.

Revenue (excluding sales to other bottlers) decreased by 6%, reflecting the adverse effect of COVID-19 throughout the year. Sparkling revenue decreased by 1%. Still revenue decreased by 10%. Tea, juice and water revenue decreased by 7%, 13% and 25% respectively.

Total sales volume decreased by 12%, principally reflecting the adverse effect of COVID-19 on the consumption of drinks away from home.

EBITDA and EBIT increased by 5% and 2% respectively. The EBITDA margin increased from 14.5% in 2019 to 16.1% in 2020. The EBIT margin increased from 10.6% to 11.5%.

Taiwan

Attributable profit from Taiwan in 2020 was HK$118 million, a 57% increase from 2019.

Revenue in local currency terms increased by 9%, a higher growth rate than that of volume. This reflected effective revenue growth management, successful introductions of new products and an improved product mix.

Sparkling revenue increased by 7%. Still revenue increased by 11%. Tea and energy drinks revenue increased by 14% and 19% respectively.

Total sales volume increased by 5%.

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

EBITDA and EBIT increased by 32% and 48% in local currency terms respectively. The EBITDA margin increased from 9.8% in 2019 to 11.8% in 2020. The EBIT margin increased from 5.9% to 8.0%.

USA

Attributable profit from the USA was HK$797 million in 2020. Disregarding a non-recurring gain on disposal of a sales centre in 2019, the attributable profit increased by 45%. The beneficial effects of an increase in revenue and absence of a withholding tax payment were partly offset by higher operating expenses.

Revenue in local currency terms (excluding sales to other bottlers) grew by 7%. The revenue increase reflected higher sales volume, price increases, reductions in sales discounts and expenditure on promotion, and an improved product mix.

Sparkling revenue increased by 9%. Still revenue increased by 6%. The latter increase reflected increases in revenue from energy and sports drinks of 14% and 8% respectively.

Total sales volume increased by 4%. This reflected in part a shift from on-premise channels to at-home channels, where we have a stronger presence.

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

Swire Coca-Cola continues to develop better product and package mixes, and improve market execution for its diversified product portfolio.

EBITDA and EBIT (excluding non-recurring gains and central costs) increased by 15% and 20% in local currency terms respectively. The EBITDA margin increased from 9.3% in 2019 to 10.0% in 2020. The EBIT margin increased from 5.3% to 5.9%.

OUTLOOK

Assuming no resurgence of COVID-19, revenue in the Chinese mainland is expected to grow strongly in 2021. This reflects better product and package mixes, and improved market execution. Increased operating costs, particularly staff costs, will put pressure on profits. Significant capital expenditure will continue as planned.

In Hong Kong, the beverages market is expected to continue to be adversely affected by COVID-19 in 2021. Increased depreciation charges and operating costs (due to the enhancement of distribution and production facilities) will put pressure on profits.

Revenue is expected to grow strongly in Taiwan in 2021. Capacity constraints should be eased when a contract packer's new production line is operated at full capacity.

In the USA, revenue is expected to grow strongly in 2021. Expansion of logistics facilities will improve operational efficiency but will add depreciation charges and operating costs.

Patrick Healy

MARINE SERVICES DIVISION

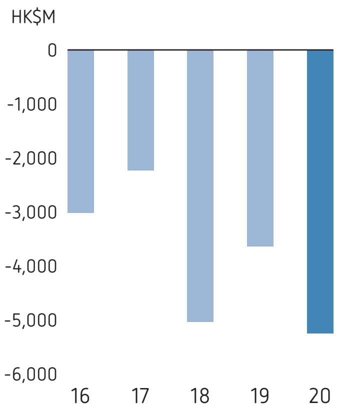
Pacific Dolphin, one of Swire Pacific Offshore's vessels


IMO 9631400
PACIFIC DOLPHIN
SINGAPORE

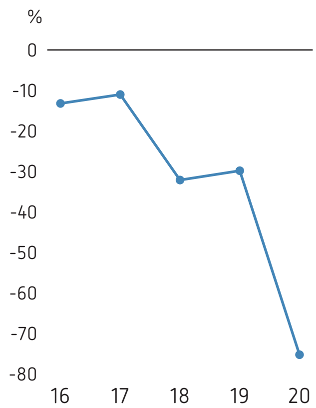
MARINE SERVICES DIVISION

The Marine Services Division, through Swire Pacific Offshore (SPO), owns and operates offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA.

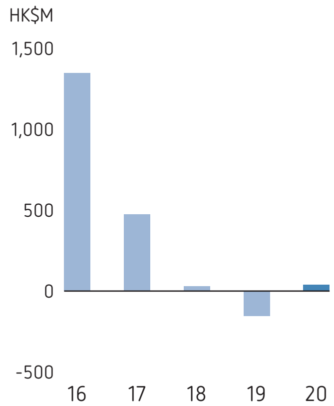
Loss Attributable to the Company's Shareholders



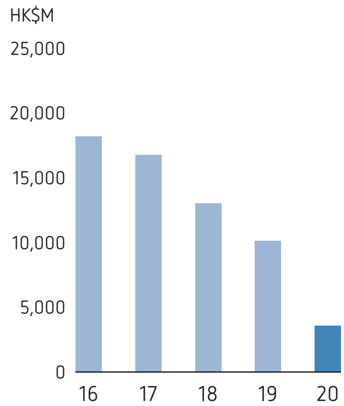
Return on Capital Employed



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 and servicing and oil rig decommissioning.

In November 2020, Cadeler A/S (Cadeler) (which carried on SPO's windfarm installation business and was previously known as Swire Blue Ocean A/S) was listed on the Oslo Stock Exchange by way of an initial public offering. As the resulting shareholding in Cadeler is below 50%, it is no longer consolidated as a subsidiary. Instead, it is accounted for as an associated company.

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 providing a 24-hour service. It operates six container vessels.

SPO

SPO's Fleet

At 31st December 2020, SPO operated a fleet of 61 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 a subsea multi-purpose vessel, a seismic survey vessel, an accommodation barge 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, 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 2019	Redelivery[1]	Disposals[2]	Year-end 2020
Anchor Handling Tug Supply Vessels	41	–	(5)	36
Platform Supply Vessels	22	–	(1)	21
Construction and Specialist Vessels	10	(1)	(5)	4
	73	(1)	(11)	61

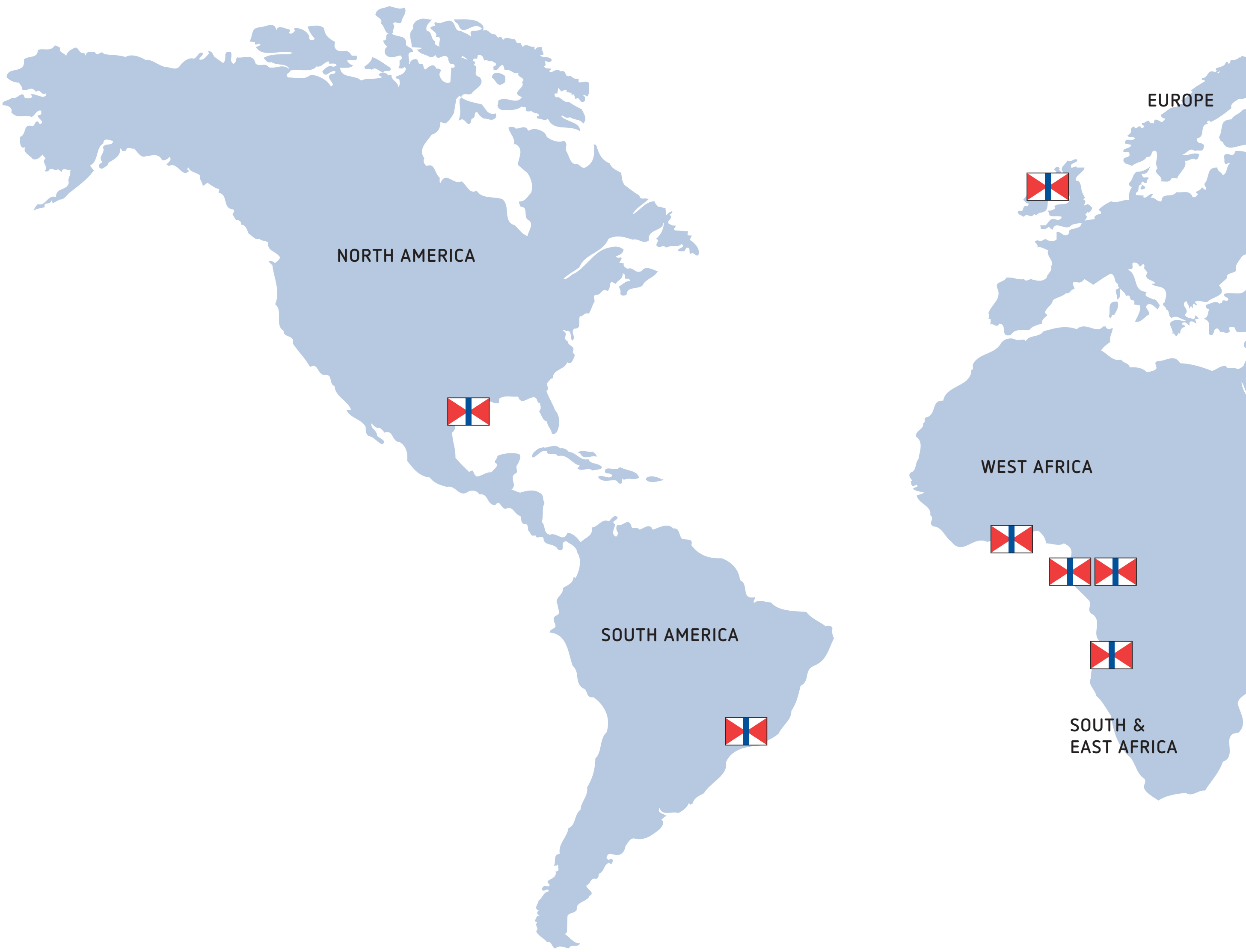
1. A vessel subject to an operating lease was returned upon lease expiry in the first half of 2020.
2. Two CSVs were removed from the operating fleet following the completion of the initial public offering of Cadeler.

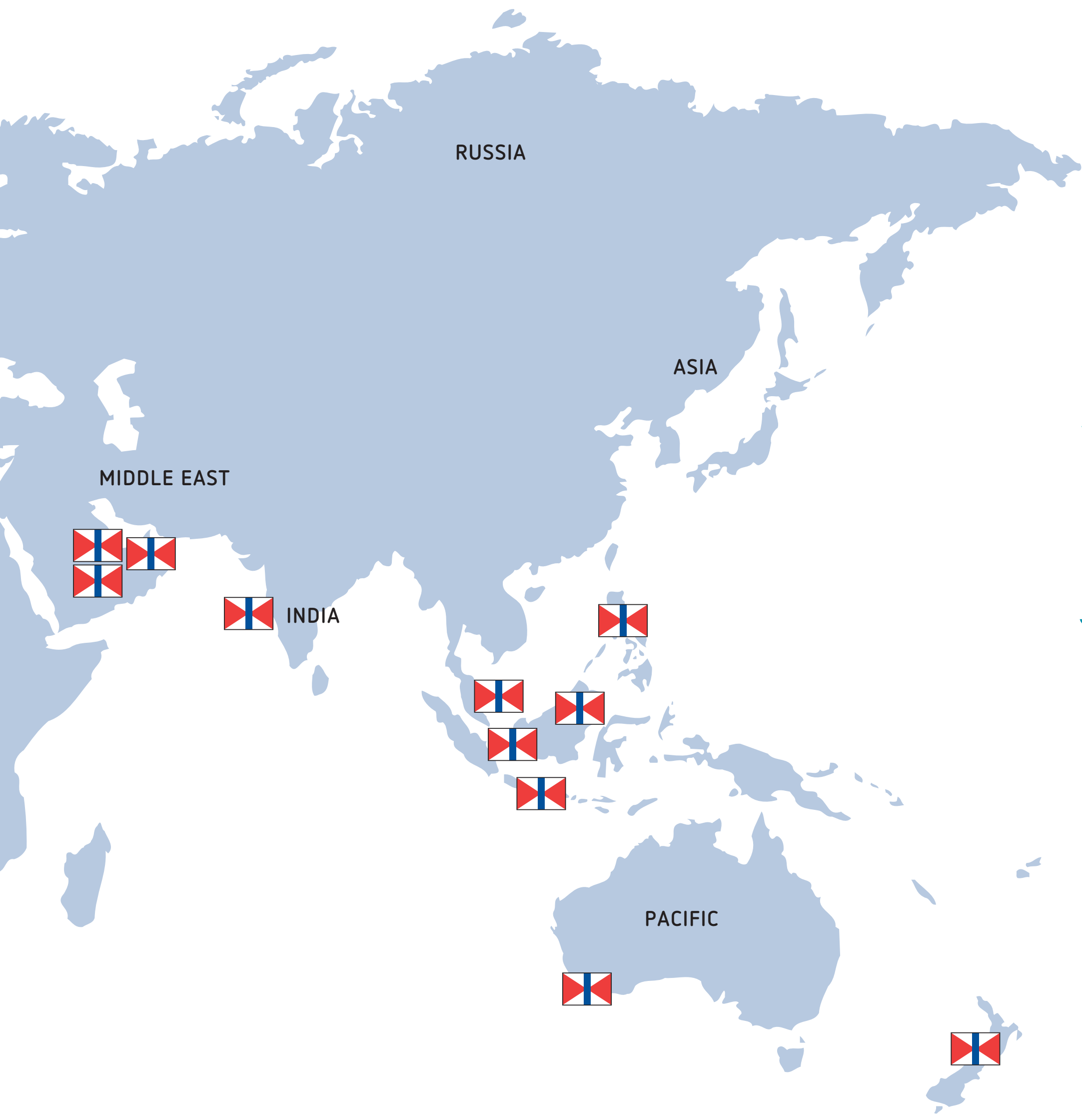
STRATEGY

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 2020

Anchor Handling Tug Supply Vessels	36
Platform Supply Vessels	21
Subsea Multi-Purpose Vessels	1
Seismic Survey Vessels	1
Accommodation Barges	1
Fast Catamaran	1

2020 PERFORMANCE

Financial Highlights

	2020 HK$M	2019 HK$M
Swire Pacific Offshore group		
Revenue	**1,890**	2,452
Operating loss derived from		
Operating activities	**(937)**	(1,134)
Gain/(loss) on disposal of vessels and equipment	**71**	(41)
Gain on disposal of a subsidiary	**53**	–
Impairment charges	**(4,345)**	(2,121)
Restructuring provision	**–**	(125)
Total operating loss	**(5,158)**	(3,421)
Attributable loss	**(5,263)**	(3,672)
HUD group		
Share of post-tax profits from joint venture companies	**23**	38
Attributable loss	**(5,240)**	(3,634)
Non-recurring items		
Gain/(loss) on disposal of vessels and equipment	**71**	(41)
Gain on disposal of a subsidiary	**53**	–
Impairment charges	**(4,345)**	(2,121)
Restructuring provision	**–**	(125)
	(4,221)	(2,287)
Recurring loss	**(1,019)**	(1,347)

Swire Pacific Offshore reduced its interest in Cadeler on its listing on the Oslo Stock Exchange in November 2020.

SWIRE PACIFIC OFFSHORE GROUP

2020 OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY REVIEW

Industry conditions were very difficult. The industry was adversely affected by the reduction in offshore oil and gas activity attributable to COVID-19. The oversupply of offshore support vessels put pressure on charter hire rates.

2020 RESULTS SUMMARY

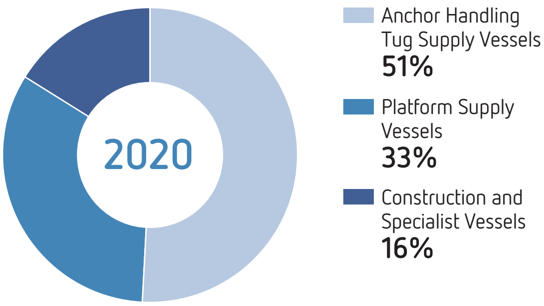
SPO reported an attributable loss of HK$5,263 million in 2020, compared to a loss of HK$3,672 million in 2019.

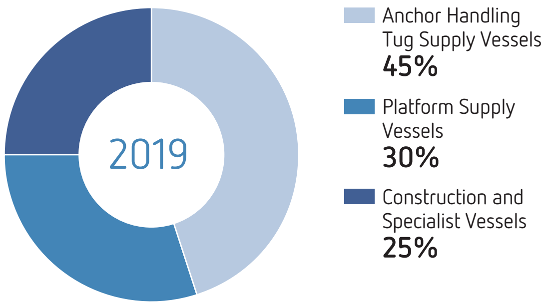
The loss for 2020 included impairment charges in respect of the carrying value of vessels and other assets aggregating HK$4,345 million. The reduction of the interest in Cadeler on its listing on the Oslo Stock Exchange resulted in a gain of HK$53 million.

Excluding impairment charges and other non-recurring items in both years and the gain on the reduction of the interest in Cadeler in 2020, SPO made an attributable loss of HK$1,042 million in 2020 (compared to a loss of HK$1,385 million in 2019). These losses reflect the difficult market conditions in the offshore energy industry.

SPO's net cash outflow from operating activities was HK$52 million in 2020, compared to an outflow of HK$187 million in 2019.

SPO – Charter Hire Revenue by Vessel Class





Charter Hire

Charter hire revenue decreased by 25% to HK$1,705 million in 2020. The decrease principally reflected reduced utilisation for the core and specialist fleet and reduced charter hire rates for the specialist fleet.

SPO had a fleet utilisation rate of 70.3% in 2020, a decrease of 6.6 percentage points from 2019. Average charter hire rates decreased by 10% to US$12,200 per day.

Core Fleet (AHTSs and PSVs)

The utilisation rate for SPO's core fleet decreased by 8.3 percentage points from 2019, to 74.0% in 2020. Charter hire rates for the core fleet were unchanged at US$11,100 per day.

One AHTS vessel was in cold stack at 31st December 2020. Three AHTS vessels were in managed lay-up at 31st December 2020.

Specialist Fleet

The utilisation rate of SPO's CSVs decreased by 1.2 percentage points to 43.5% in 2020. Charter hire rates for the CSVs decreased by 36%, to US$26,500 per day.

A seismic survey vessel was in cold stack and a high-speed catamaran crew boat was in warm stack at 31st December 2020.

Non-charter Hire

Non-charter hire income was HK$185 million in 2020, a decrease of 2% compared to 2019.

Operating Costs

Total operating costs in 2020 decreased by HK$729 million (or 21%) to HK$2,819 million. This decrease principally reflected savings in manning costs, vessels sales, stacking and a different fleet mix.

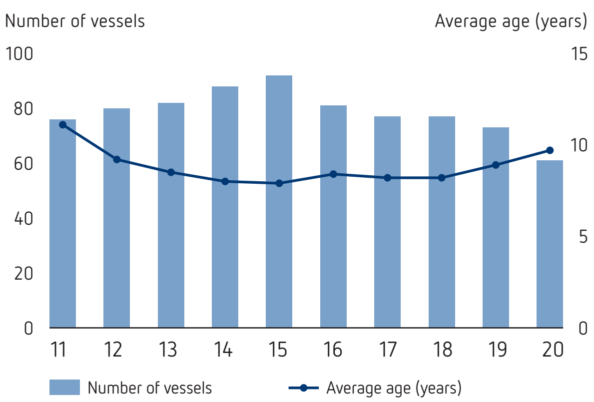
FLEET

SPO had 61 vessels at the end of 2020, compared with 73 at the end of 2019.

SPO disposed of five AHTSs, one PSV, one accommodation barge and two subsea multi-purpose vessels and redelivered one subsea multi-purpose vessel in 2020. Two windfarm installation vessels were removed from the fleet in 2020 as a result of the initial public offering of Cadeler. Total capital expenditure on fixed assets in 2020 was HK$158 million, compared to HK$402 million in 2019.

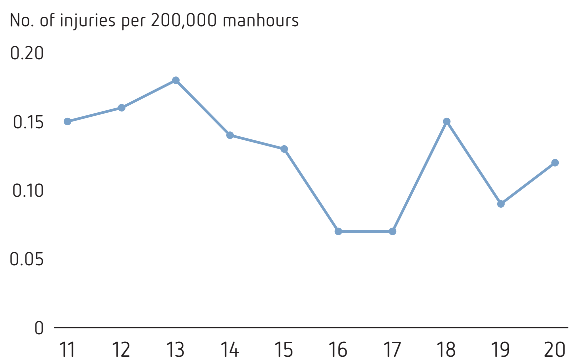
At 31st December 2020, SPO had total capital expenditure commitments of HK$107 million (31st December 2019: HK$392 million).

SPO – Fleet Size and Average Age of Vessels*



* Including vessels chartered from external parties.

SPO – LTIR



OUTLOOK

COVID-19 and reduced oil prices have severely affected the offshore oil and gas industry. There have been cancellations and suspensions of exploration and production. Future projects have been deferred indefinitely. There are too many vessels. Charter hire rates are depressed. SPO's vessel utilisation stabilised in the second half of 2020. However, a significant increase in charter hire rates will be required to restore SPO's business to profitability. SPO continues to adapt to market conditions and manage costs prudently.

Peter Langslow

HONGKONG UNITED DOCKYARDS GROUP

2020 INDUSTRY REVIEW

The shipping industry suffered from COVID-19 and US-China trade tensions in 2020.

There were fewer relevant engineering contracts awarded in 2020 than expected.

2020 RESULTS SUMMARY

The attributable profit of the HUD group for 2020 was HK$23 million compared to HK$38 million in 2019.

The salvage and towage division's 2020 profit (before tax and interest and on a 100% basis) was HK$83 million (2019: HK$146 million). The 2019 results included one-off profits from emergency oil spill response work and gains on the disposal of two tugs. The 2020 results reflected the effect on the shipping industry of COVID-19 and US-China trade tensions.

The engineering division recorded a loss (before tax and interest and on a 100% basis) of HK$47 million compared to a loss of HK$57 million in 2019.

The salvage and towage division has 19 vessels, including six container vessels.

OUTLOOK

The shipping industry background for the salvage and towage division is expected to remain weak in 2021.

The engineering division is not expected to win many tenders in 2021. Savings in costs are planned.

David Cogman

TRADING & INDUSTRIAL DIVISION

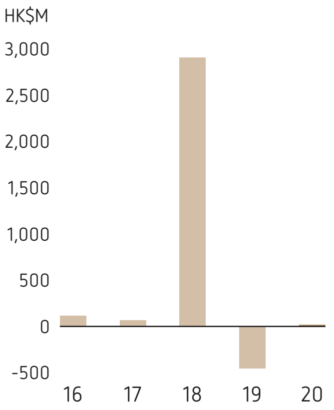
Taikoo Motors is the principal distributor of Volkswagen vehicles in Taiwan.


WOB RL 810

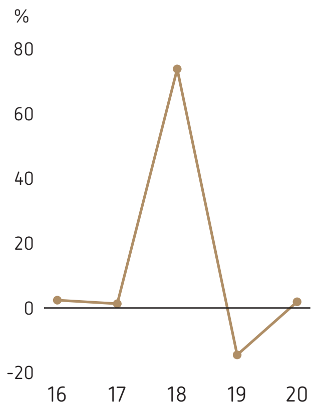
TRADING & INDUSTRIAL DIVISION

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

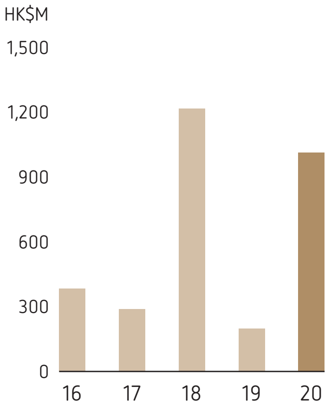
Profit/(Loss) Attributable to the Company's Shareholders



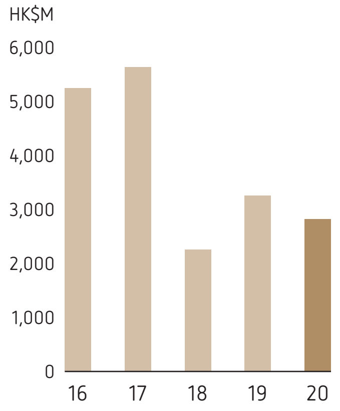
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



SWIRE RESOURCES

Swire Resources retails and distributes footwear, apparel and related accessories. At 31st December 2020, it operated 172 retail outlets in Hong Kong and Macau and 12 retail outlets in the Chinese mainland.

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 FOODS

Chongqing New Qinyuan Bakery

Qinyuan Bakery is a leading bakery chain in southwest China, with 546 stores in Chongqing, Guiyang and Chengdu at the end of 2020.

Taikoo Sugar

Taikoo Sugar packages and sells sugar in Hong Kong and the Chinese mainland under the Taikoo Sugar brand.

SWIRE ENVIRONMENTAL SERVICES

Swire Waste Management seeks waste management contracts in Hong Kong. It has contracts to provide waste management services to seven outlying islands and to the northwest New Territories.

STRATEGY

The strategic objective of the Trading & Industrial Division is 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.
- Strengthening Qinyuan Bakery by increasing the range of its products and the number of its stores.
- Expanding the distribution network of Taikoo Sugar in the Chinese mainland.
- Increasing the number of waste management contracts awarded to Swire Waste Management.

2020 PERFORMANCE

Financial Highlights

	2020 HK$M	2019 HK$M
Revenue		
Swire Resources	1,973	3,113
Taikoo Motors	4,984	5,190
Swire Foods	1,410	1,605
	8,367	9,908
Operating profits/(losses)		
Swire Resources	(143)	(3)
Taikoo Motors	196	173
Swire Foods	21	(348)
Swire Pacific Cold Storage*	–	104
Swire Environmental Services	(1)	(285)
Central costs	(8)	(20)
	65	(379)
Attributable profits/(losses)		
Swire Resources	(134)	(24)
Taikoo Motors	145	132
Swire Foods	(9)	(365)
Swire Pacific Cold Storage*	–	140
Swire Environmental Services	19	(315)
Central costs	(9)	(20)
Attributable profit/(loss)	12	(452)
Non-recurring items		
Gain on disposal of businesses	–	140
Provision for business rationalisation in Qinyuan Bakery	–	(152)
Write-off of:		
– Goodwill in respect of Qinyuan Bakery	–	(200)
– An associated company	–	(281)
	–	(493)
Recurring profit	12	41

* representing adjustments on disposal of interest in the company in 2018.

2020 INDUSTRY REVIEW

Footwear and apparel business in Hong Kong and the Chinese mainland

Footwear and apparel sales in Hong Kong and the Chinese mainland decreased by 41% and 7% respectively in 2020.

Car sales in Taiwan

Car registrations in Taiwan increased by 4% to 457,411 units in 2020.

Bakery sales in the Chinese mainland

Retail sales of bakery products sold in the Chinese mainland increased by 3% in 2020.

Sugar sales in the Chinese mainland

The volume of sugar sold in the Chinese mainland decreased by 3% to 32,628 million pounds in 2020.

2020 RESULTS SUMMARY

The attributable profit of the Trading & Industrial Division in 2020 was HK$12 million compared to an attributable loss of HK$452 million in 2019. 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. Disregarding these non-recurring items, the Division made an attributable profit of HK$41 million in 2019. The deterioration (to HK$12 million in 2020) mainly reflects worse results from Swire Resources, partly offset by improved results from Swire Environmental Services and Taikoo Motors.

Swire Resources

The attributable loss of Swire Resources in 2020 was HK$134 million, compared to a loss of HK$24 million in 2019. The business was severely affected by COVID-19 (which effectively eliminated inbound tourism) and weak local consumption. The impact was partially offset by the Hong Kong government's employment subsidy scheme.

The revenue of Swire Resources in 2020 was 37% lower than in 2019. The gross profit percentage decreased because of heavy discounting. Costs were reduced aggressively.

172 retail outlets were operated in Hong Kong and Macau at the end of 2020, 19 fewer than the end of 2019. 12 retail outlets were operated in the Chinese mainland at the end of 2020, one less than at the end of 2019.

Taikoo Motors

The attributable profit of Taikoo Motors increased to HK$145 million in 2020 from HK$132 million in 2019.

17,209 vehicles were sold in 2020, 2% fewer than in 2019. The gross profit margin was higher than in 2019, due to a favourable product mix. Operating costs represented similar percentages of revenue in 2019 and 2020.

Swire Foods

Swire Foods reported an attributable loss of HK$9 million in 2020, compared with an attributable loss of HK$365 million in 2019.

Qinyuan Bakery recorded an attributable loss of HK$36 million in 2020 compared with 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 in 2019 was HK$37 million.

The 2020 revenue and gross profit of Qinyuan Bakery decreased by 13% and 14% respectively. This primarily reflected reduced store numbers (546 at the end of 2020 compared with 571 at the end of 2019) and the impact of COVID-19 in the first half of 2020.

Taikoo Sugar recorded an attributable profit of HK$27 million in 2020, compared to a profit of HK$24 million in 2019. The 2020 volumes of sugar sold decreased by 1% and 6% in Hong Kong and the Chinese mainland respectively. The food services business was adversely affected by COVID-19. Margins decreased with lower sales volume. Operating costs were lower in 2020 due to cost savings and subsidy payments received from the Hong Kong government's employment subsidy scheme.

Swire Environmental Services

Swire Environmental Services made an attributable profit of HK$19 million in 2020, compared with an attributable loss (before the write-off of an investment in an associated company of HK$281 million) of HK$34 million in 2019.

In February 2021, we acquired the 50% interest in Swire Waste Management Limited which we did not already own.

OUTLOOK

The retail market continues to be very difficult for Swire Resources in Hong Kong because of COVID-19. Some recovery can be expected in Macau.

Taikoo Motors is upgrading its outlets and developing motor-related businesses. Its results are expected to be stable in 2021.

Qinyuan Bakery is upgrading its stores. The range and quality of its products are improving. Its supply chain is becoming more agile and efficient.

Taikoo Sugar is expanding its distribution network in the Chinese mainland. A new category of food products under the Taikoo Sugar brand will be introduced in 2021.

David Cogman

Financial Review

Additional information is provided below to reconcile reported and underlying (loss)/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 the Chinese mainland 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 (loss)/profit.

Audited Financial Information

	Note	2020 HK$M	2019 HK$M
Underlying (loss)/profit			
(Loss)/profit attributable to the Company's shareholders		(10,999)	9,007
Adjustments in respect of investment properties:			
Valuation losses/(gains) of investment properties	(a)	4,263	(4,571)
Deferred tax on investment properties	(b)	446	1,138
Valuation gains realised on sales of interests in investment properties	(c)	3,990	14,159
Depreciation of investment properties occupied by the Group	(d)	31	32
Amortisation of right-of-use assets reported under investment properties	(e)	(49)	(13)
Non-controlling interests' share of adjustments		(1,651)	(1,955)
Underlying (loss)/profit attributable to the Company's shareholders		(3,969)	17,797

Notes:
(a) This represents the net valuation movements as shown in the consolidated statement of profit or loss and the Group's share of net valuation movements of joint venture companies.
(b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on valuation movements on investment properties in the Chinese mainland 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 valuation 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 (loss)/profit.

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

	2020 HK$M	2019 HK$M
Underlying (loss)/profit attributable to the Company's shareholders	(3,969)	17,797
Significant non-recurring items:		
Profit on sales of interests in investment properties	(4,584)	(13,528)
Profit on sale of businesses in Trading & Industrial Division	–	(140)
Profit on sale of property, plant and equipment and other investments	(85)	(145)
Impairment of property, plant and equipment, right-of-use assets and intangible assets and write-off of investments and deferred tax assets	6,956	3,237
Restructuring costs at the Cathay Pacific group	1,073	–
Recurring underlying (loss)/profit*	(609)	7,221

* A more detailed definition is provided in the Glossary on pages 234 and 235.

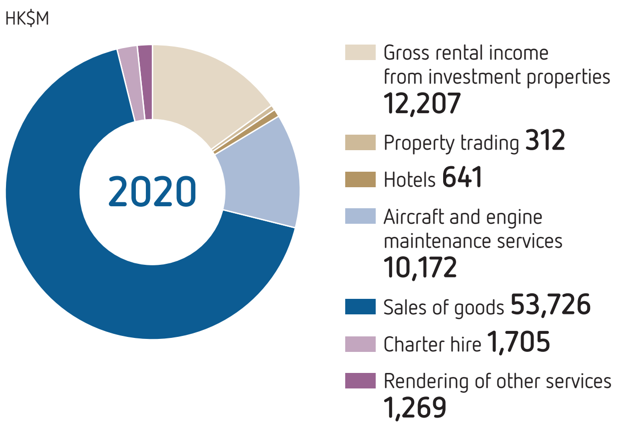
Commentary on and Analysis of Major Balances and Year on Year Variances in the Financial Statements

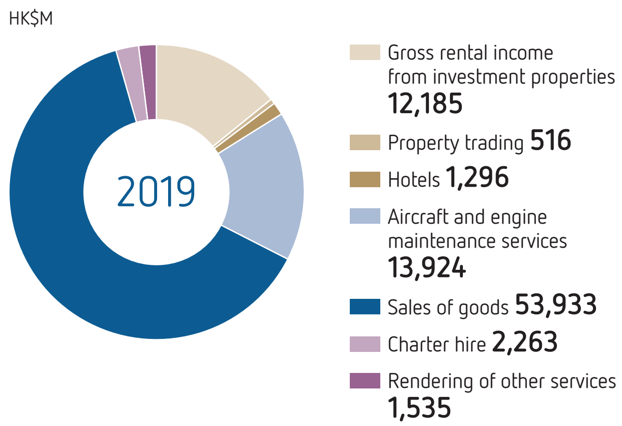
Consolidated Statement of Profit or Loss

	Notes to the Financial Statements	2020 HK$M	2019 HK$M	Increase / (Decrease) HK$M	Increase / (Decrease) %
Revenue	4	80,032	85,652	(5,620)	-7%
Cost of sales	6	(49,817)	(53,831)	4,014	7%
Expenses	6	(21,525)	(21,432)	(93)	0%
Other net losses	5	(1,574)	(325)	(1,249)	-384%
Change in fair value of investment properties		(4,421)	3,728	(8,149)	N/A
Operating profit		2,695	13,792	(11,097)	-80%
Net finance charges	9	(1,835)	(2,042)	207	10%
Share of profits of joint venture companies	20(a)	1,315	1,949	(634)	-33%
Share of (losses)/profits of associated companies	20(b)	(9,850)	885	(10,735)	N/A
Taxation	10	(2,420)	(2,746)	326	12%
(Loss)/profit for the year		(10,095)	11,838	(21,933)	N/A
(Loss)/profit attributable to the Company's shareholders	35	(10,999)	9,007	(20,006)	N/A
Underlying (loss)/profit attributable to the Company's shareholders	11	(3,969)	17,797	(21,766)	N/A

Revenue

Revenue by Category





The decrease in revenue of HK$5,620 million in 2020 reflected lower revenue from the Aviation Division (HK$4,418 million), the Trading and Industrial Division (HK$1,535 million), the Property Division (HK$873 million) and the Marine Services Division (HK$562 million), partly offset by an increase in revenue from the Beverages Division (HK$1,764 million).

In the Property Division, gross rental income from property investment increased by HK$22 million in 2020. In Hong Kong, gross rental income from office properties increased marginally. Positive rental reversions and firm occupancy (particularly at Taikoo Place) more than offset the loss of rental income from Cityplaza Three and Cityplaza Four in Hong Kong, which were sold in April 2019. Rental income from retail properties in Hong Kong was approximately the same as in 2019. Rental concessions granted in 2020 were amortised over the remaining lease terms. Those granted in 2019 were fully accounted for in 2019. This largely offset the adverse effect of lower retail sales in Hong Kong. In the Chinese mainland, there was higher rental income from retail properties. This reflected higher retail sales, partly offset by rental concessions due to COVID-19. In the USA, rental income decreased, mainly due to the loss of office rental income following the disposal of two office towers in July 2020. Revenue from property trading decreased by HK$204 million compared to 2019. The property trading revenue in 2020 represented the proceeds of sales of two Reach units and 29 Rise units at the Brickell City Centre development in the USA. Revenue from hotels decreased by HK$655 million in 2020.

This was due to decline in occupancy because of COVID-19 associated travel restrictions.

In the Aviation Division, the revenue of the HAECO group fell. This principally reflected the adverse effect of COVID-19 travel restrictions on aircraft utilisation and therefore on airframe and line maintenance services.

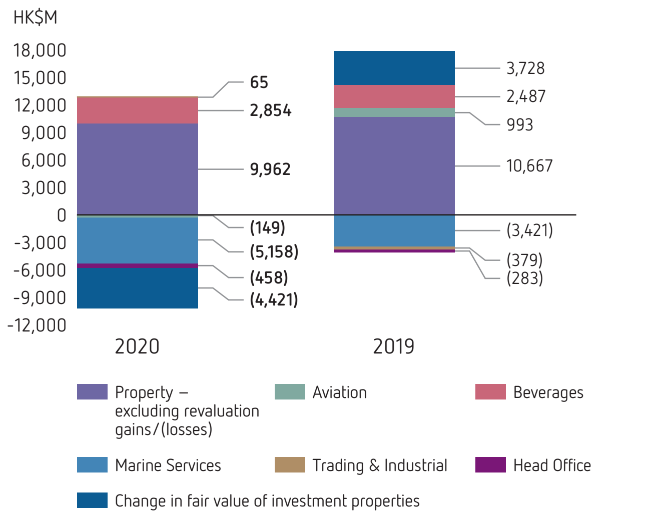
In the Beverages Division, sales revenue increased in all regions except Hong Kong. In the Chinese mainland, volume decreased, but revenue increased because of a favourable sales mix. Revenue increased in the USA, principally because of increased volume. Revenue increased in Taiwan because of higher volume and a favourable product mix.

In the Marine Services Division, the decrease in revenue at SPO principally reflected lower charter hire rates for the specialist fleet and lower utilisation rates for the whole fleet. Non-charter hire income fell by 2%.

In the Trading & Industrial Division, there were decreases in revenue at Swire Resources, Taikoo Motors and Swire Foods. Retail sales at Swire Resources were significantly affected by COVID-19 (which stopped most inbound tourism) and by weak local consumption.

Operating Profit

Operating Profit/(Loss) by Division



There was a reduction in the fair value of investment properties of HK$4,421 million in 2020, compared with an increase in such fair value of HK$3,728 million in 2019. The reduction in 2020 principally reflected the disposal of the Cityplaza One office tower in Hong Kong and of two office towers in Miami, USA and a decrease in the valuation of retail and office properties in Hong Kong. Disregarding changes in the fair value of investment properties, operating profit decreased by HK$2,948 million in 2020. This reflected an increase in impairment charges at the Marine Services Division, a move from profit to loss at the Aviation Division and a reduction in profit at the Property Division, partly offset by an increase in profit at the Beverages Division and the absence of impairments and provisions at the Trading & Industrial Division.

The Property Division's operating profit (disregarding changes in the fair value of investment properties) decreased by HK$705 million. Profit from property investment decreased by HK$404 million. This reflected a reduction in the profit on the sales of interests in investment properties of HK$512 million, partly offset by higher net rental income from the retail properties in the Chinese mainland. Property trading incurred an operating loss of HK$49 million, compared with a profit of HK$4 million in 2019. In 2019, there were profits on the sale of car parking spaces at the ALASSIO development in Hong Kong. In 2020, fewer units were sold in the USA than in 2019. The operating loss from hotels increased by HK$248 million in 2020, largely due to COVID-19.

In the Aviation Division, the HAECO group's 2020 operating loss of HK$94 million included non-recurring impairment charges HK$218 million in respect of rotable aircraft parts at HAECO ITM and of HK$90 million in respect of intangible assets at HAECO Americas. Disregarding these non-recurring items, the HAECO group reported an operating profit of HK$214 million in 2020. The reduction in operating profit was due to less aviation maintenance and repair work.

In the Beverages Division, the 2020 operating profit increased by HK$508 million, disregarding gains of HK$141 million on the disposal of a plant in the Chinese mainland and of a sales centre in the USA in 2019. Operating profits were higher in all regions. This reflected revenue growth in the Chinese mainland, Taiwan and the USA, partly offset by higher operating costs. In Hong Kong, the decrease in revenue was more than offset by raw material cost savings and financial assistance provided by the Hong Kong government.

In the Marine Services Division, the operating loss at SPO included an impairment charge of HK$4,345 million in respect of vessels (2019: HK$2,121 million), a gain on disposal of vessels and equipment of HK$71 million (2019: a loss of HK$41 million) and a gain on disposal of a subsidiary of HK$53 million. The 2019 results also included a HK$125 million restructuring provision in respect of the seabed business. Disregarding non-recurring items in both years, operating losses at SPO reduced from HK$1,134 million in 2019 to HK$937 million in 2020. This principally reflected savings in manning costs and a change in the fleet mix.

Disregarding non-recurring items in 2019 (a write-off of the investment in an associated company, impairment charges and other provisions at Qinyuan Bakery and a write-back of provisions relating to the sale of Swire Pacific Cold Storage), the operating profit of the Trading & Industrial Division decreased by HK$85 million in 2020. Swire Resources recorded a higher operating loss in 2020 due to COVID-19. The effect of this was partly offset by a higher operating profit (reflecting a favourable product mix) at Taikoo Motors.

Net Finance Charges

The decrease in net finance charges reflected lower finance charges due to lower interest rates and higher fair value gains on put options over non-controlling interests in subsidiary companies.

Share of Profits of Joint Venture Companies

In the Property Division, profits from joint venture companies decreased by HK$541 million. This principally reflected net revaluation losses of HK$53 million, compared with net revaluation gains of HK$433 million in 2019. There were higher operating losses from hotels.

In the Aviation Division, profits from joint venture companies in the HAECO group decreased by HK$102 million, principally reflecting a lighter work mix at HAESL.

In the Beverages Division, profit from a joint venture company in Shanghai was higher than that in 2019.

In the Trading & Industrial Division, there was an increase in the share of profit from joint venture companies. This was mainly due to a higher profit from Swire Waste Management.

Share of Losses/Profits of Associated Companies

The Cathay Pacific group incurred a loss of HK$9,742 million in 2020 compared to a profit of HK$761 million in 2019. The 2020 loss included post-tax impairment and related charges, and restructuring costs (which included a write-off of a deferred tax asset at Cathay Dragon) aggregating HK$3,445 million. The adverse effect of these was partially offset by government grants. Passenger revenue fell. The number of passengers carried and the load factor were significantly reduced as compared to 2019. The cargo business benefited from an imbalance between supply and demand. Yield and revenue improved from 2019, despite a substantial drop in capacity.

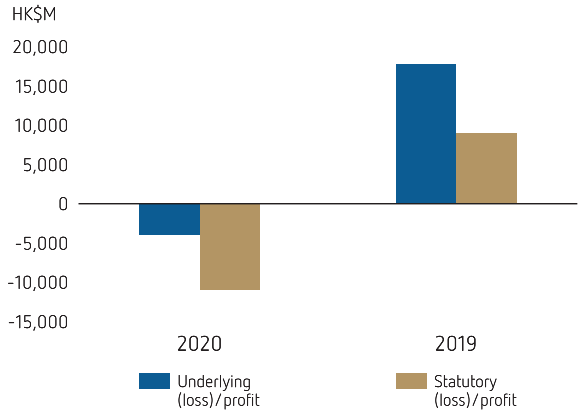
In the Property Division, the performance of the three associate hotels at Pacific Place in Hong Kong was adversely affected by COVID-19.

In the Beverages Division, there was a decrease in profit from associates. This reflected lower revenue from Coca-Cola Bottlers Manufacturing Holdings Limited in the Chinese mainland.

Taxation

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

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



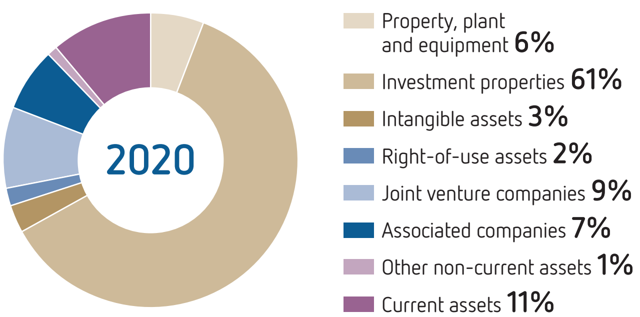
Disregarding investment property valuation adjustments, the underlying loss increased by HK$21,766 million. The increase in loss principally reflected a substantial loss at the Aviation Division, a reduction in profit arising from the sale of interests in investment properties at the Property Division and a higher impairment charge at SPO in the Marine Services Division. The adverse effect of these matters was partly offset by an absence of impairments and provisions at the Trading & Industrial Division and a higher profit at the Beverages Division.

Consolidated Statement of Financial Position

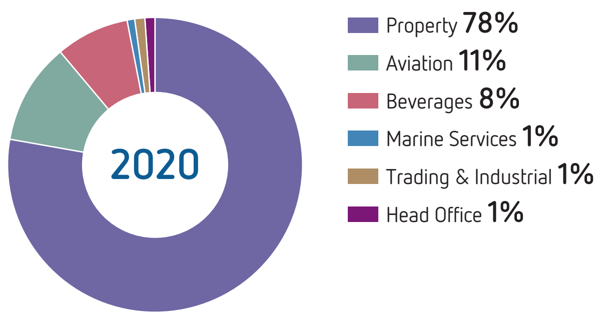
	Notes to the Financial Statements	2020 HK$M	2019 HK$M	Increase / (Decrease) HK$M	%
Property, plant and equipment	14	25,413	32,680	(7,267)	-22%
Investment properties	15	266,305	276,250	(9,945)	-4%
Intangible assets	16	13,096	12,852	244	2%
Right-of-use assets	17	9,490	9,899	(409)	-4%
Joint venture companies	20(a)	37,068	35,939	1,129	3%
Associated companies	20(b)	28,582	30,704	(2,122)	-7%
Properties for sale	24	3,538	3,604	(66)	-2%
Stocks and work in progress	25	5,112	5,539	(427)	-8%
Contract assets		950	1,301	(351)	-27%
Trade and other receivables	26	10,350	8,685	1,665	19%
Bank balances and short-term deposits	27	29,264	21,345	7,919	37%
Assets classified as held for sale	28	384	–	384	N/A
Other assets		3,558	2,599	959	37%
Total Assets		433,110	441,397	(8,287)	-2%
Trade and other payables	29	26,070	24,325	1,745	7%
Loans and bonds	30	68,164	68,033	131	0%
Lease liabilities	31	5,152	5,375	(223)	-4%
Deferred tax liabilities	32	11,556	11,014	542	5%
Other liabilities		3,022	3,156	(134)	-4%
Total Liabilities		113,964	111,903	2,061	2%
Net Assets		319,146	329,494	(10,348)	-3%
Equity attributable to the Company's shareholders	34, 35	262,692	273,352	(10,660)	-4%
Non-controlling interests	36	56,454	56,142	312	1%
Total Equity		319,146	329,494	(10,348)	-3%

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, and disposal of a subsidiary, at SPO, partly offset by capital expenditure (net of disposals and depreciation).

Investment Properties

The decrease in investment properties principally reflected the disposal of investment properties amounting to HK$8,924 million (principally the Cityplaza One office tower in Hong Kong and two office towers in Miami, USA) and net revaluation losses of HK$4,421 million, partly offset by additions during the year of HK$1,734 million and foreign exchange translation gains of HK$1,990 million in respect of investment properties in the Chinese mainland. The additions included capital expenditure on the Taikoo Place redevelopment and on other projects in Hong Kong and the Chinese mainland.

Intangible Assets

The increase in intangible assets in 2020 principally reflected the recognition of intangible assets arising from the acquisition of a new subsidiary in the Aviation Division (HK$112 million) and foreign exchange translation gains (HK$295 million). These increases were partly offset by impairment charges in respect of customer relationships and other intangible assets at HAECO Americas (HK$90 million) and amortisation during the year.

Right-of-Use Assets

The decrease in right-of-use assets was mainly due to depreciation during the year.

Joint Venture Companies and Loans Due from Joint Venture Companies

The increase principally reflects increases in profit retained in the Property and Aviation Divisions and foreign exchange translation gains from joint venture companies in the Chinese mainland. These were partly offset by dividends paid.

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, partly offset by the recognition of a 46.5% interest in Cadeler A/S (formally Swire Blue Ocean A/S) in the Marine Services Division. Cadeler A/S was deconsolidated after its initial public offering and accounted for as an associated company. The reduction in net assets at the Cathay Pacific group principally reflected a reduction in retained profit, partly offset by gains in other comprehensive income.

Properties for Sale

The decrease in properties for sale principally reflected sales of units at the Reach and Rise developments at Brickell City Centre in the USA, partly offset by development expenditure at EIGHT STAR STREET and Chai Wan Inland Lot No. 88 in Hong Kong.

Stocks and Work in Progress

The decrease in stocks and work in progress was principally due to lower stocks at the Aviation and Trading & Industrial Divisions. Stock purchases were reduced because of uncertain economic conditions. At Taikoo Motors, stocks decreased because of a shortage of cars.

Trade and Other Receivables

The increase in trade and other receivables was mainly due to the inclusion of unamortised rental concessions and of a receivable representing the deferred portion of the consideration for the sale of the Cityplaza One office tower in the Property Division, and an increase in prepayments in the Beverages Division.

Assets Classified as Held for Sale

Assets classified as held for sale represent 100% interests in 227 car parking spaces and 62 motorcycle parking spaces at Stage VI, Taikoo Shing, Hong Kong.

Trade and Other Payables

The increase in trade and other payables principally reflected an increase in other accruals (HK$1,146 million).

Bank Balances and Short-Term Deposits/Loans and Bonds

The decrease in net borrowings of HK$7,788 million reflected the proceeds received from sale of the Group's interests in the Cityplaza One office tower in Hong Kong and two office towers (Two and Three Brickell City Centre) in Miami, USA. These proceeds exceeded the funds used to finance the Group's property developments, the purchase of other fixed assets and investments in associated companies.

Lease Liabilities

This item represents the recognition of liabilities relating to leased assets.

Deferred Tax Liabilities

The increase in deferred tax liabilities principally reflected exchange translation gains and deferred tax in respect of valuation gains on investment properties in the Chinese mainland.

Equity Attributable to the Company's Shareholders

The movement in equity attributable to the Company's shareholders in 2020 consists of the total comprehensive loss for the year attributable to the Company's shareholders (HK$7,096 million) less dividends paid to shareholders (HK$3,529 million).

Non-Controlling Interests

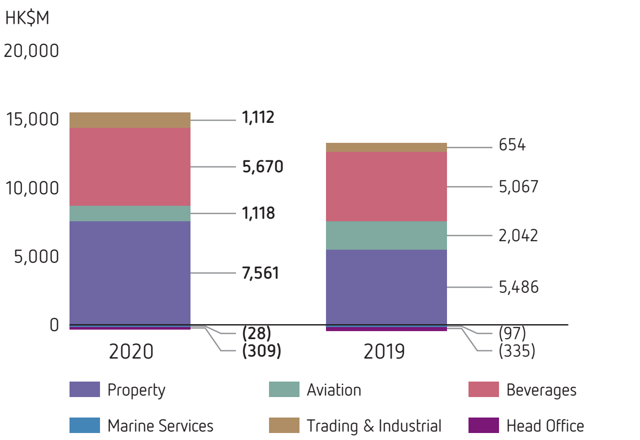
Non-controlling interests principally consist of the 18% non-controlling interest in Swire Properties.

Consolidated Statement of Cash Flows

	Notes to the Financial Statements	2020 HK$M	2019 HK$M	Increase/ (Decrease) HK$M
Cash generated from operations	42(a)	15,124	12,817	2,307
Net interest paid		(1,932)	(2,206)	274
Tax paid		(2,314)	(1,397)	(917)
Dividends received		581	1,327	(746)
Investing activities				
Purchase of property, plant and equipment	42(b)	(2,824)	(3,782)	958
Additions of investment properties		(1,383)	(1,962)	579
Purchase of intangible assets		(177)	(736)	559
Proceeds from disposals of property, plant and equipment		862	303	559
Proceeds from disposals of investment properties		1,302	295	1,007
Proceeds from disposals of subsidiary companies, net of cash disposed of	42(d)	9,431	17,534	(8,103)
Proceeds from disposal of a joint venture company		3	2,352	(2,349)
Proceeds from disposal of an associated company		–	140	(140)
Purchase of shares in a new subsidiary company		(134)	–	(134)
Purchase of shares in joint venture companies		(1)	(276)	275
Purchase of shares in associated companies		(5,960)	–	(5,960)
Purchase of investments at fair value		(164)	(8)	(156)
Net repayment from/(loans to) joint venture companies		883	(1,468)	2,351
Net (loans to)/repayment from associated companies		(76)	9	(85)
Others		(37)	(32)	(5)
Net cash generated from businesses and investments		13,184	22,910	(9,726)
Dividends paid	35, 36	(4,883)	(5,976)	1,093
Loans drawn and refinancing	42(c)	14,525	10,564	3,961
Repayment of loans and bonds	42(c)	(14,395)	(14,135)	(260)
Principal elements of lease payments	42(c)	(935)	(950)	15
Purchase of shares in existing subsidiary companies		–	(226)	226
Proceeds from partial disposal of interest in a subsidiary company		–	171	(171)
Cash paid to shareholders and net funding by external debt/lease liabilities		(5,688)	(10,552)	4,864
Increase in cash and cash equivalents		7,496	12,358	(4,862)

Cash Generated from Operations

Cash generated from operations by Division



Cash generated from operations in the Property Division in 2019 takes into account the derecognition of HK$3.3 billion deposits on completion of the sales of interests in investment properties.

Tax Paid

The increase in tax paid in 2020 principally reflected a delay in settlement of 2019 tax payments due in Hong Kong (in accordance with an extension of the deadline for payments permitted by the Inland Revenue Department).

Dividends Received

Dividends received in 2020 principally comprised dividends from HAESL, HUD and from the Property Division's joint venture investment property companies in Hong Kong.

Purchase of Property, Plant and Equipment

Purchase of property, plant and equipment in 2020 principally reflected the purchase of new production and marketing equipment by the Beverages Division and the purchase of equipment, tools and rotable parts by the HAECO group.

Additions of Investment Properties

The additions of investment properties in 2020 principally reflected capital expenditure on the Taikoo Place redevelopment and on other projects in Hong Kong and the Chinese mainland.

Purchase of Intangible Assets

The decrease in the amount spent during the year was mainly due to the absence of 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 principally reflected the sale of two office towers (Two and Three Brickell City Centre) in Miami, USA and other disposals in Hong Kong.

Proceeds from Disposals of Subsidiary Companies

The proceeds from disposals of subsidiary companies comprised the proceeds received from the disposal of the Cityplaza One office tower in Hong Kong and the reduction of the interest in Cadeler A/S (on its ceasing to be a subsidiary and becoming an associated company after its initial public offering in November 2020).

Purchase of Shares in a New Subsidiary Company

In 2020, the HAECO group acquired an engine maintenance business in Dallas, Texas, USA.

Purchase of Shares in Associated Companies

Purchases of shares in associated companies principally comprise the subscription of HK$5,272 million for shares offered by Cathay Pacific under a rights issue and the acquisition of an interest in Columbia China Healthcare Co., Limited.

Net Repayment from/Loans to Joint Venture Companies

Loans to joint venture companies in 2019 principally reflected net funding made available in respect of joint venture property projects in Hong Kong and the Chinese mainland. The repayment in 2020 included HK$843 million repaid by a joint venture company in Hong Kong.

Loans Drawn and Refinancing

In 2020, 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.

Investment Appraisal and Performance Review

	Capital employed		Capital commitments*	
	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M
Property investment	282,596	288,931	18,389	16,340
Property trading	7,249	7,789	–	–
Hotels	7,243	7,229	281	263
Property – overall	297,088	303,949	18,670	16,603
Aviation	42,956	47,187	6,291	5,686
Beverages	16,514	17,177	1,845	1,831
Marine Services	3,557	10,120	127	421
Trading & Industrial	2,813	3,249	67	75
Head Office and Swire Investments	270	(125)	–	–
Total capital employed	363,198	381,557	27,000	24,616
Less: net debt	(38,900)	(46,688)		
Less: lease liabilities	(5,152)	(5,375)		
Less: non-controlling interests	(56,454)	(56,142)		
Equity attributable to the Company's shareholders	262,692	273,352		

	Equity attributable to the Company's shareholders		Return on average equity attributable to the Company's shareholders	
	2020 HK$M	2019 HK$M	2020	2019
Property investment	228,104	226,283	1.7%	5.0%
Property trading	3,501	3,799	-2.0%	-0.5%
Hotels	4,997	4,991	-8.6%	-1.1%
Property – overall	236,602	235,073	1.4%	4.7%
Aviation	37,435	41,855	-24.6%	3.7%
Beverages	15,378	12,819	14.7%	13.6%
Marine Services	3,715	5,214	-117.4%	-52.3%
Trading & Industrial	2,507	2,320	0.5%	-16.3%
Head Office and Swire Investments	(32,945)	(23,929)		
Total	262,692	273,352	-4.1%	3.3%

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

Financing

Capital Structure

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 2020 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$M	Total 2020 HK$M	2019 HK$M
At 1st January	11,569	56,464	5,375	73,408	77,434
Loans drawn and refinancing	139	14,386	–	14,525	10,564
Repayment of loans and bonds	(11,598)	(2,797)	–	(14,395)	(14,135)
Principal elements of lease payments	–	–	(935)	(935)	(950)
New leases arranged during the year	–	–	530	530	763
Change in composition of the Group	–	10	21	31	–
Reclassification	6,811	(6,811)	–	–	–
Effect of exchange differences	(24)	(97)	75	(46)	(294)
Other non-cash movements	32	80	86	198	26
At 31st December	6,929	61,235	5,152	73,316	73,408

Sources of Finance

Audited Financial Information

At 31st December 2020, committed loan facilities and debt securities amounted to HK$101,337 million, of which HK$32,971 million (33%) were undrawn. In addition, there were lease liabilities amounting to HK$5,152 million. The Group had undrawn uncommitted facilities totalling HK$7,743 million. Sources of gross borrowings at 31st December 2020 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					
Bonds	49,497	49,497	–	–	–
Bank loans, overdrafts and other loans	51,840	18,869	6,266	26,705	32,971
Total committed facilities	101,337	68,366	6,266	26,705	32,971
Uncommitted facilities					
Bank loans, overdrafts and other loans	7,848	105	7,743	–	7,743
Total	109,185	68,471	14,009	26,705	40,714

Note: The figures above are stated before unamortised loan fees of HK$307 million.

i) Loans and Bonds

Audited Financial Information

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

	2020			2019		
	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	105	–	105	110	–	110
Long-term loans and bonds at amortised cost – unsecured	68,366	(307)	68,059	68,149	(226)	67,923
Less: amount due within one year included under current liabilities	(6,833)	9	(6,824)	(11,479)	20	(11,459)
	61,533	(298)	61,235	56,670	(206)	56,464

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

	2020 HK$M	2019 HK$M
Bank loans (unsecured)		
Repayable within one year	5,024	7,567
Repayable between one and two years	7,658	6,804
Repayable between two and five years	4,997	7,291
Repayable after five years	1,048	–
Other borrowings (unsecured)		
Repayable within one year	1,800	3,892
Repayable between one and two years	10,125	1,799
Repayable between two and five years	18,003	21,960
Repayable after five years	19,404	18,610
	68,059	67,923
Amount due within one year included under current liabilities	(6,824)	(11,459)
	61,235	56,464

	2020 HK$M	2019 HK$M
The maturity of lease liabilities is as follows:		
Within one year	793	858
Between one and two years	669	733
Between two and five years	1,133	1,096
Over five years	2,557	2,688
	5,152	5,375
Amount due within one year included under current liabilities	(793)	(858)
	4,359	4,517

ii) Bank Balances and Short-Term Deposits

The Group had bank balances and short-term deposits of HK$29,264 million at 31st December 2020 compared to HK$21,345 million at 31st December 2019.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2030 (2019: same).

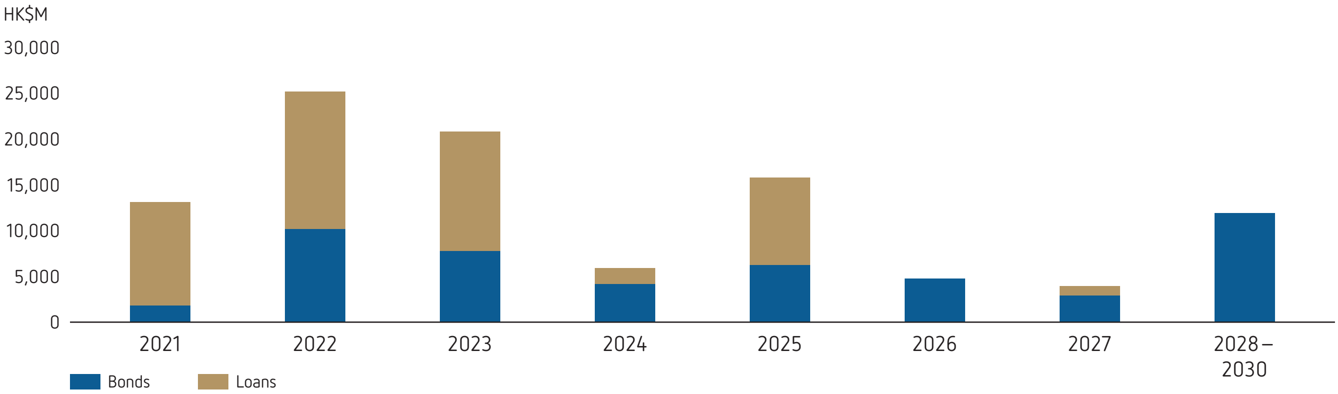
The weighted average term and cost of the Group's debt is:

	2020	2019
Weighted average term of debt	3.4 years	3.2 years
Weighted average cost of debt	3.2%	3.6%

(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 2020)



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

	2020					2019				
	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M
Currency										
Hong Kong dollar	52,462	77%	3,169	62%	55,631	50,469	74%	3,425	64%	53,894
United States dollar	14,244	21%	411	8%	14,655	16,190	24%	400	7%	16,590
Renminbi	649	1%	1,057	20%	1,706	610	1%	1,036	19%	1,646
Others	809	1%	515	10%	1,324	764	1%	514	10%	1,278
Total	68,164	100%	5,152	100%	73,316	68,033	100%	5,375	100%	73,408

Finance Charges

Audited Financial Information

At 31st December 2020, 78% of the Group's gross borrowings were on a fixed rate basis and 22% were on a floating rate basis (2019: 73% and 27%).

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 2020	14,851	3,186	29,675	20,452	68,164
At 31st December 2019	18,232	5,494	25,697	18,610	68,033

Audited Financial Information

Interest charged and earned during the year was as follows:

	2020 HK$M	2019 HK$M
Interest charged		
Bank loans and overdrafts	325	597
Other loans and bonds	1,731	1,792
Fair value loss/(gain) on derivative instruments		
Cross-currency and interest rate swaps: cash flow hedges, transferred from other comprehensive income	26	(61)
Cross-currency and interest rate swaps not qualifying as hedges	6	(6)
Amortised loan fees – loans at amortised cost	119	120
	2,207	2,442
Lease liabilities	210	206
Fair value gain on put options over non-controlling interests in subsidiary companies	(60)	(3)
Fair value gain on put options over other partners' interests in a joint venture company	(20)	(24)
Other financing costs	158	147
Capitalised on		
Investment properties	(240)	(242)
Properties for sale	(39)	(32)
	2,216	2,494
Less: interest income		
Short-term deposits and bank balances	292	371
Other loans	89	81
	381	452
Net finance charges	1,835	2,042

The capitalised interest charges on loans and bonds borrowed for the development of investment properties and properties for sale were between 3.30% and 3.60% per annum (2019: 2.60% and 3.70% per annum).

The amount transferred from other comprehensive income in respect of cash flow hedges in 2020 included HK$20 million relating to currency basis (2019: HK$15 million).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$2,207 million (2019: HK$2,442 million).

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

	2020				2019			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Short-term loans	1.85	–	–	1.05	–	–	–	0.81-2.55
Long-term loans and bonds	0.57-4.00	0.84-4.50	3.90-4.00	0.48-0.90	1.80-4.00	1.94-4.50	3.90-4.00	2.40

The replacement of benchmark interest rates such as LIBOR and other interbank offered rates (IBOR) is a priority for global regulators and is expected to be completed in 2021. The cash flows in the Company and its subsidiaries primarily impacted are USD and SGD denominated variable interest rate facilities and interest rate swaps which reference USD LIBOR and SGD SIBOR with notional principal amounts equivalent to HK$9,380 million and HK$997 million respectively at 31st December 2020. The majority of the uncertainty arising from the Group's exposure to IBOR reform will cease when the facilities expire in 2024. Other variable interest rate facilities and interest rate swaps held by the Company and its subsidiaries were not referenced to rates that will be affected by IBOR reforms.

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	2020	2019
Gearing			
Consolidated borrowed money/consolidated net worth	≤200%	12.2%	14.2%
Consolidated borrowed money and lease liabilities/consolidated net worth	≤200%	13.8%	15.8%
	HK$M	HK$M	HK$M
Maintenance of minimum consolidated tangible net worth			
Consolidated tangible net worth	≥20,000	306,050	316,642

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.

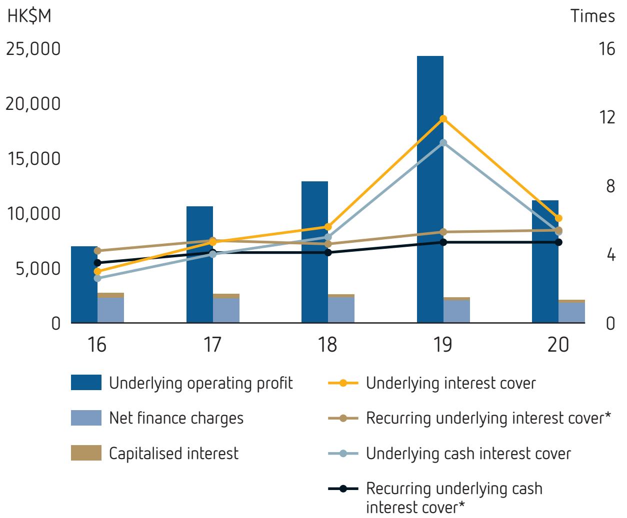
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2020 and 31st December 2019 were as follows:

	2020 HK$M	2019 HK$M
Total borrowings	68,164	68,033
Less: Short-term deposits and bank balances	(29,264)	(21,345)
Net debt	38,900	46,688
Total equity	319,146	329,494
Gearing ratio	12.2%	14.2%
Gearing ratio – including lease liabilities#	13.8%	15.8%
Interest cover – times	1.5	6.8
Cash interest cover – times	1.3	6.0
Underlying cash interest cover – times	5.3	10.5
Return on average equity attributable to the Company's shareholders	-4.1%	3.3%

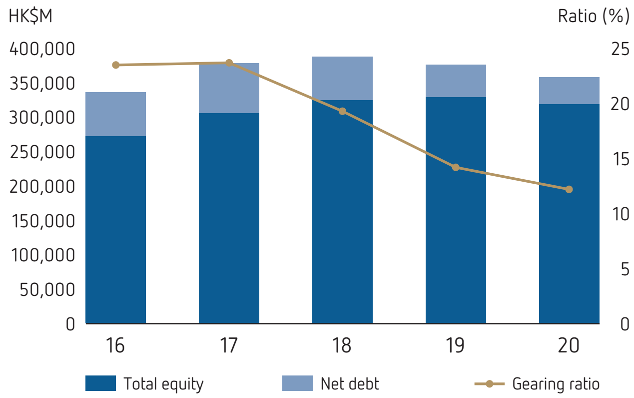
Lease liabilities amounted to HK$5,152 million at 31st December 2020 compared to HK$5,375 million at 31st December 2019 (refer to note 31 to the financial statements).

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 2020 and 2019:

	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	
	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M
Property Division	29,868	18,512	10,236	7,307	2,736	1,878
Aviation Division						
Cathay Pacific group*	36,154	41,904	25,045	18,857	–	–
HAECO group	283	461	217	318	–	–
Beverages Division	(1,565)	(1,241)	(677)	(545)	55	3
Marine Services Division	1,397	721	677	361	500	500
Trading & Industrial Division	(118)	(62)	(56)	(27)	–	–
Head Office and Swire Investments	(4)	–	(1)	–	–	–
	66,015	60,295	35,441	26,271	3,291	2,381

* The 2020 portion of net debt/(cash) shared by the Group included the preference shares issued.

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 23.3% at 31st December 2020 (2019: 22.1%).

The lease liabilities of these companies at the end of 2020 and 2019 were as follows:

	Total lease liabilities of joint venture and associated companies		Portion of lease liabilities shared by the Group	
	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M
Property Division	222	241	90	98
Aviation Division				
Cathay Pacific group	37,634	40,492	16,935	18,221
HAECO group	36	62	18	30
Beverages Division	277	245	120	106
Marine Services Division	1	1	–	–
	38,170	41,041	17,163	18,455

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:

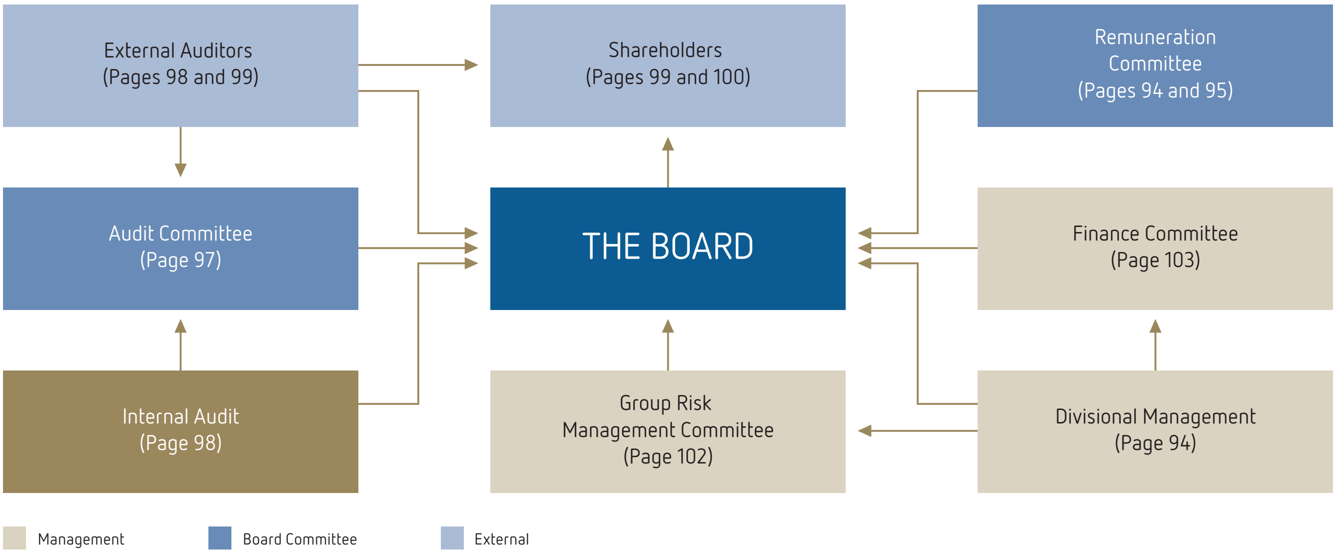
– code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
– recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only.

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. On 1st April 2021, M M S Low will cease to be a director on her retirement from the Swire group and M J Murray will become a director.

D P Cogman, M Cubbon and M M S Low, M J Murray and Z P Zhang are 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. Before he ceased to be a director of the Company, I K L Chu was a director and an employee 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 11th March 2021, the Board, having reviewed the Board's composition, nominated D P Cogman, M J Murray, M B Swire and S C Swire for recommendation to shareholders for election/re-election at the Annual General Meeting for 2021. 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 D P Cogman, M B Swire and S C Swire to the Board and their firm commitment to their roles. 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 (36%)	Male (82%) Female (18%)	American (9%)	1-5 years (55%)	company executive (36%)
52-63 years (28%)		British (64%)	6-10 years (18%)	accounting, banking and finance (46%)
64-76 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 2020 Board meetings were determined in 2019 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 2020. 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 of the health and safety performance of the Group
- review by the Finance Director of 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 2020.

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

	Meetings Attended/Held			
Directors	Board	Audit Committee	Remuneration Committee	2020 Annual General Meeting
Executive Directors				
M B Swire – Chairman	5/5			√
I K L Chu (resigned on 13th April 2020)	1/2			N/A
D P Cogman	5/5			√
M M S Low	5/5			√
Z P Zhang (appointed on 14th April 2020)	3/3			√
Non-Executive Directors				
M Cubbon	5/5			
S C Swire	5/5		3/3	√
Independent Non-Executive Directors				
P K Etchells	5/5	4/4		√
T G Freshwater	5/5			√
C Lee	5/5	4/4	3/3	
R W M Lee	4/5		3/3	√
S S Lin (served from 1st January 2020 to 18th February 2020)	1/1			N/A
G R H Orr	5/5	4/4		
Average attendance	96%	100%	100%	73%

Continuous Professional Development
Continuous professional development for Directors was conducted through the following:

- Directors were provided with training materials about matters relevant to their duties as directors;
- Directors were invited to attend seminars and conferences about financial, commercial, economic, legal, regulatory and/or business affairs; and
- Directors attended training from external legal advisers about applicable laws and regulations and topics pertinent to the business of the Company.

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 consolidated 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 2020 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 2020.

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 2020. 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	2020 HK$	2021 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

* Directors' fees were reduced by 25% for the period from and including 1st April 2020 to and including 31st July 2020, in recognition of the adverse effect of COVID-19.

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
– 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 2020.

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 four times in 2020. 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, the Group Treasurer, the Head of Group Risk Management and the Group Manager Information Security and Risk Management.

The work of the Committee during 2020 included reviews of the following matters:

– the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2019 annual and 2020 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 Group's cybersecurity
– the approval of the 2021 annual Internal Audit programme and review of progress on the 2020 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 2021, the Committee has reviewed, and recommended to the Board for approval, the 2020 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 25 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 the Chinese mainland 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. 28 assignments were conducted for Swire Pacific in 2020.

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 2020 amounted to approximately HK$54 million and HK$14 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 2020 the Finance Director held calls with analysts and investors, conducted analyst briefings 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 24th June 2020. The meeting was open to shareholders. 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 2019
– 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 2021 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

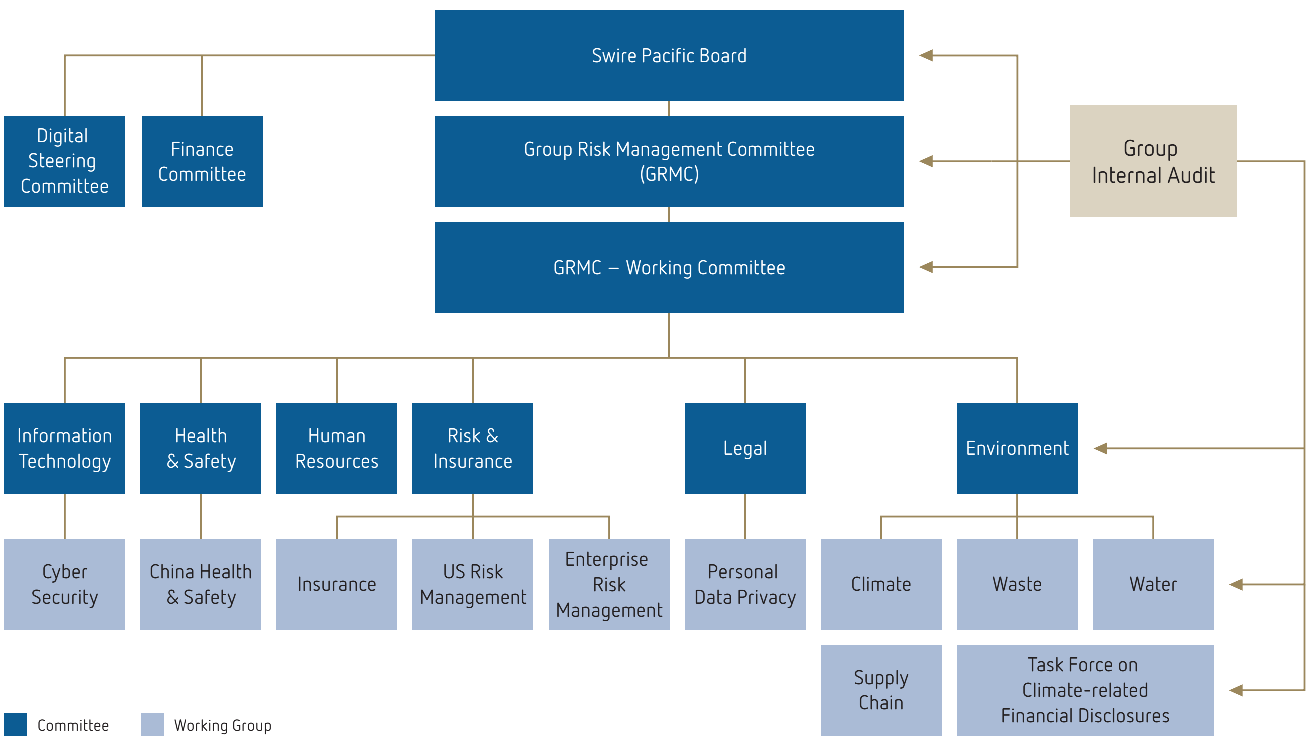
Effective risk management is key to ensuring the long-term viability of the Group. Divisions and major operating companies are required to follow the Group's Enterprise Risk Management (ERM) policy. The ERM policy requires continuous identification, assessment, management, monitoring and reporting of 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.
The Digital Steering Committee reports via the Chairman 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 five heads of operating businesses.

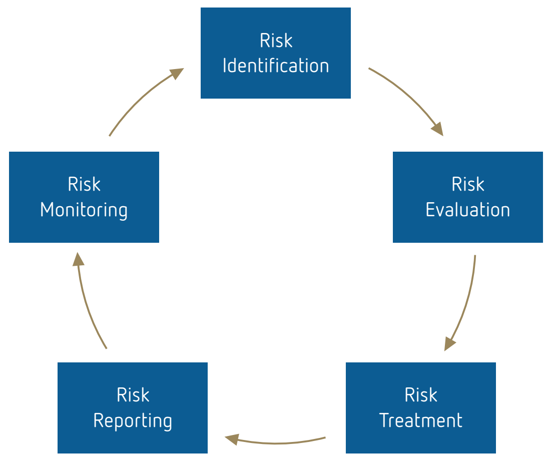
The GRMC oversees a number of committees and working groups. These cover the following areas: Risk & Insurance, Enterprise Risk Management, Human Resources, Health and Safety, Legal, Personal Data Privacy, Information Technology, Cyber Security and Sustainability (including the five SwireTHRIVE areas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

In 2020, the GRMC met three times and its functional committees and working groups met 36 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
Infectious Diseases and Pandemics	– Business continuity plans regularly updated and tested. – Appropriate health measures put in place. – Close communication with government and medical authorities to ensure timely access to information. – Substantial liquidity maintained as a defensive tool. – Regular health and safety reporting to the Board.
Economic Volatility in the Chinese mainland	– Close monitoring by the Board of economic and political developments in the Chinese mainland. – Strategic relationships with Chinese companies. – Prudent levels of gearing and substantial liquidity maintained.
Capital Misallocation	– Regular reviews of business concentration and divisional financial performance. – Rigorous and disciplined project review process aimed at maximising risk adjusted returns.
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 via the Digital Steering Committee 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 as part of SwireTHRIVE. – 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.

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 financial risks at Group and divisional levels. In 2020, 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 179 and 180.

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 137 for details of the sensitivity testing performed at 31st December 2020.

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 2020, 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 138 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 2020.

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 nine 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 139 for details of the Group's contractual obligations at 31st December 2020.

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 47, 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, the Chinese mainland and London. He is brother to S C Swire, a Non-Executive Director of the Company.

COGMAN, David Peter, aged 47, 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 60, 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. She has resigned as a Director of the Company and from these other positions with effect from 1st April 2021.

MURRAY, Martin James, aged 54, has been appointed a Director of the Company with effect from 1st April 2021 as the Finance Director of the Company. He will also be appointed a Director of John Swire & Sons (H.K.) Limited, Swire Properties Limited and Cathay Pacific Airways Limited with effect from that date. He was previously the chief financial officer of Cathay Pacific Airways Limited and before that deputy finance director of the Company. He joined the Swire group in 1995 and has worked with the group in Hong Kong, the United States, Singapore and Australia.

ZHANG, Zhuo Ping, aged 49, has been a Director of the Company since April 2020. He is also a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited and Chairman of John Swire & Sons (China) Limited. He spent his early career in investment banking. He was with the Swire group from 2002 to 2011, spending much of his time in the Chinese mainland, 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 63, 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, the Chinese mainland, Sri Lanka and London. He is brother to M B Swire, the Chairman of the Company.

Independent Non-Executive Directors

ETCHELLS, Paul Kenneth, aged 70, 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, the Chinese mainland and Hong Kong.

FRESHWATER, Timothy George, aged 76, has been a Director of the Company since January 2008. He is a Non-Executive Director of Savills plc.

LEE, Chien, aged 67, 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 68, 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 58, 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 74, 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 2020, which are set out on pages 131 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$1.00 per 'A' share and HK$0.20 per 'B' share which, together with the first interim dividends of HK$0.70 per 'A' share and HK$0.14 per 'B' share paid in October 2020, amount to full year dividends of HK$1.70 per 'A' share and HK$0.34 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 2019. The second interim dividends will be paid on 7th May 2021 to shareholders registered at the close of business on the record date, being Friday, 9th April 2021. Shares of the Company will be traded ex-dividend from Wednesday, 7th April 2021.

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 Friday, 9th April 2021, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 8th April 2021.

To facilitate the processing of proxy voting for the annual general meeting to be held on 13th May 2021, the register of members will be closed from 10th May 2021 to 13th May 2021, 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, 7th May 2021.

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, 2020 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 2020, 905,206,000 'A' shares and 2,981,870,000 'B' shares were in issue (31st December 2019: 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, consolidated statement of financial position and consolidated statement of 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 (the 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$141 million and donations towards various scholarships of HK$1 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 2020. This valuation resulted in a decrease of HK$4,421 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 was appointed as a Director with effect from 14th April 2020 and M J Murray has been appointed as a Director with effect from 1st April 2021. All the other Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers served throughout the calendar year 2020. I K L Chu 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 M S Low has resigned as a Director with effect from 1st April 2021.

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, D P Cogman, M B Swire and S C Swire retire this year and, being eligible, offer themselves for re-election. M J Murray, 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$4.6 million. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2020, 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	
M B Swire	180,000	–	301,000	481,000	0.0531	3
'B' shares						
M Cubbon	100,000	–	–	100,000	0.0034	
C Lee	1,370,000	–	21,605,000	22,975,000	0.7705	1
M B Swire	390,000	–	1,799,222	2,189,222	0.0734	3
S C Swire	–	–	4,901,581	4,901,581	0.1644	

	Capacity					
	Beneficial interest					
	Personal	Family	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	17,425,674	20,227,273	20.23	2
S C Swire	2,748,381	–	20,135,992	22,884,373	22.88	2
8% Cum. Preference Shares of £1						
M B Swire	3,946,580	–	12,782,055	16,728,635	18.59	2
S C Swire	2,279,414	–	20,050,053	22,329,467	24.81	2

	Capacity					
	Beneficial interest					
	Personal	Family	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
M B Swire	–	–	1,148,812	1,148,812	0.01964	3

	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	1,630	–	–	1,630	0.00003	
M B Swire	–	–	30,000	30,000	0.00047	3

Notes:
1. All the shares held by C Lee under Trust interest were held by him as beneficiary of trusts.
2. M B Swire and S C Swire were trustees and/or potential beneficiaries of trusts which held 5,970,631 ordinary shares and 8,812,656 ordinary shares respectively and 2,452,378 preference shares and 6,957,651 preference shares respectively in John Swire & Sons Limited included under Trust interest and did not have any beneficial interest in those shares. M B Swire was one of the executors of a will which held 131,707 ordinary shares and 117,275 preference shares in John Swire and Sons Limited included under Trust interest and did not have any beneficial interest in those shares.
3. All shares held by M B Swire under Trust interest were held by him as one of the executors of a will and he did 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 2020 or during the period from 1st January 2021 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 2020 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
Substantial Shareholders					
John Swire & Sons Limited	411,458,720	45.45	2,087,309,282	70.00	1
BlackRock, Inc.	46,218,278	5.11	–	–	2

Short position	'A' shares	Percentage of voting shares (comprised in the class) (%)	'B' shares	Percentage of voting shares (comprised in the class) (%)	Note
BlackRock, Inc.	8,500	0.00	–	–	3

Notes:
1. John Swire & Sons Limited (Swire) was 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 2020, 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.
2. These interests were held in the capacity of interest of corporations controlled by BlackRock, Inc. They included cash settled unlisted derivatives in respect of 1,494,500 'A' shares.
3. This short position was held in the capacity of interest of corporations controlled by BlackRock, Inc. and was in respect of cash settled unlisted derivatives.

At 31st December 2020, 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 2020 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 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 2020 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 2020. 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, M M S Low and Z P Zhang are 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. Before he ceased to be a director of the Company, I K L Chu was so interested as a director and an employee 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.

Discloseable Transactions

On 9th June 2020, Cathay Pacific announced a proposed HK$39 billion recapitalisation involving a proposed issue of preference shares and warrants, a proposed rights issue of shares (the Cathay Pacific Rights Issue) and a proposed bridge loan facility. The Company, being a holder of 45.00% of the then issued shares in Cathay Pacific, irrevocably undertook to subscribe for all of the rights shares (Cathay Pacific Rights Shares) provisionally allotted to the Company pursuant to the Cathay Pacific Rights Issue. The subscription price was HK$4.68 per Cathay Pacific Rights Share. The giving of such irrevocable undertaking constituted a discloseable transaction for the Company under the Listing Rules, in respect of which an announcement dated 9th June 2020 was published. The total subscription price paid by the Company (on completion of the Cathay Pacific Rights Issue on 12th August 2020) in respect of its subscription for the Cathay Pacific Rights Shares was HK$5.3 billion. Upon such completion, the Company continued to hold 45.00% of the issued voting shares in Cathay Pacific.

On 9th November 2020, Swire Properties Limited (Swire Properties) entered into a sale and purchase agreement for the sale of Swire Properties' 100% interest in Actuate Too Limited (Actuate Too) for a total consideration of HK$9,845,436,000, subject to certain adjustments. Actuate Too wholly owned the property holding subsidiaries which together owned the office tower known as Cityplaza One located at No.1111 King's Road, Taikoo Shing, Hong Kong. The transaction constituted a discloseable transaction for the Company under the Listing Rules, in respect of which announcement dated 9th November 2020 was published. The transaction was completed on 30th December 2020.

On 18th December 2020, Swire Properties formed a joint venture with Sino-Ocean Group Holding Limited (Sino-Ocean) to invest in a company (the target company) which will develop two plots of land next to the existing INDIGO development in Beijing into an office-led mixed-use Phase Two extension of INDIGO. Swire Properties has a 35% interest in the target company and is obliged to contribute RMB3.325 billion to its capital. Swire Properties's share of the total investment amount of the target company is estimated to be RMB8.050 billion. In connection with the formation of the joint venture, on 15th December 2020, Swire Properties and Sino-Ocean each granted to the other the right to acquire a 50% interest in the existing INDIGO development, exercisable (at a price of RMB2.7 billion) if (i) the other fails to make the capital contribution required to be made by the other to the target company and (ii) the grantor agrees to make the capital contribution instead. The formation of the joint venture and the grant by Swire Properties of the right to acquire a 50% interest in the existing INDIGO development constituted discloseable transactions for the Company under the Listing Rules, in respect of which an announcement dated 18th December 2020 was published.

On behalf of the Board

Merlin Swire
Chairman
Hong Kong, 11th March 2021

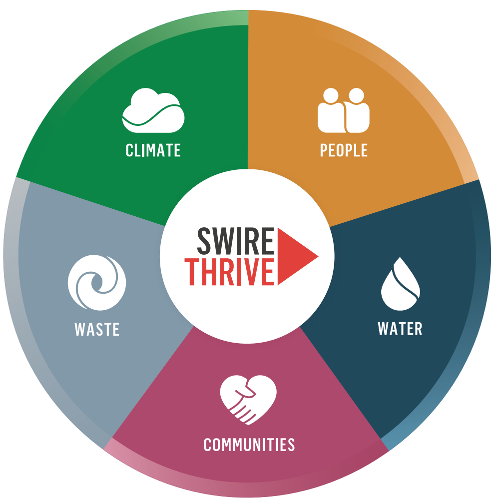
Sustainable Development Review

Sustainable development is a strategic objective for Swire Pacific. Using natural resources responsibly, minimising waste and pollution, and investing in our people and communities are fundamental to our ability to create long-term value for our shareholders.

We aim to integrate economic, environmental and social sustainability into our business and management practices. We do this through our strategy for sustainable development, SwireTHRIVE, and our environmental, social and governance (ESG) policies.

SwireTHRIVE

SwireTHRIVE aims to mitigate operational risk and build long-term resilience for our businesses by improving standards and efficiency and by innovation in five areas: Climate, Water, Waste, People and Communities.



SwireTHRIVE was introduced in 2016 and focused on environmental issues. In 2020, it was extended to cover people and communities.

ESG Policies

We have ESG policies (including on human rights, biodiversity and sustainable procurement) which cover and go beyond SwireTHRIVE.

Governance of Sustainable Development

Our Board, led by its Chairman, is ultimately accountable for sustainability matters. The Board is kept informed of sustainability risks and performance by the Group Risk Management Committee (GRMC), which reports to the Board via the Audit Committee. Division heads meet twice a year on sustainability matters under the chairmanship of the Chairman of the Board. The Group Head of Sustainability briefs the Board.

The GRMC oversees committees and working groups that deal with specific areas of risk and include representatives from our Divisions. Those relevant to SwireTHRIVE are the Swire Group Environment Committee (SGEC) and the Health and Safety Committee. We have a Diversity and Inclusion Steering Committee (DISC).

The Sustainable Development Office (SDO) is responsible for the environmental areas of SwireTHRIVE. Our Group Risk Management and Diversity & Inclusion departments and the Swire Group Charitable Trust also have SwireTHRIVE responsibilities.

Risk Management

As part of its overall coverage of risks, the Group's Enterprise Risk Management (ERM) process supports consideration of the physical, regulatory and financial impact of climate change on our businesses. In 2018, we started to align our reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In 2020, we began a climate risk assessment of our top 1,000 immovable assets. Each of our Divisions has operations covered by the ISO14001 environmental management system.

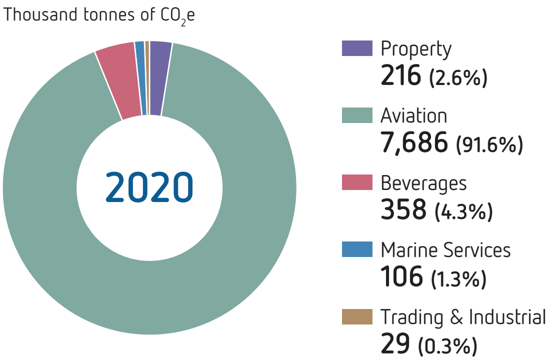
Sustainable Finance

In September 2020, Swire Pacific converted a HK$2 billion revolving credit facility into a sustainability-linked loan. This is Swire Pacific's first sustainability-linked loan. A portion of the interest is linked to our ESG performance.

Sustainable Development Fund

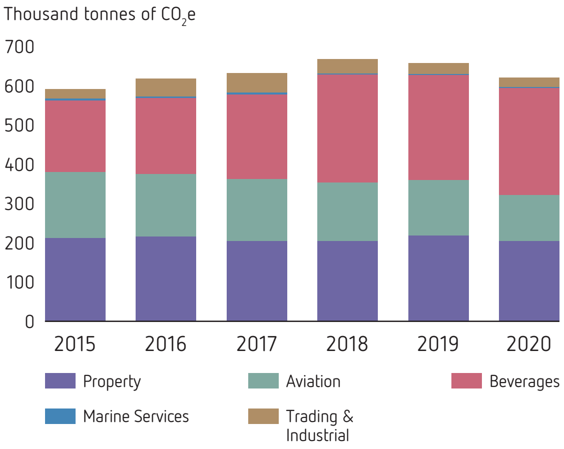
The Swire Pacific Sustainable Development Fund offers financial support to operating companies for projects which can deliver long-term sustainability benefits, but which cannot be justified by reference to our cost of capital targets. In 2020, funding of approximately HK$33 million was approved for projects at four operating companies.

Total 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 records.
2. Totals may not be the exact sum of numbers shown due to rounding.
3. The GHG emissions of the Aviation Division in 2020 includes the emissions of HK Express.

Indirect GHG Emissions by Division



Note:
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 records. The figures for 2019 have been updated to reflect such availability.

Climate

We aim to build climate resilience by reducing our greenhouse gas (GHG) emissions and by ensuring that our assets and operations are prepared to withstand, or respond to, expected climate impacts.

Greenhouse Gas Emissions

We aim to reduce our emissions in line with international carbon reduction goals.

In 2020, our GHG emissions were 8.4 million tonnes of carbon dioxide equivalent (CO_2e), a 56.6% decrease from 2019. This reduction largely reflected decreased jet fuel consumption by Cathay Pacific as a result of COVID-19 travel restrictions.

The Aviation Division accounted for 91.6% of our total emissions in 2020. Capacity reductions due to COVID-19 had a significant impact on Cathay Pacific's emissions. Cathay Pacific's fuel efficiency, as measured by tonnes of CO_2 per available tonne kilometre (ATK), was 11.5% lower than in 2019. This reflected changes in operations, including in the mix of aircraft being operated.

In 2020, four 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. Cathay Pacific's delivery flights continue to use jet fuel that contains a blend of sustainable aviation fuel.

Energy

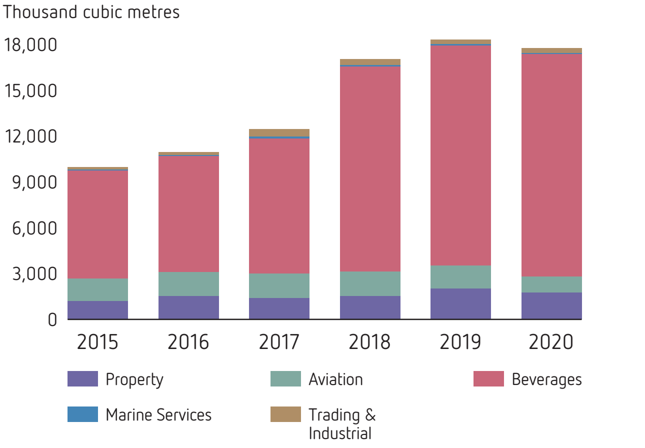
Electricity consumption is our second largest source of GHG emissions. In 2020, our indirect emissions (primarily derived from purchased electricity) were 621 thousand tonnes of CO_2e, a 5.6% decrease from 2019 (calculated on a revised basis). We retrofitted buildings and improved operational procedures. The difficult operating environment reduced some businesses' energy requirements.

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. At the end of 2020, buildings accounting for 97% of Swire Properties' property portfolio had been certified or provisionally certified as green buildings under BEAM, BEAM Plus, LEED, WELL, 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 metres of commercial space, identifying potential annual energy savings of 9 million kWh.

Since 2008, Swire Properties has reduced its annual energy consumption in Hong Kong by 77.8 million kWh, which is in line with its 2020 target. In the Chinese mainland, it has reduced its annual energy consumption by 28.1 million kWh, which is in line with its 2020 target.

Water Withdrawal by Division



Note:
1. Swire Pacific tracks its water withdrawal 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 records. The figures for 2019 have been updated to reflect such availability.

We encourage the use of renewable energy in our operations. 20.7 million kWh of electricity was generated from renewable energy sources at Swire Properties, Swire Coca-Cola and HAECO Xiamen in 2020. In 2020, Swire Properties entered into a contract to procure 100% renewable electricity for its Sino-Ocean Taikoo Li Chengdu development.

Water

Our businesses depend on water. Some of them use it extensively. Water stress can affect our suppliers, the communities in which we operate and the biodiversity of the areas in which we operate. We aim to use water responsibly and sustainably, and 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 2020, we consumed 17.8 million cubic metres of water, a decrease of 3% from 2019 (calculated on a revised basis). Reduced business activity reduced our water use. Our Aviation Division used 31.8% less water than in 2019.

Using water to make beverages and maintain hygiene, the Beverages Division accounts for 82.1% of our water use. In 2020, water intensity at Swire Coca-Cola, which reflects the amount of water needed to produce a litre of beverage product, increased by 2.8% to 1.82 from 1.77 in 2019. This deterioration in water intensity was due to an increase in the variety of beverages produced and more equipment cleaning in the Chinese mainland.

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

Waste

Plastics are versatile, cost-effective, lightweight and important for our operations. But we are conscious of increasing global concerns about single-use plastic and the environmental damage it causes, particularly to the oceans.

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 is 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.

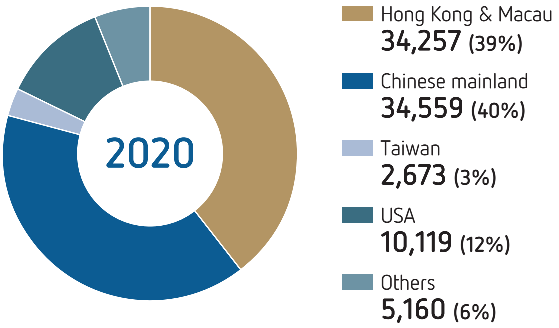
We aim to minimise the total amount of waste we generate and seek to divert as much as possible from landfill, through recycling, reuse and reducing waste at source.

People

We aim to be an employer of choice that attracts and retains the most talented people. We do this by creating safe, healthy and inclusive workplaces where all employees are treated with respect and have equal opportunities to succeed.

At the end of 2020, the Swire Pacific Group (including joint venture and associated companies) employed over 86,000 staff, a decrease of 8% from the end of 2019. The majority of our staff are based in Hong Kong and the Chinese mainland.

Employee Numbers by Region



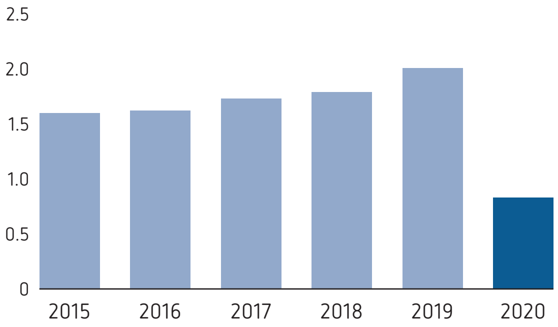
Staff turnover is monitored with a view to identifying and managing problems as they arise. In 2020, the turnover rate was 13.9% (compared with 16.7% in 2019).

Health and Safety
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.

In 2020, the number of injuries per 100 full-time equivalent employees (lost time injury rate or LTIR) decreased by 58.7% to 0.83 from 2.01 in 2019. This principally reflects reduced business activity due to COVID-19, in particular in our aviation business.

Lost Time Injury Rate

Number of injuries per 100 full-time equivalent employees

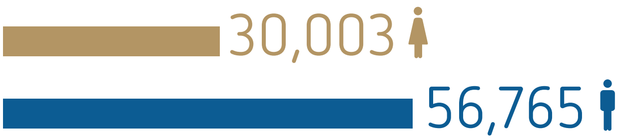


Regrettably there was one fatality among our employees in 2020. The incident occurred in Oregon, USA when a Swire Coca-Cola USA employee was fatally injured in a warehouse.

We aim continuously to improve our health and safety performance and culture through systems improvements, training, learning and transparent reporting.

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.

Employee Breakdown by Gender



Our Diversity and Inclusion (D&I) Steering Committee and the Swire Women's Network help to accomplish our aim of creating a diverse and inclusive workforce. We have a five-year plan with goals, metrics and guidelines.

We have a target that 30% of senior management roles should be held by women by 2024. In 2020, this figure was 24%.

At the end of 2020, the percentage of women on the Swire Pacific Board was 18%.

We have conducted unconscious bias training for those responsible for recruitment and promotion.

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.

Training and Development
We need an agile and well-trained workforce in order to respond to competitive and changing business conditions. We provide on-the-job training, mentoring and coaching, classroom training and online learning. All new joiners take part in induction programmes that 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.

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

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

We communicate with our staff on a regular basis via our intranet, newsletters, surveys and staff forums.

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 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). The Trust focuses on education, marine conservation and the arts in Hong Kong.

In 2020, to celebrate Swire's 150th year in Hong Kong, the Trust introduced TrustTomorrow, a community initiative and funding programme. In 2020, it focused on COVID-19 relief in the areas of food and hygiene, family wellbeing and building social capital for NGO partners.

At the end of 2020, the Trust had 47 programmes. In 2020, it distributed approximately HK$68 million.

Engaging with Suppliers

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.

Our Supplier Corporate Social Responsibility Code of Conduct deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting.

Our businesses engage with thousands of suppliers. They supply goods and services which include aircraft, fuel, sugar, auditing, office supplies and uniforms. We try to use suppliers which have high standards and share our values. We share information and best practices with suppliers and encourage them to adopt appropriate sustainability and other standards.

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

Reporting and Recognition

Our sustainability performance will be disclosed in detail in a separate sustainability report, which will be available on our website. 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.

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 2020. Further information on the scope and boundaries of our sustainability data and the full limited assurance report can be found at http://www.swirepacific.com/en/sd/sd_reports.php.

Swire Pacific is included in the Dow Jones Sustainability Asia Pacific Index, the Hang Seng Corporate Sustainability Index and the MSCI ACWI ESG Leaders, Hong Kong ESG Leaders, ACWI ESG Universal and ACWI SRI Indices. We received a AAA rating from MSCI. Swire Properties and Cathay Pacific are included in the FTSE4Good Index. In 2020, Swire Properties continued to be the only listed company from Hong Kong to be included in the Dow Jones Sustainability World Index. In 2020, Swire Pacific and Cathay Pacific received CDP Climate Change scores of B. Swire Pacific and Swire Coca-Cola responded to the CDP Water Security questionnaire for the first time and received scores of A.

Statistics – Environmental

	Note	Property 2020	Property 2019	Cathay Pacific group 2020	Cathay Pacific group 2019	HAECO group 2020	HAECO group 2019
Total Energy Consumption (thousand GJ)							
Direct energy consumption		165	204	105,084	256,974	402	446
Indirect energy consumption		1,050	1,109	371	471	442	498
Total	1	1,215	1,313	105,455	257,445	844	944
% Change year-on-year		-7%		-59%		-11%	
Total Greenhouse Gas Emissions by Weight (thousand tonnes CO_2e)							
Direct (Scope 1)	2	12	12	7,535	18,430	34	35
Indirect (Scope 2)		204	218	54	70	63	72
Total	1	216	230	7,589	18,500	97	107
% Change year-on-year		-6%		-59%		-9%	
Total Water Withdrawal (thousands cbm)							
Water withdrawn	3	1,757	2,007	501	944	535	600
% Change year-on-year		-12%		-47%		-11%	

Statistics – Health & Safety

	Property 2020	Property 2019	Cathay Pacific group 2020	Cathay Pacific group 2019	HAECO group 2020	HAECO group 2019
Thousand hours worked	13,141	13,741	30,744	68,757	31,037	34,962
Total lost time injuries	82	112	269	1,560	127	198
Lost time injury rate (LTIR)	1.25	1.63	1.75	4.54	0.82	1.13
% Change year-on-year (LTIR)	-23%		-61%		-27%	
Total fatalities (employee)	0	0	0	1	0	0

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 UK's OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre.
3. Total water withdrawal refers to the sum of water drawn from municipal water and groundwater. Virtually all water withdrawal by the Swire Pacific Group is from municipal water supplies provided by local water supply authorities.
4. This figure excludes on-hire vessel fuel consumption as this belongs to scope 3 as defined by the Greenhouse Gas Protocol.
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)	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
1,176	1,149	931	1,037	314	342	72	82	108,144	260,234
1,884	1,837	3	5	17	16	141	160	3,908	4,096
3,060	2,986	934	1,042	331	358	213	242	112,052[R]	264,330
2%		-10%		-8%		-12%		-58%	
85	77	77	79	26	28	5	7	7,774	18,668
273	267	0.3	0.4	2.3	2.3	24	28	620.6	657.7
358	344	77	79	29	30	29	35	8,395[R]	19,326
4%		-3%		-4%		-17%		-57%	
14,572	14,402	–	–	86	84	302	324	17,753[R]	18,361
1%		–		2%		-7%		-3%	

Beverages		Swire Pacific Offshore		HUD group		Trading & Industrial		Swire Pacific (Head Office)		Total (Note 1)	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
69,271	67,816	10,286	11,381	1,703	2,052	13,257	15,347	77	75	169,515	214,131
174	200	6	5	1	10	47	65	0	0	706	2,150
0.50	0.59	0.12	0.09	0.12	0.97	0.71	0.85	0	0	0.83[R]	2.01
-15%		33%		-88%		-16%		–		-59%	
1	1	0	0	0	0	0	0	0	0	1[R]	2

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Independent Auditor's Report

pwc

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 131 to 219 which comprise:

- the consolidated statement of financial position as at 31st December 2020;
- 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 2020, 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$4,279 million during the year. The aggregate carrying value of vessels was HK$2,658 million as at 31st December 2020. Management made an impairment provision as at 30th June 2020 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 costs of disposal and value in use. Management further considered the carrying values of SPO's vessels as at 31st December 2020 and concluded they remained appropriate. These conclusions are dependent upon significant management judgement, including in respect of: – Estimated resale values, with reference to those provided by external experts; and – Estimated utilisation, charter hire rates, disposal values and discount rate assumptions applied to future cash flows.	Our procedures in relation to management's vessel impairment assessments included: – Understanding the methodologies used by the external experts to estimate resale values and by management to estimate values in use; – Evaluating the external experts' competence, capabilities and objectivity; – Checking, on a sample basis, the accuracy and appropriateness of the input data provided by management to the external experts such as vessel information and historical performance; – Considering the appropriateness of the resale values estimated by the external experts based on our knowledge of the business and industry and values obtained by the Group in respect of vessels disposals; – 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 changes in these key assumptions; – Assessing performance subsequent to recognition of the impairment provision; 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 in note 14 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$266,305 million at 31st December 2020, with a fair value loss of HK$4,421 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 2020. 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 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 Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and the Group's interest in a joint venture company in the Hong Kong Aircraft Engineering Company Limited ("HAECO") group *Refer to notes 16 and 20 in the consolidated financial statements.*	
Management performed impairment assessments in relation to the goodwill allocated to HAECO Hong Kong and Chinese mainland of HK$3,510 million as at 31st December 2020 and, given the presence of impairment indicators following the adverse impact of COVID-19, in relation to the Group's interest of HK$4,205 million in Hong Kong Aero Engine Services Limited ("HAESL"), a joint venture company, as at 31st December 2020. Management compared the carrying values of the HAECO Hong Kong and Chinese mainland businesses and the Group's interest in HAESL with their respective recoverable amounts which were determined by value in use calculations, using probability-weighted scenarios of discounted cash flow forecasts, to assess if any impairment provision was required. The value in use calculations reflect certain key assumptions made by management including estimated future cash flows and growth rates and the discount rates applied. These assumptions reflect a significant degree of management judgement as well as uncertainty about the duration of the impact of COVID-19 on future cash flows. Based on the impairment assessments, management concluded impairment provisions were not required as at 31st December 2020.	Our procedures in relation to management's impairment assessment of goodwill allocated to HAECO Hong Kong and Chinese mainland and the Group's interest in HAESL included: – Assessing management's allocation of assets to HAECO Hong Kong and Chinese mainland for the purposes of the impairment assessment; – Making detailed inquiries of management to understand their estimates of the impact of COVID-19 on the demand for aircraft maintenance and engine overhaul work and how this has been reflected in the cash flow forecasts; – Comparing the base-case cash flow forecasts with approved budgets and latest available performance information; – Evaluating the assumptions in the cash flow forecasts relating to the impact of COVID-19 on demand for aircraft maintenance and engine overhaul work with reference to publicly available industry reports, including the probability weightings applied by management to respective scenarios; – Evaluating the discount rates and growth rates applied in the impairment calculations based on historical trends and market data; – Reviewing management's sensitivity analyses and performing our sensitivity analyses on the scenario weightings and key assumptions in the cash flow forecasts, including expected rates of recovery, growth rates and discount rates, and assessing whether there were indicators of management bias in the selection of these assumptions; 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 in notes 16 and 20 to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
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 loss after tax from Cathay Pacific for the year ended 31st December 2020 was HK$9,742 million and the Group's share of Cathay Pacific's net assets was HK$24,574 million as at 31st December 2020. Swire Pacific management considered the adverse impact of COVID-19 on Cathay Pacific's performance to be an indicator of potential impairment. As a result, Swire Pacific management performed an impairment assessment of the carrying amount of their interest in Cathay Pacific at 31st December 2020. Swire Pacific management estimated the recoverable amount of the Group's interest in Cathay Pacific based on value in use calculations, using a discounted cash flow forecast, and compared this with the carrying value of the Group's interest in Cathay Pacific, in order to assess if an impairment provision was required. Cathay Pacific management also assessed the carrying value of major assets for impairment in Cathay Pacific's own financial statements, as summarised in "Assessing impairment of property, plant and equipment and intangible assets" below. The preparation of the discounted cash flow forecasts involved management making certain key assumptions, including estimated future cash flows and growth rates and the discount rate applied. The resulting cash flow forecasts reflect a significant degree of management judgement as well as uncertainty about the duration of the impact of COVID-19 on future cash flows. Other key audit matters relating to the Group's share of loss and net assets of Cathay Pacific are summarised below. The amounts noted below are those in the Cathay Pacific financial statements (i.e. on a 100% basis).	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. In respect of the impairment assessment of the Group's interest in Cathay Pacific, in addition to the procedures performed by the CX Auditor, our procedures included: – Making detailed inquiries of management to understand their estimates of the impact of COVID-19 on Cathay Pacific and how this has been reflected in the cash flow forecasts; – Comparing the cash flow forecasts with approved budgets and latest available performance information; – Evaluating the assumptions in the cash flow forecasts relating to the impact of COVID-19 on Cathay Pacific with reference to publicly available aviation industry reports; – Involving our own valuation specialists in our internal assessment of the discount rate used; – Evaluating key assumptions including the discount rate, growth rates for revenues and expenses, and the terminal growth rate applied in the impairment calculations based on our knowledge of the industry, historical trends and market information relating to the aviation passenger and cargo businesses; and – Reviewing management's sensitivity analyses and challenging management including performing our own sensitivity analyses on the key assumptions, including expected rates of recovery, growth rates and the discount rate. After considering the procedures performed by us in respect of the impairment assessment of the Group's interest in Cathay Pacific and our review of the audit work of the CX Auditor, 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 by the CX Auditor 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.

Assessing impairment of property, plant and equipment and intangible assets – The carrying values of Cathay Pacific's property, plant and equipment and intangible assets were HK$131,925 million and HK$15,061 million respectively as at 31st December 2020.

At the end of each reporting period, Cathay Pacific management identifies assets which are unlikely to be deployed in economic service in the future, and impairment losses are recorded based on the assets' estimated fair value less costs of disposal. The remaining items of property, plant and equipment and intangible assets are allocated to cash-generating units ("CGUs"). Where indicators of impairment of a CGU are identified, Cathay Pacific management performs an impairment assessment of the CGU by comparing its carrying value with its recoverable amount which is the higher of fair value less costs of disposal and value in use based on discounted cash flow forecasts. In addition, for CGUs containing goodwill, an impairment assessment is performed at least annually even if there is no indicator of impairment.

COVID-19 has resulted in reduced travel demand. On 21st October 2020, Cathay Pacific announced restructuring which included the cessation of operations of Cathay Pacific's subsidiary, Hong Kong Dragon Airlines Limited. Cathay Pacific management has reassessed its operating plans including the expected timing of retirement of aircraft.

As a result of Cathay Pacific management's reassessment, impairment losses of HK$4,012 million were recognised in respect of property, plant and equipment and intangible assets for the year ended 31st December 2020, which primarily included HK$2,764 million in respect of the aircraft and related equipment, and HK$1,223 million in respect of other items of property, plant and equipment and goodwill relating to two subsidiaries of Cathay Pacific, Cathay Pacific Catering Services (H.K.) Limited and Vogue Laundry Service Limited.

The CX Auditor identified the assessment of impairment of property, plant and equipment and intangible assets as a key audit matter because (i) of the significance of the carrying value of such assets to the consolidated financial statements of Cathay Pacific and (ii) the preparation of discounted cash flow forecasts for the purpose of impairment assessments involves identifying assets which are unlikely to be deployed in economic service in the future, and estimating future cash flows, growth rates and discount rates involve a significant degree of management judgement and could be subject to management bias.

- Meeting with Cathay Pacific management and reviewing board minutes and other papers to understand the impact of COVID-19 on Cathay Pacific, the mitigation strategies adopted, and how these are reflected in the Cathay Pacific's restructuring plan;
- Assessing management's identification of assets which are unlikely to be deployed in economic service in the future by obtaining Cathay Pacific's asset utilisation plan and evaluating their recoverable amounts;
- Assessing Cathay Pacific management's identification of the CGUs, allocation of assets and methodology adopted by Cathay Pacific management in its impairment assessment with reference to the requirements of the prevailing accounting standards;
- Discussing indicators of possible impairment of property, plant and equipment and intangible assets with Cathay Pacific management and, for CGUs where such indicators were identified and CGUs with goodwill, assessing Cathay Pacific management's impairment testing;
- Evaluating the assumptions adopted in the preparation of the discounted cash flow forecast, including projected future growth rates for income and expenses and discount rates, with reference to the CX Auditor's understanding of the business, historical trends, available industry information and market data;
- Involving the CX Auditor's internal valuation specialists in order to assess the methodology and significant assumptions including discount rates adopted by Cathay Pacific management in its impairment assessment; and
- Performing sensitivity analyses on the key assumptions, including projected profitability, expected growth rates and discount rates adopted in the discounted cash flow forecasts and assessing whether there were indicators of management bias in the selection of these 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.*	
Revenue recognition – Cathay Pacific's revenue amounted to HK$46,934 million for the year ended 31st December 2020. 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 which met specific risk-based criteria.
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 to some of these arrangements, and related contracts gave rise to derivative financial assets of HK$333 million and liabilities of HK$1,387 million as at 31st December 2020. These contracts are recorded at fair value and for those contracts 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 decline in forecast flying activity and fuel consumption due to COVID-19 resulted in a discontinuation of certain hedging relationships during 2020 as the hedged items are no longer considered to be highly probable. The related amounts accumulated in the consolidated statement of other comprehensive income have been transferred to consolidated statement of profit or loss upon discontinuation if the hedged items are no longer expected to occur. The contracts necessitate 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. Furthermore, economic uncertainties caused by COVID-19 have resulted in increased judgement being required for forecasting travel demand and fuel consumption for the purpose of hedge designation and evaluating whether a hedging relationship continues to meet the qualifying criteria.	– Assessing Cathay Pacific's internal controls over derivative financial instruments and hedge accounting; – Discussing with Cathay Pacific management the assumptions used in forecasting flying activity and fuel consumption, and challenging and performing sensitivity analysis on these estimates based on different possible COVID-19 recovery scenarios; – 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 testing the discontinuation of hedging relationships where the hedged forecast transaction is no longer considered to be highly probable; and – Obtaining confirmation of derivative financial instruments that exist at the reporting date from counterparties on a sample basis.

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.*	
Assessment of provisions for taxation, litigation and claims – As at 31st December 2020, Cathay Pacific had provisions in respect of possible or actual taxation disputes, litigation and claims amounting to HK$3,033 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 advisors; and – Assessing the reliability of Cathay Pacific management's past estimates.
Assessing aircraft maintenance provisions – Cathay Pacific is contractually committed to return 68 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$5,718 million were held as at 31st December 2020 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 management through inspecting, on a sample basis, the terms of the leases, information from lessors and Cathay Pacific's maintenance cost experience; and – Assessing the reliability of Cathay Pacific management's past 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 loss 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 of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. The other information does not include the specific information presented therein that is identified as being an integral part of the consolidated financial statements and, therefore, covered by our audit opinion on the consolidated financial statements.

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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, actions taken to eliminate threats or safeguards applied.

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, 11th March 2021

Consolidated Statement of Profit or Loss

For the year ended 31st December 2020

	Note	2020 HK$M	2019 HK$M
Revenue	4	80,032	85,652
Cost of sales		(49,817)	(53,831)
Gross profit		30,215	31,821
Distribution costs		(14,380)	(14,565)
Administrative expenses		(6,853)	(6,563)
Other operating expenses		(292)	(304)
Other net losses	5	(1,574)	(325)
Change in fair value of investment properties		(4,421)	3,728
Operating profit		2,695	13,792
Finance charges		(2,216)	(2,494)
Finance income		381	452
Net finance charges	9	(1,835)	(2,042)
Share of profits of joint venture companies	20(a)	1,315	1,949
Share of (losses)/profits of associated companies	20(b)	(9,850)	885
(Loss)/profit before taxation		(7,675)	14,584
Taxation	10	(2,420)	(2,746)
(Loss)/profit for the year		(10,095)	11,838
(Loss)/profit for the year attributable to:			
The Company's shareholders	35	(10,999)	9,007
Non-controlling interests	36	904	2,831
		(10,095)	11,838
Underlying (loss)/profit attributable to the Company's shareholders	11	(3,969)	17,797
		HK$	HK$
(Loss)/earnings per share from (loss)/profit attributable to the Company's shareholders (basic and diluted)	13		
'A' share		(7.32)	6.00
'B' share		(1.46)	1.20

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2020

	2020 HK$M	2019 HK$M
(Loss)/profit for the year	(10,095)	11,838
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	127	294
deferred tax	(4)	(2)
Defined benefit plans		
remeasurement gains recognised during the year	157	76
deferred tax	(18)	7
Changes in the fair value of equity investments at fair value through other comprehensive income	34	(59)
Share of other comprehensive income of joint venture and associated companies	309	494
	605	810
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
(losses)/gains recognised during the year	(187)	495
transferred to net finance charges	26	(61)
transferred to operating profit	23	84
deferred tax	25	(75)
Share of other comprehensive income/(loss) of joint venture and associated companies	1,202	(350)
Net translation differences on foreign operations		
recognised during the year	2,898	(1,022)
reclassified to profit or loss on disposal	(6)	–
	3,981	(929)
Other comprehensive income/(loss) for the year, net of tax	4,586	(119)
Total comprehensive (loss)/income for the year	(5,509)	11,719
Total comprehensive (loss)/income attributable to:		
The Company's shareholders	(7,096)	9,000
Non-controlling interests	1,587	2,719
	(5,509)	11,719

The notes on pages 136 to 219 form part of these financial statements.

Consolidated Statement of Financial Position

At 31st December 2020

	Note	2020 HK$M	2019 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	25,413	32,680
Investment properties	15	266,305	276,250
Intangible assets	16	13,096	12,852
Right-of-use assets	17	9,490	9,899
Properties held for development	18	1,200	1,212
Joint venture companies	20(a)	21,475	19,112
Loans due from joint venture companies	20(a)	15,593	16,827
Associated companies	20(b)	28,497	30,695
Loans due from associated companies	20(b)	85	9
Investments at fair value	22	1,351	193
Other receivables	26	562	67
Derivative financial instruments	23	216	384
Deferred tax assets	32	562	667
Retirement benefit assets	33	196	97
		384,041	400,944
Current assets			
Properties for sale	24	3,538	3,604
Stocks and work in progress	25	5,112	5,539
Contract assets		950	1,301
Trade and other receivables	26	9,788	8,618
Derivative financial instruments	23	33	46
Bank balances and short-term deposits	27	29,264	21,345
		48,685	40,453
Assets classified as held for sale	28	384	–
		49,069	40,453
Current liabilities			
Trade and other payables	29	24,927	23,230
Contract liabilities		916	721
Taxation payable		856	1,170
Derivative financial instruments	23	5	14
Short-term loans	30	105	110
Long-term loans and bonds due within one year	30	6,824	11,459
Lease liabilities due within one year	31	793	858
		34,426	37,562
Net current assets		14,643	2,891
Total assets less current liabilities		398,684	403,835
Non-current liabilities			
Long-term loans and bonds	30	61,235	56,464
Long-term lease liabilities	31	4,359	4,517
Derivative financial instruments	23	154	92
Other payables	29	1,143	1,095
Deferred tax liabilities	32	11,556	11,014
Retirement benefit liabilities	33	1,091	1,159
		79,538	74,341
NET ASSETS		319,146	329,494
EQUITY			
Share capital	34	1,294	1,294
Reserves	35	261,398	272,058
Equity attributable to the Company's shareholders		262,692	273,352
Non-controlling interests	36	56,454	56,142
TOTAL EQUITY		319,146	329,494

Merlin Swire
Michelle Low
Paul Kenneth Etchells
Directors
Hong Kong, 11th March 2021

The notes on pages 136 to 219 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2020

	Note	2020 HK$M	2019 HK$M
Operating activities			
Cash generated from operations	42(a)	15,124	12,817
Interest paid		(2,404)	(2,603)
Interest received		472	397
Tax paid		(2,314)	(1,397)
		10,878	9,214
Dividends received from joint venture and associated companies		581	1,327
Net cash generated from operating activities		11,459	10,541
Investing activities			
Purchase of property, plant and equipment	42(b)	(2,824)	(3,782)
Additions of investment properties		(1,383)	(1,962)
Purchase of intangible assets		(177)	(736)
Proceeds from disposals of property, plant and equipment		862	303
Proceeds from disposals of investment properties		1,302	295
Proceeds from disposals of subsidiary companies, net of cash disposed of	42(d)	9,431	17,534
Proceeds from disposal of investments at fair value		21	–
Proceeds from disposal of a joint venture company		3	2,352
Proceeds from disposal of an associated company		–	140
Purchase of shares in a new subsidiary company		(134)	–
Purchase of shares in joint venture companies		(1)	(276)
Purchase of shares in associated companies*		(5,960)	–
Purchase of investments at fair value		(164)	(8)
Deposit paid on purchase of financial assets at fair value through profit or loss		(47)	–
Loans to joint venture companies		(57)	(2,588)
Loans to associated companies		(76)	–
Repayment of loans by joint venture companies		940	1,120
Repayment of loans by associated companies		–	9
Increase in deposits maturing after more than three months		(8)	(13)
Initial leasing costs incurred		(3)	(19)
Net cash generated from investing activities		1,725	12,369
Net cash inflow before financing activities		13,184	22,910
Financing activities			
Loans drawn and refinancing	42(c)	14,525	10,564
Repayment of loans and bonds	42(c)	(14,395)	(14,135)
Principal elements of lease payments	42(c)	(935)	(950)
		(805)	(4,521)
Purchase of shares in existing subsidiary companies		–	(226)
Proceeds from partial disposal of interest in a subsidiary company		–	171
Dividends paid to the Company's shareholders	35	(3,529)	(4,730)
Dividends paid to non-controlling interests	36	(1,354)	(1,246)
Net cash used in financing activities		(5,688)	(10,552)
Increase in cash and cash equivalents		7,496	12,358
Cash and cash equivalents at 1st January		21,322	9,102
Effect of exchange differences		415	(138)
Cash and cash equivalents at 31st December		29,233	21,322
Represented by:			
Bank balances and short-term deposits maturing within three months	27	29,233	21,322

* Including the subscription of shares in the rights issue of Cathay Pacific in August 2020, at a cost of HK$5,272 million.

The notes on pages 136 to 219 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2020

	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 2020	1,294	270,330	1,728	273,352	56,142	329,494
Loss for the year	–	(10,999)	–	(10,999)	904	(10,095)
Other comprehensive income	–	637	3,266	3,903	683	4,586
Total comprehensive income for the year	–	(10,362)	3,266	(7,096)	1,587	(5,509)
Dividends paid	–	(3,529)	–	(3,529)	(1,354)	(4,883)
Change in composition of the Group	–	(35)	–	(35)	–	(35)
Others	–	–	–	–	79	79
At 31st December 2020	1,294	256,404	4,994	262,692	56,454	319,146

	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	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

The notes on pages 136 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 131 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

None of these revised standards had a significant effect on the Group's financial statements or accounting policies.

(b) Except for the early adoption of the amendment to HKFRS 16, the Group has not early adopted any other new standards and interpretations that are not yet effective for the current year.

An amendment to HKFRS 16 "COVID-19-related rent concessions" was issued in June 2020 and is effective for annual reporting periods beginning on or after 1st June 2020. This amendment allows a lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient has been applied to all rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

– The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– Any reduction in lease payments affects only payments originally due on or before 30th June 2021; and

– There is no substantive change to other terms and conditions of the lease.

The Group has early adopted this amendment to the existing standard retrospectively from 1st January 2020, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The adoption of this amendment has no impact on the opening consolidated statement of financial position on 1st January 2020.

(c) The Group has applied the accounting policy on "Government Grants" during the year ended 31st December 2020 as follows:

The Group recognises government grants when there is reasonable assurance that the Group will comply with the conditions attached to the grants and the grants will be received. Government grants, that are intended to compensate the Group for expenses incurred, are recognised in the consolidated statement of profit or loss on a systematic basis in the periods in which the related expenses are recognised.

1. Changes in Accounting Policies and Disclosures (continued)

(d) The Group has not early adopted the following relevant new and revised standards and interpretations that have been issued but are effective for annual periods beginning on or after 1st January 2021 and such standards have not been applied in preparing these consolidated financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[2]
Annual improvements project	Annual Improvements to HKFRSs 2018-2020[2]
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments[2]
HKFRS 17	Insurance Contracts[3]
HKFRS 17	Amendments to HKFRS 17[3]
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current[3]
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 To be applied by the Group from 1st January 2021.
2 To be applied by the Group from 1st January 2022.
3 To be applied by the Group from 1st January 2023.
4 The effective date is to be determined.

None of these new and revised standards and interpretation 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 consolidated statements of 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 2020		
Impact on profit or loss: gain/(loss)	143	(81)
Impact on other comprehensive income: gain/(loss)	93	(95)
At 31st December 2019		
Impact on profit or loss: gain/(loss)	30	(30)
Impact on other comprehensive income: gain/(loss)	36	(33)

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 consolidated statements of 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 7.7521 (2019: 7.7860), 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 2020		
Impact on profit or loss: gain/(loss)	**4**	**(65)**
Impact on other comprehensive income: (loss)/gain	**(3)**	**45**
At 31st December 2019		
Impact on profit or loss: gain/(loss)	29	(49)
Impact on other comprehensive income: (loss)/gain	(15)	16

The impact on the Group's consolidated statements of 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 1.1866 (2019: 1.1173), 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 2020		
Impact on profit or loss: gain/(loss)	**40**	**(40)**
Impact on other comprehensive income	**–**	**–**
At 31st December 2019		
Impact on profit or loss: gain/(loss)	5	(5)
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 the following major types of assets that are subject to the expected credit loss model:

- Trade and other receivables
- Contract assets
- Other financial assets at amortised cost

Trade 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 trade 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 historical payment profiles. These rates are adjusted to reflect current and forward-looking information about economic conditions.

2. Financial Risk Management (continued)

Credit exposure (continued)
Trade 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 charges on trade 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 exposure
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 2020

	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	26,070	27,852	22,963	696	1,408	2,785
Borrowings (including interest obligations)	30	68,164	75,491	8,755	19,221	25,778	21,737
Lease liabilities	31	5,152	6,380	964	827	1,490	3,099
Derivative financial instruments	23	159	159	5	44	72	38
Financial guarantee contracts	39	–	3,667	3,667	–	–	–
		99,545	113,549	36,354	20,788	28,748	27,659

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

3. Critical Accounting Estimates and Judgements

As a result of COVID-19, economic and business conditions deteriorated substantially in the year ended 31st December 2020. This caused the Group to reassess its critical accounting estimates and judgements. As part of this process, the Group undertook reviews of the carrying value of those assets with impairment indicators, mainly in the Aviation and Marine Services Divisions. This resulted in an impairment charge of HK$4.3 billion in respect of vessels owned by Swire Pacific Offshore. In addition, the Group's associated company – Cathay Pacific recognised pre-tax impairment and related charges of HK$4,056 million (of which the Group's share is HK$1,656 million). The recoverable amounts of the rest of the Group's assets with impairment indicators have been tested for impairment, generally determined on a value in use basis. These recoverable amounts remain above their carrying values at 31st December 2020. The headrooms of recoverable amounts over carrying values have substantially reduced since 31st December 2019 in respect of the Group's interest in Cathay Pacific (the carrying value of which is HK$24,574 million), in respect of goodwill related to HAECO's Hong Kong and Chinese mainland businesses (the carrying value of which is HK$3,510 million) and in respect of the Group's interest in Hong Kong Aero Engine Services Limited (HAESL) (the carrying value of which is HK$4,205 million).

It is clear that the recovery in the Aviation Division is slow. Based on the latest predictions from the International Air Transport Association (IATA), passenger travel will not return to pre-COVID-19 level until 2024. The future remains highly uncertain and there is an increased risk of future outcomes being materially different from the critical accounting estimates and judgements at 31st December 2020, particularly in respect of impairment of assets.

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, 16 and 20)
(c) 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 terms, leased properties do not have alternative uses to the Group after the leasing periods stipulated in the signed tenancy agreements commence. 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 buyer. According to the contractual terms, 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 to 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 from sales of these 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.

4. Revenue (continued)

Accounting Policy (continued)

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 conditional 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.

Revenue represents sales by the Company and its subsidiary companies to external customers and comprises:

	2020 HK$M	2019 HK$M
Gross rental income from investment properties	12,207	12,185
Property trading	312	516
Hotels	641	1,296
Aircraft and engine maintenance services	10,172	13,924
Sales of goods	53,726	53,933
Charter hire*	1,705	2,263
Rendering of other services	1,269	1,535
Total	80,032	85,652

* Charter hire revenue included leasing of vessels amounting to HK$483 million for the year ended 31st December 2020 (2019: HK$723 million). The remaining revenue of HK$1,222 million (2019: HK$1,540 million) was related to ship management services for the provision of crew.

	2020 HK$M	2019 HK$M
Revenue recognised in the current reporting period that was related to the contract liability balance at the beginning of the year	595	356

Of the contract liabilities of HK$916 million outstanding at 31st December 2020, HK$844 million is expected to be recognised as revenue within one year and the remaining balance of HK$72 million after one year.

The following table shows unsatisfied performance obligations resulting from the contracts with customers.

	2020 HK$M	2019 HK$M
Aggregate amount of the transaction price allocated to revenue contracts that are partly or fully unsatisfied at the end of the year	2,698	3,065

Of the amount disclosed above at 31st December 2020, HK$2,011 million is expected to be recognised as revenue within one year.

5. Other Net Losses

	Note	2020 HK$M	2019 HK$M
Profit on disposal of subsidiary companies		2,026	1,384
Profit on disposal of joint venture companies		–	994
Write-back of provisions on potential claims in connection with sale of a subsidiary in 2018		–	104
Loss on sale of investment properties		(147)	(17)
Profit on sale of property, plant and equipment		18	50
Net foreign exchange (losses)/gains		(130)	85
Fair value gains on investments at fair value through profit or loss		2	–
Fair value losses on cross-currency swaps transferred from cash flow hedge reserve		(18)	(64)
Fair value losses on forward foreign exchange contracts transferred from cash flow hedge reserve		(5)	(16)
Fair value losses on forward foreign exchange contracts not qualifying as hedges		–	(1)
Impairment charges recognised on			
– property, plant and equipment	14	(4,562)	(2,162)
– intangible assets	16	(97)	(434)
– investment in and goodwill in respect of an associated company		–	(281)
Provision for restructuring costs		–	(125)
Dividend income on equity investments		3	3
Receipt of government subsidies		1,035	108
Other income		301	47
Total		(1,574)	(325)

6. Expenses by Nature

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

	Note	2020 HK$M	2019 HK$M
Direct rental outgoings of investment properties		2,350	2,458
Cost of goods sold		34,407	36,285
Write-down of stocks and work in progress		269	204
Impairment reversed on trade receivables		(29)	(18)
Depreciation of property, plant and equipment	14	3,207	3,467
Depreciation of right-of-use assets			
– leasehold land held for own use		32	32
– land use rights		46	46
– property		898	903
– plant and equipment		81	77
– vessels		–	28
Amortisation of			
– intangible assets	16	242	222
– initial leasing costs on investment properties		33	35
– others		15	13
Staff costs		17,054	17,656
Other lease expenses*		75	183
Auditors' remuneration			
– audit services		54	51
– tax services		9	12
– other services		5	8
Other expenses		12,594	13,601
Total cost of sales, distribution costs, administrative expenses and other operating expenses		71,342	75,263

* These expenses relate to short-term leases, leases of low-value assets or leases with variable payments, net of rent concessions received of HK$111 million. 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 2020

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits/(losses) of joint venture companies HK$M	Share of profits/(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	12,309	46	10,321	(600)	263	1,024	–	(1,583)	9,425	7,662	10,919	(201)
Change in fair value of investment properties	–	–	(4,421)	–	–	(53)	–	(235)	(4,709)	(3,773)	–	–
Property trading	312	–	(49)	(29)	1	1	–	(11)	(87)	(71)	(71)	–
Hotels	641	–	(310)	(17)	–	(154)	(86)	43	(524)	(430)	(430)	(221)
	13,262	**46**	**5,541**	**(646)**	**264**	**818**	**(86)**	**(1,786)**	**4,105**	**3,388**	**10,418**	**(422)**
Aviation												
Cathay Pacific group#	–	–	–	–	–	–	(9,742)	–	(9,742)	(9,742)	(9,742)	–
HAECO group*	11,483	–	(94)	(163)	11	381	–	30	165	96	96	(828)
Others	–	–	(55)	–	–	(4)	(65)	–	(124)	(105)	(105)	(55)
	11,483	**–**	**(149)**	**(163)**	**11**	**377**	**(9,807)**	**30**	**(9,701)**	**(9,751)**	**(9,751)**	**(883)**
Beverages												
Chinese mainland	22,942	–	1,563	(72)	48	78	75	(494)	1,198	1,041	1,041	(1,039)
Hong Kong	2,197	2	242	(3)	–	–	–	(23)	216	216	216	(98)
Taiwan	1,933	–	149	(2)	1	–	–	(30)	118	118	118	(78)
USA	18,008	–	996	(113)	14	–	–	(100)	797	797	797	(696)
Central costs	–	–	(96)	–	–	–	–	–	(96)	(96)	(96)	–
	45,080	**2**	**2,854**	**(190)**	**63**	**78**	**75**	**(647)**	**2,233**	**2,076**	**2,076**	**(1,911)**
Marine Services												
Swire Pacific Offshore group*	1,889	1	(5,158)	(129)	11	–	(12)	5	(5,283)	(5,263)	(5,263)	(610)
HUD group	–	–	–	–	–	23	–	–	23	23	23	–
	1,889	**1**	**(5,158)**	**(129)**	**11**	**23**	**(12)**	**5**	**(5,260)**	**(5,240)**	**(5,240)**	**(610)**
Trading & Industrial												
Swire Resources	1,973	–	(143)	(30)	6	(1)	–	34	(134)	(134)	(134)	(428)
Taikoo Motors	4,984	–	196	(11)	1	–	–	(41)	145	145	145	(146)
Swire Foods	1,351	59	21	(14)	2	–	–	(18)	(9)	(9)	(9)	(153)
Swire Environmental Services	–	–	(1)	–	–	20	–	–	19	19	19	–
Central costs	–	–	(8)	(1)	–	–	–	–	(9)	(9)	(9)	–
	8,308	**59**	**65**	**(56)**	**9**	**19**	**–**	**(25)**	**12**	**12**	**12**	**(727)**
Head Office												
Net income/(expenses)	10	47	(452)	(1,331)	322	–	–	3	(1,458)	(1,458)	(1,458)	(1)
Swire investments^	–	–	(6)	–	–	–	(20)	–	(26)	(26)	(26)	–
	10	**47**	**(458)**	**(1,331)**	**322**	**–**	**(20)**	**3**	**(1,484)**	**(1,484)**	**(1,484)**	**(1)**
Inter-segment elimination	–	(155)	–	299	(299)	–	–	–	–	–	–	–
Total	80,032	–	2,695	(2,216)	381	1,315	(9,850)	(2,420)	(10,095)	(10,999)	(3,969)	(4,554)

Note: 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.

\# Post-tax impairment and related charges included under share of loss in Cathay Pacific group were HK$1,656 million.

* Impairment charges included under operating profit/(loss) in the HAECO group and the Swire Pacific Offshore group were HK$308 million and HK$4,345 million respectively.

^ New in 2020 with no comparative.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

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$M	Share of profits/(losses) of joint venture companies HK$M	Share of profits/(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												
Chinese mainland	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)**

Note: 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 total assets of the Group

At 31st December 2020

	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	273,637	27,328	–	20,996	321,961	1,893
Property trading	4,885	2,451	219	96	7,651	(6)
Hotels	5,701	1,384	324	140	7,549	110
	284,223	**31,163**	**543**	**21,232**	**337,161**	**1,997**
Aviation						
Cathay Pacific group	–	–	24,574	–	24,574	–
HAECO group	12,456	1,830	–	1,149	15,435	409
Others	4,298	2,817	–	–	7,115	–
	16,754	**4,647**	**24,574**	**1,149**	**47,124**	**409**
Beverages						
Swire Coca-Cola	**28,898**	**1,216**	**1,732**	**4,308**	**36,154**	**2,402**
Marine Services						
Swire Pacific Offshore group	3,530	–	1,189	350	5,069	167
HUD group	–	(54)	–	–	(54)	–
	3,530	**(54)**	**1,189**	**350**	**5,015**	**167**
Trading & Industrial						
Swire Resources	1,167	34	–	246	1,447	227
Taikoo Motors	1,953	–	–	490	2,443	192
Swire Foods	1,265	4	–	283	1,552	22
Swire Environmental Services	–	58	–	–	58	–
Other activities	67	–	–	56	123	–
	4,452	**96**	**–**	**1,075**	**5,623**	**441**
Head Office and Swire Investments	**339**	**–**	**544**	**1,150**	**2,033**	**–**
	338,196	**37,068**	**28,582**	**29,264**	**433,110**	**5,416**

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 relating to joint venture and associated companies include the 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 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 relating to joint venture and associated companies include the 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 2020

	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	7,711	10,658	(1,648)	24,603	580	41,904	51,953
Property trading	305	1	1,326	1,717	–	3,349	801
Hotels	166	–	322	937	–	1,425	1,127
	8,182	**10,659**	**–**	**27,257**	**580**	**46,678**	**53,881**
Aviation							
HAECO group	**2,568**	**451**	**2,066**	**88**	**2,461**	**7,634**	**2,055**
Beverages							
Swire Coca-Cola	**14,141**	**1,191**	**1,683**	**2,556**	**668**	**20,239**	**537**
Marine Services							
Swire Pacific Offshore group	**1,060**	**48**	**198**	**–**	**13**	**1,319**	**(19)**
Trading & Industrial							
Swire Resources	677	9	(49)	–	702	1,339	–
Taikoo Motors	565	25	–	–	498	1,088	–
Swire Foods	420	21	(60)	–	230	611	–
Other activities	18	–	60	–	–	78	–
	1,680	**55**	**(49)**	**–**	**1,430**	**3,116**	**–**
Head Office and Swire Investments	**605**	**8**	**(3,898)**	**38,263**	**–**	**34,978**	**–**
	28,236	**12,412**	**–**	**68,164**	**5,152**	**113,964**	**56,454**

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 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 external revenue of the Group – Timing of revenue recognition

	Year ended 31st December 2020				Year ended 31st December 2019			
	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	–	102	12,207	12,309	1	137	12,185	12,323
Property trading	312	–	–	312	516	–	–	516
Hotels	380	261	–	641	649	647	–	1,296
	692	363	12,207	13,262	1,166	784	12,185	14,135
Aviation								
HAECO group	452	11,031	–	11,483	864	15,037	–	15,901
Beverages								
Chinese mainland	22,942	–	–	22,942	22,087	–	–	22,087
Hong Kong	2,197	–	–	2,197	2,339	–	–	2,339
Taiwan	1,933	–	–	1,933	1,694	–	–	1,694
USA	18,008	–	–	18,008	17,196	–	–	17,196
	45,080	–	–	45,080	43,316	–	–	43,316
Marine Services								
Swire Pacific Offshore group	11	1,395	483	1,889	44	1,684	723	2,451
Trading & Industrial								
Swire Resources	1,973	–	–	1,973	3,113	–	–	3,113
Taikoo Motors	4,980	4	–	4,984	5,167	23	–	5,190
Swire Foods	1,351	–	–	1,351	1,540	–	–	1,540
	8,304	4	–	8,308	9,820	23	–	9,843
Head Office	–	10	–	10	–	6	–	6
Total	54,539	12,803	12,690	80,032	55,210	17,534	12,908	85,652

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong and the Chinese mainland. 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)	
	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M
Hong Kong	17,379	20,746	241,341	254,042
Chinese mainland and Asia (excluding Hong Kong)	39,798	41,415	55,182	50,708
USA	20,879	20,948	16,265	18,000
Others	98	105	–	–
Ship owning and operating activities	1,878	2,438	2,716	10,143
	80,032	85,652	315,504	332,893

Note: In this analysis, the total of non-current assets excludes joint venture and associated companies (and loans advanced to these companies), investments at fair value, other receivables, 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 2020 HK$'000	Total 2019 HK$'000
Executive Directors								
M B Swire	4,265	–	–	17	–	10,968	15,250	16,909
J R Slosar (until 30th June 2018)	–	–	–	–	–	–	–	4,328
I K L Chu (until 13th April 2020)	1,056	5,096	441	195	–	–	6,788	10,907
D P Cogman	5,709	3,009	207	17	–	–	8,942	9,420
M M S Low	3,196	3,743	1,848	777	–	–	9,564	8,855
Z P Zhang (from 14th April 2020)	1,247	–	535	290	–	–	2,072	–
Non-Executive Directors								
M Cubbon	–	–	–	–	–	–	–	–
S C Swire	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
P K Etchells	1,073	–	–	–	–	–	1,073	1,290
T G Freshwater	633	–	–	–	–	–	633	690
C Lee	993	–	–	–	–	–	993	1,083
R W M Lee	688	–	–	–	–	–	688	750
G R H Orr	1,170	–	–	–	–	–	1,170	1,276
S S Lin (1st January 2020 to 18th February 2020)	92	–	–	–	–	–	92	–
M X Z Ma (1st to 31st August 2019)	–	–	–	–	–	–	–	59
Total 2020	20,122	11,848	3,031	1,296	–	10,968	47,265	N/A
Total 2019	23,247	14,031	4,338	2,398	–	11,553	N/A	55,567

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 2020. The amounts disclosed above are related to services as Executive Directors for 2019 but paid and charged to the Group in 2020.
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 include the emoluments received from an associated company by a Director who was nominated by the Company to act in the capacity as director in the associated company.
v. Directors' fees and the salaries of the Executive Directors (other than M B Swire) were reduced by 25% for the period from and including 1st April 2020 to and including 31st July 2020. The salary of M B Swire was reduced by 30% for the period from and including 1st April 2020 to and including 31st December 2020. M B Swire took unpaid leave of one week in March 2020. All this was in recognition of the adverse effect of COVID-19.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	Year ended 31st December	
	2020	2019
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	
	2020 HK$'000	2019 HK$'000
Cash:		
Salary	9,796	12,243
Bonus (note (ii))	8,212	6,837
Allowance and benefits	2,744	2,567
Non-cash:		
Retirement scheme contributions	2,354	13,290
Bonus paid into retirement scheme	3,340	1,861
Housing benefits	9,488	8,441
	35,934	45,239

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 2020. The amounts disclosed above are related to services as Executive Officers for 2019 but paid and charged to the Group in 2020.

The number of the above Executive Officers whose emoluments fell within the following bands:

	Year ended 31st December	
	2020	2019
HK$16,500,000 – HK$16,000,000	–	1
HK$15,500,000 – HK$15,000,000	1	–
HK$15,000,000 – HK$14,500,000	–	1
HK$14,000,000 – HK$13,500,000	–	1
HK$11,500,000 – HK$11,000,000	1	–
HK$9,500,000 – HK$9,000,000	1	–
	3	3

9. Net Finance Charges

Accounting Policy

Interest costs incurred are charged to the consolidated 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 or 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 consolidated 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 consolidated statement of profit or loss, except to the extent that it relates to items recognised in the consolidated statement of 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	2020 HK$M	2019 HK$M
Current taxation			
Hong Kong profits tax		837	760
Overseas tax		1,281	1,195
Over-provisions in prior years		(59)	(49)
		2,059	1,906
Deferred taxation	32		
Changes in fair value of investment properties		215	366
Origination and reversal of temporary differences		146	485
Effect of change in tax rate in the USA		–	(11)
		361	840
		2,420	2,746

Hong Kong profits tax is calculated at 16.5% (2019: 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 (loss)/profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate of the Company as follows:

	2020 HK$M	2019 HK$M
(Loss)/profit before taxation	(7,675)	14,584
Calculated at a tax rate of 16.5% (2019: 16.5%)	(1,266)	2,406
Share of results of joint venture and associated companies	1,408	(468)
Effect of different tax rates in other countries	433	429
Effect of change in tax rate in the USA	–	(11)
Change in fair value of investment properties	850	(418)
Income not subject to tax	(736)	(704)
Expenses not deductible for tax purposes	1,312	1,142
Unused tax losses not recognised	340	362
Utilisation of previously unrecognised tax losses	(4)	(13)
Deferred tax assets written off	2	19
Over-provisions in prior years	(59)	(49)
Recognition of previously unrecognised tax losses	(147)	(53)
Withholding tax	291	177
Others	(4)	(73)
Tax charge	2,420	2,746

The Group's share of joint venture companies' tax charges of HK$298 million (2019: HK$588 million) and share of associated companies' tax credit of HK$100 million (2019: tax charge of HK$309 million) respectively are included in the share of results of joint venture and associated companies shown in the consolidated statement of profit or loss.

11. Underlying (Loss)/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 (loss)/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.

	2020 HK$M	2019 HK$M
First interim dividend paid on 7th October 2020 of HK$0.70 per 'A' share and HK$0.14 per 'B' share (2019: HK$1.35 and HK$0.27)	1,051	2,027
Second interim dividend declared on 11th March 2021 of HK$1.00 per 'A' share and HK$0.20 per 'B' share (2019 actual dividend paid: HK$1.65 and HK$0.33)	1,502	2,478
	2,553	4,505

The second interim dividend is not accounted for in 2020 because it had not been declared or approved at the year-end date. The actual amount payable in respect of 2020 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2021 when declared.

13. (Loss)/Earnings Per Share (Basic and Diluted)

(Loss)/earnings per share is calculated by dividing the loss attributable to the Company's shareholders of HK$10,999 million (2019: profit of HK$9,007 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 (2019: 905,206,000 'A' shares and 2,981,870,000 '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 consolidated statement of profit or loss during the financial period in which they are incurred. Vessels under construction are not depreciated until they are completed.

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

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.

14. Property, Plant and Equipment (continued)

Accounting Policy (continued)

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 the consolidated statement of other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in the consolidated statement of other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the consolidated 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 consolidated 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 reporting 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 charge is recognised to reduce the asset to its recoverable amount. Such impairment charges are recognised in the consolidated 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$4,562 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$2,658 million at 31st December 2020. During the year, management reviewed the outlook for the business and SPO's operating plans and consequently reassessed the carrying values of the vessels as relevant impairment indicators existed. An impairment provision of HK$4,279 million was recorded during the year to reduce the carrying value of certain vessels to their estimated recoverable value, which is determined by reference to the vessels' fair value less costs to disposal and their value in use. The recoverable amount of vessels approximates their carrying value. Fair value less costs to disposal is based on management estimates having regard to estimated resale values with the support from external experts. Fair value less costs to disposal 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 management plan for the business and 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 2020 impairment review was 8.5% (2019: 8.5%). Changes in any or all of the key assumptions could result in a material change in the carrying value of vessels. A 5% decrease in daily charter hire rates would decrease the estimated recoverable value of vessels by HK$522 million. A 1% increase in the pre-tax discount rate would decrease the estimated recoverable value of vessels by HK$203 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 necessarily result in the same favourable financial impact on 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 represent 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 2020 was HK$1,909 million (2019: HK$1,954 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 2020.

14. Property, Plant and Equipment (continued)

	Note	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost					
At 1st January 2020		19,171	22,277	26,147	67,595
Translation differences		543	451	(115)	879
Acquisition of a subsidiary company		–	11	–	11
Disposal of subsidiary companies		(20)	–	(4,509)	(4,529)
Additions		484	2,308	149	2,941
Disposals		(125)	(1,238)	(3,809)	(5,172)
Net transfers to investment properties	15	(33)	–	–	(33)
Other net transfers		(9)	(11)	–	(20)
Revaluation surplus		14	–	–	14
At 31st December 2020		20,025	23,798	17,863	61,686
Accumulated depreciation and impairment					
At 1st January 2020		6,943	11,812	16,160	34,915
Translation differences		146	287	(69)	364
Disposal of subsidiary companies		(5)	–	(2,259)	(2,264)
Depreciation for the year	6	674	1,953	580	3,207
Impairment charges	5	10	273	4,279	4,562
Disposals		(22)	(989)	(3,486)	(4,497)
Net transfers to investment properties	15	(6)	–	–	(6)
Other net transfers		10	(18)	–	(8)
At 31st December 2020		7,750	13,318	15,205	36,273
Net book value					
At 31st December 2020		12,275	10,480	2,658	25,413

	Note	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost					
At 1st January 2019		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		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

Property, and plant and machinery include costs of HK$125 million (2019: HK$332 million) and HK$448 million (2019: HK$520 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 development) 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 2020 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 investment properties under development. Changes in fair values are recognised in the consolidated 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 consolidated 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 deemed cost for accounting purposes.

Expenditure incurred in leasing out the Group's investment properties during development is deferred and amortised on a straight-line basis to the consolidated statement of profit or loss upon occupation of the property over a period not exceeding the terms of the leases.

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 2020. This valuation was carried out in accordance with the HKIS Valuation Standards 2020 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 2020		251,478	24,530	276,008
Translation differences		1,946	44	1,990
Disposal of subsidiary companies		(7,685)	–	(7,685)
Additions		567	1,167	1,734
Disposals		(1,239)	–	(1,239)
Transfer to properties for sale		–	(2)	(2)
Transfer between categories		(883)	883	–
Net transfers from property, plant and equipment	14	27	–	27
Net transfers from right-of-use assets		15	90	105
Transfer to assets classified as held for sale		(384)	–	(384)
Net fair value (losses)/gains		(5,046)	625	(4,421)
		238,796	27,337	266,133
Add: initial leasing costs		172	–	172
At 31st December 2020		238,968	27,337	266,305
At 1st January 2019		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) 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

Geographical Analysis of Investment Properties

	2020 HK$M	2019 HK$M
Held in Hong Kong		
On medium-term leases (10 to 50 years)	33,148	34,720
On long-term leases (over 50 years)	192,501	202,726
	225,649	237,446
Held in Chinese mainland		
On short-term leases (less than 10 years)	7	11
On medium-term leases (10 to 50 years)	35,678	32,134
	35,685	32,145
Held in USA		
Freehold	4,799	6,417
	266,133	276,008

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 2020. 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$M	Chinese mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese mainland HK$M	Total HK$M	Total HK$M
Level 2	3,394	184	–	3,578	11,918	–	11,918	15,496
Level 3	195,804	34,615	4,799	235,218	14,533	886	15,419	250,637
Total	199,198	34,799	4,799	238,796	26,451	886	27,337	266,133
Add: initial leasing costs								172
At 31st December 2020								266,305

	Completed				Under Development			
	Hong Kong HK$M	Chinese mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese mainland HK$M	Total HK$M	Total HK$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 2019								276,250

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)

Fair value hierarchy (continued)

The above investment properties principally comprise completed commercial and residential properties in Hong Kong and the Chinese mainland and commercial and residential properties under development in Hong Kong. The Group has other investment property projects, principally comprising a mixed-use development, the first phase of Brickell City Centre, in Miami which was completed in 2016. Because of the unique nature of the Group's investment properties, most of them are valued by reference to a level 3 fair value measurement.

The change in level 3 investment properties during the year is as follows:

	Completed				Under Development			
	Hong Kong HK$M	Chinese mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese mainland HK$M	Total HK$M	Total HK$M
At 1st January 2020	210,252	31,193	6,417	247,862	12,085	768	12,853	260,715
Translation differences	–	1,960	(25)	1,935	–	44	44	1,979
Disposal of subsidiary companies	(7,685)	–	–	(7,685)	–	–	–	(7,685)
Additions	361	150	56	567	999	118	1,117	1,684
Disposal	–	–	(1,139)	(1,139)	–	–	–	(1,139)
Transfer to properties for sale	–	–	–	–	(2)	–	(2)	(2)
Transfer between categories	–	–	–	–	883	–	883	883
Net transfers from property, plant and equipment	1	26	–	27	–	–	–	27
Net transfers from right-of-use assets	15	–	–	15	–	–	–	15
Net fair value (losses)/gains	(7,140)	1,286	(510)	(6,364)	568	(44)	524	(5,840)
At 31st December 2020	195,804	34,615	4,799	235,218	14,533	886	15,419	250,637

	Completed				Under Development				
	Hong Kong HK$M	Chinese mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese mainland HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2019	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 right-of-use assets	720	–	–	720	–	–	–	–	720
Net 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

15. Investment Properties (continued)

Information about level 3 fair value measurements using significant unobservable inputs is as follows:

At 31st December 2020	Valuation method	Market rent per month[1] HK$ per sq. ft. (lettable) 2020	Capitalisation rates 2020
Completed			
Hong Kong	Income capitalisation	Less than 10-Low 500's	2.50%-4.88%
Chinese mainland	Income capitalisation	Less than 10-Mid 200's	6.25%-7.50%
USA	Income capitalisation	Less than 10-Mid 60's	5.00%-5.50%
USA	Sales comparison	–	–
Under development			
Hong Kong	Residual[2]	Low 60's-Low 80's	3.63%-3.75%
Chinese mainland	Residual[2]	High 20's-High 100's	6.75%

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%
Chinese mainland	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%
Chinese mainland	Residual[2]	High 20's-High 100's	6.75%

Note 1: Market rent is determined in accordance with the definition of that term in the HKIS Valuation Standards 2020 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. 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 (CGUs) for the purpose of impairment testing, which is performed annually, or more often if an impairment indicator exists. Impairment charges recognised in respect of 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 into 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 expenses 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 7.5 to 15 years.

16. 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 2020		7,950	909	5,480	954	247	15,540
Translation differences		131	21	148	(4)	(1)	295
Acquisition of a subsidiary company		28	–	–	68	16	112
Other transfers		–	3	–	–	–	3
Additions		–	180	–	–	–	180
Disposals		–	(5)	–	–	–	(5)
At 31st December 2020		8,109	1,108	5,628	1,018	262	16,125
Accumulated amortisation and impairment							
At 1st January 2020		1,346	588	304	370	80	2,688
Translation differences		(3)	13	(1)	(1)	(1)	7
Amortisation for the year	6	–	93	63	63	23	242
Impairment charges	5	–	7	–	82	8	97
Disposals		–	(5)	–	–	–	(5)
At 31st December 2020		1,343	696	366	514	110	3,029
Net book value							
At 31st December 2020		6,766	412	5,262	504	152	13,096

	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 charges	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

Amortisation of HK$242 million (2019: HK$222 million) is included in cost of sales and administrative expenses in the consolidated statement of profit or loss.

16. Intangible Assets (continued)

Impairment test of goodwill and indefinite-lived franchise rights

Critical Accounting Estimates and Judgements

The Group recognised HK$3,510 million of goodwill when it took control of HAECO in 2010. The goodwill is attributable to HAECO's businesses in Hong Kong and the Chinese mainland 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.

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 rights may be impaired. These tests require the use of estimates to calculate recoverable amounts.

The recoverable amount of goodwill or any indefinite-lived franchise rights attributable to CGUs 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 historical results. The discount rates used at 31st December 2020 were between 7.5% and 12.0% (2019: 8.0% and 12.0%). These discount rates are pre-tax and reflect the specific risks relating to the relevant CGUs.

Details of the recoverable amount of goodwill allocated to the HAECO Hong Kong and Chinese mainland businesses, which is subject to higher degree of uncertainty and sensitivity to changes in external conditions, are set out in note 16(a).

Goodwill is allocated to the Group's CGUs, after impairment, identified by divisional business segment and geographic location.

	Note	2020 HK$M	2019 HK$M
HAECO – Hong Kong and Chinese mainland	a	3,510	3,510
HAECO – USA	b	309	282
Beverages – Hong Kong and Chinese mainland	c	2,349	2,213
Beverages – USA		231	232
Trading & Industrial	d	367	367
		6,766	6,604

Notes:

(a) The recoverable amount of HAECO's businesses in Hong Kong and the Chinese mainland has been determined using a value in use calculation. The recoverable amount represents the present value of probability-weighted estimates of cash flow projections covering a five-year period based on financial budgets prepared by management. The five-year forecast is considered appropriate for the business to take into account expected business recovery and growth plans and modest productivity improvements, with reference to internal and external evidence. A weighted average pre-tax discount rate of 10.0% (2019: 9.5%) has been applied and cash flows beyond the five-year period are assumed not to grow by more than 2% (2019: 2%) per annum. The results of the impairment test using these assumptions show that the recoverable amount exceeds the carrying amount by approximately 5% at 31st December 2020. The Group therefore concluded that no impairment was required to the goodwill allocated to HAECO's businesses in Hong Kong and the Chinese mainland at 31st December 2020. The financial forecasts used to determine the recoverable amount remain highly sensitive to changes in external conditions. Significant uncertainty remains over the precise shape and timing of the recovery in demand for aircraft maintenance services, which could give rise to possible impairments in future periods. A 1% increase in discount rate would decrease the estimated recoverable amount by HK$651 million. A 1% decrease in gross profit margin would decrease the estimated recoverable amount by HK$453 million. A one-year delay in business recovery to pre-COVID-19 level would decrease the estimated recoverable amount by HK$524 million. These sensitivities are based on an unfavourable change in an assumption while holding other assumptions constant.

(b) The recoverable amount of this CGU is derived on a probability-weighted value in use basis using financial budgets and plans prepared by management. Management applied a pre-tax discount rate of 12.0% (2019: 11.8%) and assumed growth of no more than 0.5% (2019: 0.5%) per annum. Reasonably possible changes in the key assumptions would not result in an impairment.

(c) Goodwill attributable to Swire Coca-Cola's businesses in Hong Kong and the Chinese mainland 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 businesses in Hong Kong and the Chinese mainland 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% (2019: 9.5%). Cash flows beyond the five-year period are assumed not to grow by more than 0.5% (2019: 0.5%) per annum. Reasonably possible changes in the key assumptions would not result in an impairment.

16. Intangible Assets (continued)

Impairment test of goodwill and indefinite-lived franchise rights (continued)

(d) The recoverable amount of this CGU is derived on a probability-weighted value in use basis using financial budgets and plans prepared by management. A ten-year period forecast in determining the recoverable amount of the Trading & Industrial CGU is considered appropriate in order to take into account expected growth. Management applied a pre-tax discount rate of 10.0% (2019: 10.0%) and assumed growth of no more than 2.5% (2019: 2.5%) per annum. Reasonably possible changes in the key assumptions would not result in an impairment.

17. 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.

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 the 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 financial period.

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.

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. However, if the ownership of the underlying asset is expected to be transferred to the Group by the end of the lease term and if the cost of the right-of-use asset has already included the exercise price of a purchase option, depreciation is calculated on a straight-line basis to write off cost over the anticipated useful life of the underlying asset to its estimated residual value.

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:

	2020 HK$M	2019 HK$M
Leasehold land held for own use	3,708	3,850
Land use rights	1,342	1,337
Property	4,137	4,351
Plant and equipment	303	361
Total	9,490	9,899

17. Right-of-use Assets (continued)

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 are as follows:

	2020		2019	
	Leasehold land held for own use	Land use rights	Leasehold land held for own use	Land use rights
	HK$M	HK$M	HK$M	HK$M
Held in Hong Kong				
On medium-term leases (10-50 years)	489	16	501	16
On long-term leases (over 50 years)	3,200	–	3,331	–
Held outside Hong Kong				
On medium-term leases (10-50 years)	19	1,326	18	1,321
	3,708	1,342	3,850	1,337

Lease arrangements for other types of assets are negotiated on an individual asset basis and contain a wide range of different terms and conditions including lease payments and lease terms.

Additions to right-of-use assets during the year ended 31st December 2020 were HK$530 million (2019: HK$770 million).

During the year ended 31st December 2020, total cash outflow for leases was included in the statement of cash flows as (a) interest paid of HK$207 million (2019: HK$195 million) under "operating activities", (b) payment for short-term and low-value assets leases and variable lease payments of HK$75 million (2019: HK$183 million) recorded in cash generated from operations under "operating activities", and (c) principal elements of lease payments of HK$935 million (2019: HK$950 million) under "financing activities".

18. Properties Held for Development

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.

	2020	2019
	HK$M	HK$M
Properties held for development		
Freehold land	981	989
Development costs	219	223
	1,200	1,212

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	
	2020 HK$M	2019 HK$M
Current:		
Assets	27,928	20,630
Liabilities	10,565	15,466
Total current net assets	17,363	5,164
Non-current:		
Assets	309,233	316,958
Liabilities	36,113	33,465
Total non-current net assets	273,120	283,493
Net assets	290,483	288,657
Net assets allocated to non-controlling interests	52,287	51,958

Summarised Statement of Profit or Loss

	Swire Properties	
	For the year ended 31st December	
	2020 HK$M	2019 HK$M
Revenue	13,308	14,222
Profit for the year attributable to shareholders	4,132	13,423
Other comprehensive income	2,942	(308)
Total comprehensive income attributable to shareholders	7,074	13,115
Total comprehensive income allocated to non-controlling interests	1,273	2,361
Dividends paid to non-controlling interests	937	906

Summarised Statement of Cash Flows

	Swire Properties	
	For the year ended 31st December	
	2020 HK$M	2019 HK$M
Net cash generated from operating activities	5,469	4,375
Net cash generated from investing activities	8,416	15,842
Net cash used in financing activities	(7,813)	(7,324)
Net increase in cash and cash equivalents	6,072	12,893
Cash and cash equivalents at 1st January	14,963	2,093
Effect of exchange differences	167	(23)
Cash and cash equivalents at 31st December	21,202	14,963

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.

Critical Accounting Estimates and Judgements

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 consolidated statement of profit or loss equal to 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 consolidated statement of profit or loss.

The Group's interest in HAESL, a joint venture company of the Group

The Group's interest in joint venture companies includes HK$4,205 million in respect of the Group's interest in HAESL.

The recoverable amount has been determined using a value in use calculation representing the present value of probability-weighted estimates of cash flow projections covering a five-year period based on financial budgets prepared by management. A pre-tax discount rate of 9.7% (2019: 9.1%) has been applied and cash flows beyond the five-year period are assumed not to grow by more than 2% (2019: 2%) per annum.

The results of the impairment test using these assumptions show that the recoverable amount approximates the carrying amount at 31st December 2020. The Group therefore concluded that no impairment was required in respect of the Group's interest in HAESL at 31st December 2020.

The financial forecasts used to determine the recoverable amount remain highly sensitive to changes in external conditions. Significant uncertainty remains over the precise shape and timing of the recovery in demand for engine maintenance services, which could give rise to possible impairments in future periods.

A 1% increase in discount rate would decrease the estimated recoverable amount by HK$558 million. A one-year delay in business recovery to pre-COVID-19 level would decrease the recoverable amount by HK$112 million. These sensitivities are based on an unfavourable change in an assumption while holding other assumptions constant.

The Group's interest in Cathay Pacific, an associated company of the Group

The carrying amount of the Group's interest in Cathay Pacific at 31st December 2020 was HK$24,574 million (2019: HK$28,697 million). The market value of the shares in Cathay Pacific at 31st December 2020 was HK$20,770 million (2019: HK$20,393 million).

20. Interests in Joint Venture and Associated Companies (continued)

The Group's interest in Cathay Pacific, an associated company of the Group (continued)

The recoverable amount of the interest in Cathay Pacific is determined based on a value in use calculation using ten-year cash flow projections based on financial budgets approved by the Board and future business plans.

A ten-year forecast is considered appropriate for airline operations in order to take into account expected growth plans and productivity improvements. Cash flows beyond the ten-year period are extrapolated using an estimated pre-tax discount rate of 7.4% (2019: 7.2%) and general annual growth rate of 2.25% (2019: 2.25%).

The results of the impairment test using these assumptions show that the recoverable amount exceeds the carrying amount at 31st December 2020. Management of the Group considered more conservative assumptions by increasing the pre-tax discount rate to 9.0% and reducing the terminal growth rate to 1.0%. This also indicated headroom above the carrying amount. The Group therefore concluded that no impairment was required in respect of the Group's interest in Cathay Pacific.

The financial forecasts used to determine the recoverable amount remain highly sensitive to changes in external conditions. Significant uncertainty remains over the precise shape and timing of the recovery in travel demand, which could give rise to possible impairments in future periods.

A 1% increase in the discount rate or a one-year delay in recovery of passenger travel to pre-COVID-19 level would reduce the recoverable amount to below its carrying value. These sensitivities are based on an unfavourable change in an assumption while holding other assumptions constant.

(a) Interests in joint venture companies

	2020 HK$M	2019 HK$M
Share of net assets, unlisted	20,688	18,349
Goodwill	787	763
Joint venture companies	21,475	19,112
Loans due from joint venture companies less provisions		
– Interest-free	13,325	13,742
– Interest-bearing at 0.9% to 7.5% (2019: 1.7% to 7.5%)	2,268	3,085
	15,593	16,827

The loans due from joint venture companies are unsecured and have no fixed terms of repayment.

In December 2020, a wholly-owned subsidiary in the Swire Properties group entered into a joint venture arrangement with Sino-Ocean Holding Group (China) Limited (SOG China) in order to invest in a new joint venture company, Beijing Xingtaitonggang Properties Company Limited (BJTG). In accordance with a shareholders' agreement and memorandum of understanding:

(i) a member of the Swire Properties group has a call option to acquire from SOG China a 14.895% equity interest in BJTG (together with the corresponding shareholder loan) (the Call Option) at an exercise price determined by reference to the average of the valuations of BJTG by two valuers. The Call Option may be exercised when certain criteria are fulfilled; and

(ii) each of a member of the Swire Properties group and SOG China as grantor (the Grantor) has granted a call option (the Linlian Call Option) to the other as grantee (the Grantee) which gives the Grantee the right to acquire the Grantor's entire 50% interest in Beijing Linlian Real Estate Company Limited (BJLL) (comprising an equity interest and loans) at an exercise price of RMB2,700 million. The Linlian Call Option may be exercised when certain criteria are fulfilled.

At 31st December 2020, the Swire Properties group's interest in BJLL amounted to HK$2,615 million. The Swire Properties group has not recognised any asset or liability in the consolidated financial statements in relation to the call options as their fair values are considered not to be significant.

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.

20. Interests in Joint Venture and Associated Companies (continued)

(a) Interests in joint venture companies (continued)

The Group's share of assets and liabilities and results of joint venture companies is summarised below:

	2020 HK$M	2019 HK$M
Non-current assets	53,558	46,371
Current assets	7,456	5,881
Current liabilities	(6,814)	(4,054)
Non-current liabilities	(33,512)	(29,849)
Net assets	20,688	18,349
Revenue	14,954	15,730
Expenses	(13,341)	(13,193)
Profit before taxation	1,613	2,537
Taxation	(298)	(588)
Profit for the year	1,315	1,949
Other comprehensive income	943	(265)
Total comprehensive income for the year	2,258	1,684

Capital commitments and contingencies in respect of joint venture companies are disclosed in notes 38(a) and 39(a) respectively.

(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.

20. Interests in Joint Venture and Associated Companies (continued)

(b) Interests in associated companies (continued)

	2020 HK$M	2019 HK$M
Share of net assets		
– Listed in Hong Kong	23,817	27,940
– Listed in Oslo	1,100	–
– Unlisted	2,593	1,998
	27,510	29,938
Goodwill	987	757
Associated companies	28,497	30,695
Loans due from associated companies		
– Interest-bearing at 4.0%-6.0% (2019: 4.0%)	85	9

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

In April, 2020, the Group acquired an interest in Columbia China Healthcare Co., Limited, the business of which is to own and operate private hospitals, clinics and senior housing in the Yangtze River Delta area.

In August 2020, Cathay Pacific undertook a HK$39 billion recapitalisation involving an issue of preference shares and warrants, a rights issue of ordinary shares and a bridge loan facility. The Company subscribed in full for its entitlement under the rights issue, at a cost of HK$5,272 million. In February 2021, Cathay Pacific completed an issue of convertible bonds in an amount of HK$6.74 billion. Full conversion of these bonds and full exercise of the warrants issued by Cathay Pacific in 2020 would reduce the interest of the Company in the ordinary shares of Cathay Pacific from 45% to 38%. The carrying amount of the Group's interest in Cathay Pacific has been adjusted so as to exclude unpaid dividends of Cathay Pacific.

In November 2020, Cadeler A/S (previously known as Swire Blue Ocean A/S) was listed on the Oslo Stock Exchange. Cadeler was subsequently accounted for as an associated company.

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:

	2020 HK$M	2019 HK$M
Non-current assets	81,691	85,001
Current assets	14,327	13,411
Current liabilities	(11,042)	(16,807)
Non-current liabilities	(48,689)	(51,666)
Non-controlling interests	(2)	(1)
Preference share issued*	(8,775)	–
Net assets	27,510	29,938
Revenue	23,747	51,449
Expenses	(33,697)	(50,255)
(Loss)/profit before taxation	(9,950)	1,194
Taxation	100	(309)
(Loss)/profit for the year	(9,850)	885
Other comprehensive income	568	409
Total comprehensive (loss)/income for the year	(9,282)	1,294

* The preference shares issued by Cathay Pacific is not attributable to the equity shareholders of Cathay Pacific.

During the year ended 31st December 2020, the Group's share of results of Cathay Pacific included the post-tax share of impairment and related charges of HK$1,656 million and the write-off of deferred tax assets of HK$716 million.

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 the consolidated statement of other comprehensive income or through the consolidated statement of 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 the consolidated statement of profit or loss or the consolidated statement of other comprehensive income (OCI). For investment in debt instruments, this will depend on the business model in relation to 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.

(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 the consolidated statement of 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 the consolidated statement of profit or loss and presented in other net 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 the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss and recognised in other net 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 net gains/(losses).

21. Financial Instruments by Category (continued)

Accounting Policy (continued)

Financial Assets (continued)

(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 the consolidated statement of profit or loss and presented net within other net 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 the consolidated statement of profit or loss as other net 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 the consolidated statement of profit or loss following the derecognition of the investment.

Changes in the fair value of equity investments at FVPL are recognised in other net gains/(losses) in the consolidated 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.

(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 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 the consolidated statement of profit or 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 2020							
Loans due from joint venture companies	20(a)	–	–	–	15,593	15,593	15,593
Loans due from associated companies	20(b)	–	–	–	85	85	85
Investments at fair value	22	1,161	–	190	–	1,351	1,351
Derivative financial assets	23	–	249	–	–	249	249
Trade and other receivables excluding prepayments	26	–	–	–	9,442	9,442	9,442
Bank balances and short-term deposits	27	–	–	–	29,264	29,264	29,264
Total		1,161	249	190	54,384	55,984	55,984
At 31st December 2019							
Loans due from joint venture companies	20(a)	–	–	–	16,827	16,827	16,827
Loans due from associated companies	20(b)	–	–	–	9	9	9
Investments at fair value	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

	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 2020						
Trade and other payables excluding non-financial liabilities	29	1,856	–	23,965	25,821	25,821
Derivative financial liabilities	23	63	96	–	159	159
Short-term loans	30	–	–	105	105	105
Long-term loans and bonds due within one year	30	–	–	6,824	6,824	6,841
Lease liabilities due within one year	31	–	–	793	793	793
Long-term loans and bonds due after one year	30	–	–	61,235	61,235	64,850
Lease liabilities due after one year	31	–	–	4,359	4,359	4,359
Total		1,919	96	97,281	99,296	102,928
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

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:

		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 2020					
Equity investments at fair value through other comprehensive income	22(a)				
– Listed investments		190	–	–	190
Equity investments at fair value through profit of loss	22(b)				
– Unlisted investments		–	–	1,042	1,042
Debt investments at fair value through profit of loss	22(c)				
– Convertible notes, unlisted		–	–	119	119
Derivative financial assets	23	–	249	–	249
Total		190	249	1,161	1,600
At 31st December 2019					
Equity investments at fair value through other comprehensive income	22(a)				
– Listed investments		141	–	–	141
– Unlisted investments		–	–	52	52
Derivative financial assets	23	–	430	–	430
Total		141	430	52	623
Liabilities as per consolidated statement of financial position					
At 31st December 2020					
Derivative financial liabilities	23	–	159	–	159
Put option over a non-controlling interest in Brickell City Centre	29	–	–	513	513
Put option over a non-controlling interest in a subsidiary company	29	–	–	87	87
Contingent consideration	29	–	–	1,256	1,256
Total		–	159	1,856	2,015
At 31st December 2019					
Derivative financial liabilities	23	–	106	–	106
Put option over a 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

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 2020	677	52	1,194
Translation differences	(3)	–	(5)
Additions	–	1,106	–
Distribution during the year	(14)	–	–
Change in fair value during the year recognised in profit or loss*	(60)	3	175
Payment of consideration	–	–	(108)
At 31st December 2020	600	1,161	1,256
* Included unrealised gains/(losses) recognised on balances held at 31st December 2020	60	3	(175)

	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 during the year recognised in			
– profit or loss*	(3)	–	125
– other comprehensive income	–	(16)	–
Payment of consideration	–	–	(93)
At 31st December 2019	677	52	1,194
* Included unrealised gains/(losses) recognised on balances held at 31st December 2019	3	–	(125)

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 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 associated 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 2021 and the discount rate used is 6.3% (2019: 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 fair 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 2020. If the expected time of exercise is later or if the discount rate is higher, the fair value of the put option would be lower. The opposite is true for an earlier time of exercise or a lower discount rate.

21. Financial Instruments by Category (continued)

The fair value of the put option over a non-controlling interest in a subsidiary company (other than the subsidiary company holding a non-controlling interest in 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 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. Investments at fair value

		2020 HK$M	2019 HK$M
(a)	Equity investments at fair value through other comprehensive income		
	Shares listed in Hong Kong	92	93
	Shares listed overseas	98	48
	Unlisted investments	–	52
		190	193
(b)	Equity investments at fair value through profit or loss		
	Unlisted investments	1,042	–
(c)	Debt investments at fair value through profit or loss		
	Convertible notes, unlisted	119	–

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 consolidated 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.

23. Derivative Financial Instruments (continued)

Accounting Policy (continued)

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.

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 consolidated statement of profit or loss within finance costs.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the consolidated statement of 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 the consolidated statement of profit or loss as the hedged item affects the consolidated statement of 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 the consolidated statement of 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 consolidated 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 consolidated 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 consolidated statement of profit or loss.

Gains and losses accumulated in equity are transferred to the consolidated 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 consolidated statement of profit or loss.

(d) Rebalancing of hedge relationships
If the hedge ratio for risk management purposes 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 the consolidated statement of profit or loss at the time of the hedge relationship rebalancing.

23. Derivative Financial Instruments (continued)

	2020		2019	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps				
– cash flow hedges (a)	216	55	428	18
– not qualifying as hedges	–	62	–	36
Interest rate swaps – cash flow hedges	–	40	1	27
Forward foreign exchange contracts				
– cash flow hedges	9	1	1	4
Commodity swaps-not qualifying as hedges	24	–	–	–
Put options exercisable by joint venture partners for sale of their interests to Beverages Division	–	1	–	21
Total	249	159	430	106
Analysed as:				
– Current	33	5	46	14
– Non-current	216	154	384	92
	249	159	430	106

(a) The cross-currency swaps principally hedge the foreign currency risk relating to US$ note issues. Gains and losses recognised in the consolidated statement of other comprehensive income on cross-currency swaps at 31st December 2020 are expected to affect the consolidated statement of profit or loss in the years to redemption of the notes (up to and including 2030). The total notional principal amount of the outstanding cross-currency swap contracts at 31st December 2020 was HK$27,307 million (2019: HK$25,821 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 2020 and 31st December 2019 all cash flow hedges qualifying for hedge accounting were highly effective.

24. Properties for Sale

Accounting Policy

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 for sale are available for immediate sale and are classified as current assets.

	2020 HK$M	2019 HK$M
Properties for sale		
Properties under development		
– development costs	188	77
– leasehold land	1,255	1,260
Completed properties		
– development costs	1,344	1,507
– freehold land	750	759
– leasehold land	1	1
	3,538	3,604

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.

	2020 HK$M	2019 HK$M
Goods for sale	2,751	3,255
Manufacturing materials	965	947
Production supplies	1,393	1,334
Work in progress	3	3
	5,112	5,539

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 consolidated statement of financial position are stated net of such provisions.

	2020 HK$M	2019 HK$M
Trade debtors	4,251	4,074
Amounts due from immediate holding company	6	1
Amounts due from joint venture companies	16	26
Amounts due from associated companies	530	230
Deposit paid for financial assets at fair value through profit or loss	46	–
Mortgage loans receivable at 5.5% – Non-current portion	18	36
Prepayments and accrued income	2,269	1,822
Other receivables	2,724	2,496
Deferred receivables – Non-current portion	490	–
	10,350	8,685
Amounts due after one year included under non-current assets	(562)	(67)
	9,788	8,618

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:

	2020 HK$M	2019 HK$M
Up to three months	3,941	3,812
Between three and six months	200	170
Over six months	110	92
	4,251	4,074

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.

26. Trade and Other Receivables (continued)

At 31st December 2020, trade debtors of HK$127 million (2019: HK$104 million) were impaired and the expected credit losses for the remaining trade and other receivables are not significant. The amount of the provision was HK$127 million at 31st December 2020 (2019: HK$96 million).

The maximum exposure to credit risk at 31st December 2020 and 31st December 2019 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 2020 was HK$2,745 million (2019: HK$2,905 million).

The deferred receivable represents a deferred payment for the sale of the Swire Properties group's interest in the Cityplaza One office tower in Hong Kong. In accordance with the sale and purchase agreement, the deferred payment is to be received on the third anniversary of the completion of the disposal. The deferred payment is recognised at amortised cost using an effective interest rate of 3% per annum.

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.

	2020 HK$M	2019 HK$M
Bank balances and short-term deposits maturing within three months	29,233	21,322
Short-term deposits maturing after more than three months	31	23
	29,264	21,345

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 3.25% (2019: 0.01% to 4.00%) per annum; these deposits have maturities from 2 to 365 days (2019: 2 to 146 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2020 and 31st December 2019 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 disposal, except for assets such as deferred tax assets, financial assets and investment property that are carried at fair value.

Assets classified as held for sale represent the Swire Properties group's 100% interest in 227 car parking spaces and 62 motorcycle parking spaces at Stage VI, Taikoo Shing in Hong Kong. The Swire Properties group started to sell the car parking spaces to registered owners of Taikoo Shing in the fourth quarter of 2020.

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.

	2020 HK$M	2019 HK$M
Trade creditors	4,295	4,299
Amounts due to immediate holding company	145	159
Amounts due to joint venture companies	19	7
Amounts due to associated companies	416	448
Interest-bearing advances from joint venture companies at 0.22%-2.85% (2019: 3.24%)	565	54
Interest-bearing advances from an associated company at 1.55% (2019: 3.25%)	290	291
Advances from non-controlling interests	188	187
Rental deposits from tenants	2,745	2,905
Deposits received on sale of investment properties	59	–
Put options over non-controlling interests	600	677
Contingent consideration	1,256	1,194
Accrued capital expenditure	1,400	1,260
Provision for restructuring costs	28	125
Other accruals	9,505	8,359
Other payables	4,559	4,360
	26,070	24,325
Amounts due after one year included under non-current liabilities	(1,143)	(1,095)
	24,927	23,230

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 2021. 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:

	2020 HK$M	2019 HK$M
Up to three months	4,168	4,138
Between three and six months	47	78
Over six months	80	83
	4,295	4,299

30. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included in respect of 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 consolidated 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.

During the year ended 31st December 2020 the Group was, and up to date the Group has been, in compliance with the loan covenants under the Group's borrowings and available banking facilities.

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

	2020 HK$M	2019 HK$M
Maturity profile at year end is as follows:		
Within one year	793	858
Between one and two years	669	733
Between two and five years	1,133	1,096
Over five years	2,557	2,688
	5,152	5,375
Amount due within one year included under current liabilities	(793)	(858)
	4,359	4,517

At 31st December 2020, the weighted average incremental borrowing rate applied in measuring the lease liabilities was 3.78% (2019: 3.82%).

For the accounting policy in respect of lease liabilities, please refer to right-of-use assets (note 17).

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 the Chinese mainland, 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 the Chinese mainland 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 consolidated statement of financial position:

	2020 HK$M	2019 HK$M
Deferred tax assets	562	667
Deferred tax liabilities	(11,556)	(11,014)
	(10,994)	(10,347)

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	2020 HK$M	2019 HK$M
At 1st January		10,347	9,580
Translation differences		393	(139)
Disposal of subsidiary companies		(28)	–
Charged to profit or loss	10	361	840
(Credited)/charged to other comprehensive income		(3)	70
Other transfer		(76)	(4)
At 31st December		10,994	10,347

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	
	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M
At 1st January	5,212	4,646	5,084	4,831	2,138	1,995	12,434	11,472
Translation differences	101	(22)	239	(113)	62	(24)	402	(159)
Disposal of a subsidiary	(28)	–	–	–	–	–	(28)	–
(Credited)/charged to profit or loss	(171)	597	215	366	182	137	226	1,100
(Credited)/charged to other comprehensive income	–	(5)	–	–	20	30	20	25
Other transfer	(50)	(4)	(35)	–	6	–	(79)	(4)
At 31st December	5,064	5,212	5,503	5,084	2,408	2,138	12,975	12,434

32. Deferred Taxation (continued)

Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M
At 1st January	544	476	461	430	1,082	986	2,087	1,892
Translation differences	7	(5)	–	(6)	2	(9)	9	(20)
Credited/(charged) to profit or loss	16	73	(108)	37	(43)	150	(135)	260
Credited/(charged) to other comprehensive income	–	–	–	–	23	(45)	23	(45)
Other transfer	(5)	–	6	–	(4)	–	(3)	–
At 31st December	562	544	359	461	1,060	1,082	1,981	2,087

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$4,034 million (2019: HK$3,775 million) to carry forward against future taxable income.

These amounts are analysed as follows:

	Unrecognised Tax Losses	
	2020 HK$M	2019 HK$M
No expiry date	1,629	1,387
Expiring in 2020	–	37
Expiring in 2021	59	258
Expiring in 2022	58	172
Expiring in 2023	99	101
Expiring in 2024 (2019: 2024 or after)	142	1,820
Expiring in 2025 or after	2,047	N/A
	4,034	3,775

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 consolidated 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 consolidated 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 the consolidated statement of other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the consolidated statement of profit or loss. Any differences between the implicit and actual return on assets are charged as remeasurements to the consolidated statement of other comprehensive income.

For defined contribution schemes, the Group's contributions are charged to the consolidated 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 years ended 31st December 2020 and 2019, disclosures in respect of defined benefit schemes are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2018, which were updated to reflect the position at 31st December 2020 and 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 108% (2019: 99%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$249 million to its defined benefit schemes in 2021.

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 consolidated statement of financial position are as follows:

	2020 HK$M	2019 HK$M
Present value of funded obligations	6,825	6,636
Fair value of plan assets	(6,017)	(5,655)
	808	981
Present value of unfunded obligations	87	81
Net retirement benefit liabilities	895	1,062
Represented by:		
Retirement benefit assets	(196)	(97)
Retirement benefit liabilities	1,091	1,159
	895	1,062

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

	2020 HK$M	2019 HK$M
At 1st January	6,717	6,212
Translation differences	10	(4)
Transfer of members	5	1
Current service cost	296	287
Past service cost	–	7
Interest expense	190	208
Actuarial (gains)/losses from changes in:		
demographic assumptions	(13)	(5)
financial assumptions	691	441
Experience (gains)/losses	(334)	21
Employee contributions	3	2
Benefits paid	(519)	(453)
Curtailments and settlements	(134)	–
At 31st December	6,912	6,717

The weighted average duration of the defined benefit obligations is 8.8 years (2019: 8.9 years).

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

	2020 HK$M	2019 HK$M
At 1st January	5,655	5,084
Translation differences	3	(4)
Transfer of members	5	1
Interest income	168	176
Return on plan assets, excluding interest income	501	533
Contributions by employers	303	315
Benefits paid	(515)	(450)
Curtailments and settlements	(103)	–
At 31st December	6,017	5,655

There were no plan amendments during the year.

33. Retirement Benefits (continued)

(d) Net expenses recognised in the consolidated statement of profit or loss are as follows:

	2020 HK$M	2019 HK$M
Current service cost	296	287
Past service cost	–	7
Net interest cost	22	32
Gain on settlements	(14)	–
	304	326

The above net expenses were included in costs of sales, distribution costs and administrative expenses in the consolidated statement of profit or loss.

Total retirement benefit costs charged to the consolidated statement of profit or loss for the year ended 31st December 2020 amounted to HK$660 million (2019: HK$727 million), including HK$356 million (2019: HK$401 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was a gain of HK$669 million (2019: gain of HK$709 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:

	2020 HK$M	2019 HK$M
Equities		
Asia Pacific	318	378
Europe	413	389
North America	1,174	1,063
Emerging markets	1,039	899
Bonds		
Global	1,840	1,852
Emerging markets	200	151
Absolute return funds	700	684
Cash	333	239
	6,017	5,655

At 31st December 2020, the prices of 95% of equities and 13% of bonds were quoted on active markets (31st December 2019: 96% and 28% 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:

	2020		2019	
	Hong Kong %	Others %	Hong Kong %	Others %
Discount rate	1.64	0.25-2.85	2.93	0.75-3.40
Expected rate of future salary increases	3.00-4.00	2.75-3.37	4.00	2.75-3.49

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 2020			
Discount rate	0.5%	(379)	417
Expected rate of future salary increases	0.5%	269	(257)
At 31st December 2019			
Discount rate	0.5%	(365)	384
Expected rate of future salary increases	0.5%	262	(264)

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 consolidated statement of financial position.

34. Share Capital

	'A' shares	'B' shares	Total HK$M
Issued and fully paid with no par value			
At 31st December 2019 and 2020	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 (2019: none).

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 2020		270,330	2,444	(159)	524	(1,081)	272,058
Loss for the year		(10,999)	–	–	–	–	(10,999)
Other comprehensive income							
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	104	–	–	–	104
– deferred tax		–	(3)	–	–	–	(3)
– reclassified to revenue reserve on disposal		183	(183)	–	–	–	–
Defined benefit plans							
– remeasurement gains recognised during the year		148	–	–	–	–	148
– deferred tax		(16)	–	–	–	–	(16)
Changes in the fair value of equity investments at fair value through other comprehensive income							
– gains recognised during the year		–	–	34	–	–	34
– reclassified to revenue reserve on disposal		13	–	(13)	–	–	–
Cash flow hedges							
– losses recognised during the year		–	–	–	(176)	–	(176)
– transferred to net finance charges		–	–	–	21	–	21
– transferred to operating profit		–	–	–	23	–	23
– deferred tax		–	–	–	24	–	24
Share of other comprehensive income of joint venture and associated companies		309	–	–	(520)	1,567	1,356
Net translation differences on foreign operations		–	–	–	–	2,394	2,394
– reclassified to profit or loss on disposal		–	–	–	–	(6)	(6)
Total comprehensive income for the year		(10,362)	(82)	21	(628)	3,955	(7,096)
Change in composition of the Group		(35)	–	–	–	–	(35)
2019 second interim dividend	12	(2,478)	–	–	–	–	(2,478)
2020 first interim dividend	12	(1,051)	–	–	–	–	(1,051)
At 31st December 2020		256,404	2,362	(138)	(104)	2,874	261,398

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 2019		265,563	2,205	(116)	–	199	267,851
Profit for the year		9,007	–	–	–	–	9,007
Other comprehensive income							
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	241	–	–	–	241
– deferred tax		–	(2)	–	–	–	(2)
Defined benefit plans							
– remeasurement gains recognised during the year		67	–	–	–	–	67
– deferred tax		8	–	–	–	–	8
Changes in the fair value of equity investments at fair value through other comprehensive income		–	–	(59)	–	–	(59)
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)
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		(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

(a) The Group's revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$9,776 million (2019: HK$8,927 million) and retained revenue reserves from associated companies amounting to HK$15,484 million (2019: HK$25,232 million).

(b) The Group's revenue reserve includes HK$1,502 million (2019: HK$2,478 million) representing the declared second interim dividend for the year (note 12).

(c) As at 31st December 2020, the Group's cash flow hedge reserve includes credit of HK$123 million (net of tax) (2019: charge of HK$64 million) relating to the currency basis element of the Group's derivatives which is recognised separately as a cost of hedging.

36. Non-controlling Interests

The movement of non-controlling interests during the year is as follows:

	2020 HK$M	2019 HK$M
At 1st January	56,142	54,661
Share of profits less losses for the year	904	2,831
Share of revaluation of property previously occupied by the Group		
– gains recognised during the year	23	53
– deferred tax	(1)	–
Share of defined benefit plans		
– remeasurement gains recognised during the year	9	9
– deferred tax	(2)	(1)
Share of cash flow hedges		
– (losses)/gains recognised during the year	(11)	65
– transferred to net finance charges	5	(4)
– deferred tax	1	(10)
Share of other comprehensive income of joint venture and associated companies	155	(53)
Share of net translation differences on foreign operations	504	(171)
Share of total comprehensive income	1,587	2,719
Dividends paid	(1,354)	(1,246)
Acquisition of non-controlling interests in subsidiary companies	–	(43)
Change in composition of the Group	–	51
Others	79	–
At 31st December	56,454	56,142

37. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

	Note	2020 HK$M	2019 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3	9
Right-of-use assets		–	21
Subsidiary companies		38,072	42,799
Joint venture companies		28	28
Loans due from joint venture companies		86	86
Associated companies		9,896	4,624
Equity investments at fair value through other comprehensive income		154	120
Retirement benefit assets		9	30
		48,248	47,717
Current assets			
Trade and other receivables		49	54
Taxation receivable		8	8
Bank balances and short-term deposits		6	12
		63	74
Current liabilities			
Trade and other payables		37,062	37,200
Lease liabilities due within one year		–	8
		37,062	37,208
Net current liabilities		(36,999)	(37,134)
Total assets less current liabilities		11,249	10,583
Non-current liabilities			
Long-term lease liabilities		–	13
Deferred tax liabilities		1	4
		1	17
NET ASSETS		11,248	10,566
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	34	1,294	1,294
Reserves	37(b)	9,954	9,272
TOTAL EQUITY		11,248	10,566

Merlin Swire
Michelle Low
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Directors
Hong Kong, 11th March 2021

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 2020		9,263	9	9,272
Profit for the year		4,190	–	4,190
Other comprehensive income				
Defined benefit plans				
– remeasurement losses recognised during the year		(14)	–	(14)
– deferred tax		2	–	2
Changes in the fair value of equity investments at fair value through other comprehensive income		–	33	33
Total comprehensive income for the year		4,178	33	4,211
2019 second interim dividend	12	(2,478)	–	(2,478)
2020 first interim dividend	12	(1,051)	–	(1,051)
At 31st December 2020		9,912	42	9,954
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		(2,703)	–	(2,703)
2019 first interim dividend	12	(2,027)	–	(2,027)
At 31st December 2019		9,263	9	9,272

(i) Distributable reserves of the Company at 31st December 2020 amounted to HK$9,912 million (2019: HK$9,263 million).

(ii) The Company revenue reserve includes HK$1,502 million (2019: HK$2,478 million) representing the declared second interim dividend for the year (note 12).

38. Capital Commitments

		2020 HK$M	2019 HK$M
(a)	The Group's outstanding capital commitments at the year-end in respect of:		
	Property, plant and equipment		
	Contracted but not provided for	600	599
	Authorised by Directors but not contracted for	7,844	7,409
	Investment properties		
	Contracted but not provided for	4,022	5,293
	Authorised by Directors but not contracted for	10,047	10,211
		22,513	23,512
	The Group's share of capital commitments of joint venture companies at the year-end*		
	Contracted but not provided for	48	364
	Authorised by Directors but not contracted for	4,439	740
		4,487	1,104

* of which the Group is committed to funding HK$1,330 million (2019: HK$483 million).

At 31st December 2020, the Swire Properties group was committed to make a capital injection of HK$3,946 million (2019: Nil) into a joint venture company.

(b) At 31st December 2020, the Group had unprovided contractual obligations for future repairs and maintenance in respect of investment properties of HK$270 million (2019: HK$256 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)

		2020 HK$M	2019 HK$M
(a)	Guarantees provided in respect of:		
	Bank loans and other liabilities of joint venture companies	3,291	2,381
	Bank guarantees given in lieu of utility deposits and others	376	261
		3,667	2,642

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

Critical Accounting Estimates and Judgements

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. 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 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 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 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 the Group as lessor under operating leases (net of any incentives paid to lessees) are recognised as income in the consolidated 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 Group as a lessee, right-of-use assets and the corresponding lease liabilities are recognised in the financial statements when the leased assets became available for use. Commitments in respect of leases payable by the Group as lessees represent the future lease payments for (i) committed leases which have not yet commenced at the year-end date and (ii) 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$642 million (2019: HK$547 million). The leases for vessels typically run for an initial period of one month to three years with an option to renew them after that date, at which time all terms are renegotiated.

The future aggregate minimum lease receipts under non-cancellable operating leases were receivable by the Group at the year end as follows:

	2020 HK$M	2019 HK$M
Investment properties		
Within one year	8,770	9,396
Between one and two years	7,253	8,013
Between two and three years	5,287	6,200
Between three and four years	3,761	4,439
Between four and five years	2,662	3,297
After five years	4,771	7,152
	32,504	38,497
Vessels		
Within one year	175	259
Between one and two years	64	81
Between two and three years	–	15
	239	355
	32,743	38,852

Assets held for deployment on operating leases at the year end were as follows:

	2020		2019	
	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Vessels HK$M
Cost or fair value	238,796	17,863	251,478	26,147
Less: accumulated depreciation and impairment	–	(15,205)	–	(16,160)
	238,796	2,658	251,478	9,987
Depreciation for the year	–	580	–	982

40. Lease Commitments (continued)

(b) Lessee

The future aggregate lease payments under leases committed but not yet commenced were payable by the Group at the year end as follows:

	2020 HK$M	2019 HK$M
Land and buildings		
Within one year	42	11
Between one and five years	68	38
Over five years	69	3
	179	52
Equipment		
Within one year	7	3
Between one and five years	28	6
Over five years	63	–
	98	9
	277	61

At 31st December 2020, there are no short-term lease commitments which are significantly dissimilar to the portfolio of short-term leases for which expenses were recognised for the year ended 31st December 2020 (2019: none).

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 2020, service fees payable amounted to HK$291 million (2019: HK$303 million). Expenses of HK$303 million (2019: HK$284 million) were reimbursed at cost; in addition, HK$354 million (2019: HK$378 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 2020, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the Tenancy Framework Agreement applies amounted to HK$106 million (2019: HK$109 million).

41. Related Party Transactions (continued)

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the 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	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M
Revenue from	(a)								
– Sales of beverage drinks		14	43	5	25	–	–	–	–
– Sales of goods		974	–	–	–	–	–	–	–
– Rendering of services		73	73	11	6	17	13	2	–
– Aircraft and engine maintenance		54	43	2,433	3,319	–	–	–	–
– Rental of properties	(b)	–	–	1	3	–	1	106	108
Purchase of beverage drinks	(a)	132	63	3,299	3,816	–	–	–	–
Purchase of other goods	(a)	10	3	36	178	–	–	–	–
Purchase of services	(a)	53	81	3	4	12	11	–	–
Interest income	(c)	76	75	9	1	–	–	–	–
Interest charges	(c)	5	2	6	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 eight years. The leases were entered into on normal commercial terms.
(c) Loans advanced to joint venture and associated companies at 31st December 2020 are disclosed in note 20. Amounts due from and to joint venture and associated companies and advances from these companies are disclosed in notes 26 and 29.

The amounts due to the immediate holding company at 31st December 2020 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 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

	2020 HK$M	2019 HK$M
Operating profit	2,695	13,792
Profit on disposal of subsidiary companies	(2,026)	(1,384)
Profit on disposal of joint venture companies	–	(994)
Profit on sale of property, plant and equipment	(18)	(50)
Loss on sale of investment properties	147	17
Provision for restructuring costs	–	125
Change in fair value of investment properties	4,421	(3,728)
Depreciation, amortisation and impairment charges	9,213	7,700
Other items	318	191
Operating profit before working capital changes	14,750	15,669
Decrease/(increase) in properties for sale	119	(915)
Decrease/(increase) in stocks and work in progress	572	(337)
Decrease/(increase) in contract assets	351	(144)
(Increase)/decrease in trade and other receivables	(1,132)	952
Increase/(decrease) in trade and other payables and contract liabilities	464	(2,408)
Cash generated from operations	15,124	12,817

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

(b) Purchase of property, plant and equipment

	2020 HK$M	2019 HK$M
Property	**469**	539
Plant and machinery	**2,197**	2,849
Vessels	**158**	394
Total	**2,824**	3,782

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	
	2020 HK$M	2019 HK$M	2020 HK$M	2019 HK$M
At 1st January	**68,033**	71,775	**5,375**	5,659
New leases entered during the year	**–**	–	**530**	763
Net cash inflow/(outflow) from financing activities				
– Loans drawn and refinancing	**14,525**	10,564	**–**	–
– Repayment of loans and bonds	**(14,395)**	(14,135)	**–**	–
– Principal elements of lease payments	**–**	–	**(935)**	(950)
Change in composition of the Group	**10**	–	**21**	–
Effect of exchange differences	**(121)**	(288)	**75**	(6)
Other non-cash movements	**112**	117	**86**	(91)
At 31st December	**68,164**	68,033	**5,152**	5,375

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

(d) Disposal of subsidiary companies

	Subsidiaries in Property Division HK$M	Subsidiaries in Marine Services Division HK$M	Total HK$M
Net assets disposed of:			
Property, plant and equipment	15	2,250	2,265
Investment properties	7,685	–	7,685
Right-of-use assets	119	–	119
Stocks and work in progress	1	10	11
Trade and other receivables	30	197	227
Taxation receivable	–	22	22
Bank balances and deposits maturing within three months	–	57	57
Trade and other payables	(89)	(152)	(241)
Contract liabilities	–	(50)	(50)
Taxation payable	(99)	–	(99)
Deferred taxation liabilities	(28)	–	(28)
Exchange losses reclassified from translation reserve	–	(6)	(6)
	7,634	2,328	9,962
Gains on disposal	1,973	53	2,026
	9,607	2,381	11,988
Satisfied by:			
Cash received (net of transaction costs)	8,219	1,269	9,488
Equity investments at fair value through profit or loss	970	–	970
Deferred consideration	490	–	490
Other consideration	(72)	1,112	1,040
	9,607	2,381	11,988
Analysis of the net inflow of cash and cash equivalents from disposals:			
Net cash proceeds	8,219	1,269	9,488
Cash and cash equivalents disposed of	–	(57)	(57)
Net inflow of cash and cash equivalents	8,219	1,212	9,431

The disposal of subsidiary companies in the Property Division consists of the sales of interests in the Cityplaza One office tower in Hong Kong.

43. Event after the Reporting Period

In December 2020, the Swire Properties group completed the sale of its interest in a wholly-owned subsidiary company which indirectly held a 100% interest in the Cityplaza One office tower in Hong Kong. In accordance with the sale and purchase agreement (SPA), part of the consideration was satisfied by the issue of the consideration shares which represent a 22% shareholding in the holding company of the purchaser. A call option was granted to the purchaser's guarantor to acquire some or all of these consideration shares during the period from the date of the SPA completion to the first anniversary of such date. In February 2021, the purchaser's guarantor exercised the call option to acquire the Swire Properties group's consideration shares at an exercise price of HK$973 million.

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 investments at fair value 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 consolidated 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 consolidated 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 the consolidated statement of 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 consolidated statement of other comprehensive income are reclassified to the consolidated 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 consolidated 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 consolidated statement of profit or loss, and its share of post-acquisition movements in the consolidated statement of other comprehensive income is recognised in the consolidated 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 the consolidated statement of other comprehensive income is reclassified to the consolidated statement of 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 or loss.

3. Subsidiary Companies

Investments in subsidiary companies in the Company's standalone financial statements are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for on the basis of dividends received and receivable. Long-term loans to subsidiary companies are considered to be quasi-equity in nature where there are no defined repayment terms and no expectation of repayment.

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 consolidated statement of profit or loss, except when deferred in the consolidated statement of 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 the consolidated statement of other comprehensive income, any associated translation difference is also recognised directly in the consolidated statement of other comprehensive income. When a gain or loss on a non-monetary item is recognised in the consolidated statement of profit or loss, any associated translation difference is also recognised in the consolidated 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 the statement of 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 the consolidated statement of 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.

7. Government Grants

The Group recognises government grants when there is reasonable assurance that the Group will comply with the conditions attached to the grants and the grants will be received. Government grants, that are intended to compensate the Group for expenses incurred, are recognised in the consolidated statement of profit or loss on a systematic basis in the years in which the related expenses are recognised.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2020

	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:					
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 the Chinese mainland:					
(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 7.7% of attributable net assets at 31st December 2020.
5. ^ Translated name.

Showing proportion of capital owned at 31st December 2020

	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 the Chinese mainland)	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 the Chinese mainland)	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 the Chinese mainland:					
(Domestic company)					
Beijing Linlian Real Estate Company Limited ^	41	–	50	Registered capital of RMB400,000,000	Property investment
Beijing Xingtaitonggang Properties Company Limited ^	28.70	–	35	Registered capital of RMB9,500,000,000	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
Incorporated in Vietnam:					
City Garden Thu Thiem Limited Liability Company ●	16.40	–	*	Charter capital of VND969,797,500,000	Property trading
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)	Overhaul, modification and maintenance for commercial aircraft
Incorporated in the Chinese mainland:					
(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

	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 Chinese mainland (continued):					
(Wholly foreign owned enterprise)					
HAECO Component Overhaul (Xiamen) Limited	100	–	100	Registered capital of US$18,600,000	Aircraft component overhaul
Incorporated in the USA:					
HAECO USA Holdings, LLC	100	–	100	Limited Liability Company	Aircraft overhaul and maintenance, cabin modification and interior products manufacturing
HAECO Global Engine Support, LLC	100	–	100	Limited Liability Company	Inspection, maintenance, repair and storage of civil aircraft engines
Joint venture companies:					
Incorporated in Hong Kong:					
Goodrich Asia-Pacific Limited	49	–	49	9,200,000 shares (HK$9,200,000)	Aircraft wheel and brake services
Hong Kong Aero Engine Services Limited	50	–	50	20 shares (HK$200)	Overhaul and maintenance of commercial aero engines
Incorporated in the Chinese mainland:					
(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 Leasing (H.K.) Limited •	45	–	*	1 share (HK$1)	Aircraft leasing facilitator
Cathay Pacific Airways Limited •	45	45	–	6,437,200,203 ordinary shares (HK$28,821,956,644.08) and 195,000,000 preference shares (HK$19,500,000,000)	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

	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 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 (ceased operations with effect from 21st October 2020)
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 the Chinese mainland:					
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 and 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 the Cayman Islands:					
Cathay Pacific Finance III Limited●	45	–	*	1 share of US$1	Financial services
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
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	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 the Chinese mainland:					
(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 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 Xiamen Ltd.	100	–	100	Registered capital of US$52,737,000	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 and 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 the Chinese mainland:					
(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 the Chinese mainland:					
(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

	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	370,400,000 ordinary 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 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
Associated company:					
Incorporated in Denmark:					
Cadeler A/S (previously known as Swire Blue Ocean A/S)●	46.50	–	46.50	115,574,468 shares of DKK1 each	Ship operator
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	27.50	–	*	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 the Chinese mainland:					
(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 RMB5,000,000	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 the Chinese mainland (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 the Chinese mainland:					
(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
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 the Chinese mainland:					
(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:					
Global Food Venture Investment Limited	100	100	–	1 share (HK$1)	Holding company
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
Associated company:					
Incorporated in the Cayman Islands:					
Columbia China Healthcare Co., Limited	13.01	–	*	500,000,000 shares of US$0.0001 each	Provision of healthcare and elderly care services in the Chinese mainland

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the consolidated results and consolidated 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 2020 and consolidated statement of financial position at 31st December 2020, modified to conform to the Group's financial statements presentation.

Consolidated Statement of Profit or Loss

For the year ended 31st December 2020

	Note	2020 HK$M	2019 HK$M
Revenue		46,934	106,973
Operating expenses		(58,639)	(103,646)
Operating (loss)/profit before non-recurring items		(11,705)	3,327
Restructuring costs		(2,383)	–
Impairment and related charges		(4,056)	–
Gain on deemed partial disposal of an associated company	1	–	114
Operating (loss)/profit		(18,144)	3,441
Finance charges		(3,044)	(3,276)
Finance income		149	337
Net finance charges		(2,895)	(2,939)
Share of (losses)/profits of associated companies		(1,282)	1,643
(Loss)/profit before taxation		(22,321)	2,145
Taxation		674	(454)
(Loss)/profit for the year		(21,647)	1,691
(Loss)/profit for the year attributable to:			
– Ordinary shareholders of Cathay Pacific		(21,876)	1,691
– Preference shareholder of Cathay Pacific		228	–
– Non-controlling interests		1	–
		(21,647)	1,691

	HK¢	HK¢
(Loss)/earnings per share attributable to Cathay Pacific's ordinary shareholders (basic and diluted) (2019 restated)	(424.3)	39.1

Note 1: 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 2020

	2020 HK$M	2019 HK$M
(Loss)/profit for the year	(21,647)	1,691
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	599	1,061
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(1,041)	551
Share of other comprehensive loss of associated companies	(203)	(186)
Net translation differences on foreign operations	1,638	(472)
Other comprehensive income for the year, net of tax	993	987
Total comprehensive (loss)/income for the year	(20,654)	2,678
Total comprehensive (loss)/income attributable to:		
Ordinary shareholders of Cathay Pacific	(20,883)	2,678
Preference shareholder of Cathay Pacific	228	–
Non-controlling interests	1	–
	(20,654)	2,678

Consolidated Statement of Financial Position

At 31st December 2020

	2020 HK$M	2019 HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	131,925	140,114
Intangible assets	15,061	15,151
Investments in associated companies	26,489	27,055
Other long-term receivables and investments	2,905	3,823
Deferred tax assets	627	1,089
	177,007	187,232
Current assets		
Stock	1,719	1,812
Trade and other receivables	6,469	10,608
Assets held for sale	38	–
Liquid funds	19,341	14,864
	27,567	27,284
Current liabilities		
Interest-bearing liabilities	24,249	20,752
Trade and other payables	12,376	18,218
Contract liabilities	8,122	15,941
Taxation	1,977	1,951
	46,724	56,862
Net current liabilities	(19,157)	(29,578)
Total assets less current liabilities	157,850	157,654
Non-current liabilities		
Interest-bearing liabilities	68,880	76,508
Other long-term payables	4,210	4,806
Deferred tax liabilities	11,499	13,564
	84,589	94,878
NET ASSETS	73,261	62,776
EQUITY		
Share capital	48,322	17,106
Reserves	24,935	45,667
Equity attributable to Cathay Pacific's shareholders	73,257	62,773
Non-controlling interests	4	3
TOTAL EQUITY	73,261	62,776

Summary of Past Performance

	2011 HK$M	2012 HK$M	2013 HK$M	2014 HK$M
Ratios				
Return on equity	14.9%	8.0%	6.2%	5.0%
Derived from:				
Recurring underlying profit/(loss)	*4.0%*	*3.6%*	*4.0%*	*4.2%*
Net non-recurring items	*4.0%*	*0.2%*	*0.0%*	*0.2%*
Net property valuation adjustments	*6.9%*	*4.2%*	*2.2%*	*0.6%*
5-year average	*14.7%*	*12.0%*	*12.7%*	*10.9%*
Gearing ratio (excluding lease liabilities)	15.4%	17.8%	19.2%	22.4%
Statement of Profit or Loss				
Revenue				
Property	9,518	13,988	12,856	15,297
Aviation	5,171	5,830	7,387	11,927
Beverages	14,105	14,396	15,053	16,382
Marine Services	3,505	4,864	6,292	7,234
Trading & Industrial	8,862	9,956	9,836	10,430
Head Office	8	6	13	31
	41,169	49,040	51,437	61,301
Profit/(loss) attributable to the Company's shareholders				
Property	24,981	15,282	10,207	7,786
Aviation	2,869	984	1,627	1,822
Beverages	664	556	802	854
Marine Services	854	964	1,307	1,072
Trading & Industrial	416	247	237	423
Head Office	2,269	(623)	(889)	(888)
	32,053	17,410	13,291	11,069
Dividends for the year	9,780	5,266	5,266	5,868
Share repurchases	–	–	–	–
Retained profit less share repurchases	22,273	12,144	8,025	5,201
Statement of Financial Position				
Assets employed				
Property – cost and working capital	71,868	76,907	84,035	88,491
– valuation surplus	131,609	144,176	151,019	154,116
Aviation	39,689	40,304	43,801	41,195
Beverages	5,662	6,200	6,032	6,048
Marine Services	11,233	17,631	21,412	23,537
Trading & Industrial	1,594	2,663	2,286	3,950
Head Office	5,631	4,755	4,428	3,417
	267,286	292,636	313,013	320,754
Financed by				
Equity attributable to the Company's shareholders	226,380	208,467	220,297	218,775
Non-controlling interests	5,138	39,915	42,211	43,355
Net debt	35,768	44,254	50,505	58,624
Lease liabilities	–	–	–	–
	267,286	292,636	313,013	320,754
	HK$	HK$	HK$	HK$
'A' Shares				
Earnings/(loss) per share	21.30	11.57	8.83	7.36
Dividends per share	6.50	3.50	3.50	3.90
Equity attributable to shareholders per share	150.46	138.55	146.41	145.40
'B' Shares				
Earnings/(loss) per share	4.26	2.31	1.77	1.47
Dividends per share	1.30	0.70	0.70	0.78
Equity attributable to shareholders per share	30.09	27.71	29.28	29.08
Underlying				
Profit/(loss) (HK$M)	17,135	8,270	8,471	9,739
Return on equity (historic cost)	18.9%	8.9%	8.9%	10.1%
Earnings/(loss) per 'A' share (HK$)	11.4	5.5	5.6	6.5
Earnings/(loss) per 'B' share (HK$)	2.3	1.1	1.1	1.3
Cash interest cover – times	8.3	5.4	4.5	4.9
Dividend payout ratio	57.1%	63.7%	62.2%	60.3%

* 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 and the attributable realised profit (HK$4.5 billion or 1.7% of the return) in 2020 arising from the sale of interest in Cityplaza One have been reclassified from net non-recurring items to net property valuation adjustments.

2015 HK$M	2016 HK$M	2017 HK$M	2018 HK$M	2019 HK$M	2020 HK$M
6.1%	4.4%	10.9%	9.0%	3.3%	-4.1%
4.2%	*2.3%*	*2.0%*	*2.8%*	*2.7%*	*-0.2%*
0.3%	*-0.9%*	*0.0%*	*0.4%*	*-0.8%*	*-2.9%**
1.6%	*3.0%*	*8.9%*	*5.8%*	*1.4%*	*-1.0%**
8.1%	*5.9%*	*6.5%*	*7.1%*	*6.7%*	*4.7%*
22.6%	23.5%	23.7%	19.3%	14.2%	12.2%
16,351	16,691	18,443	14,604	14,135	13,262
12,095	13,760	14,546	14,892	15,901	11,483
17,172	18,420	34,066	41,189	43,316	45,080
5,988	4,237	3,066	3,018	2,451	1,889
9,245	9,276	10,163	10,896	9,843	8,308
34	5	5	7	6	10
60,885	62,389	80,289	84,606	85,652	80,032
11,494	12,357	27,731	23,437	11,007	3,388
3,017	441	(1,002)	1,781	1,550	(9,751)
976	813	2,441	1,630	1,686	2,076
(1,255)	(3,013)	(2,232)	(5,033)	(3,634)	(5,240)
155	114	69	2,904	(452)	12
(958)	(1,068)	(937)	(1,090)	(1,150)	(1,484)
13,429	9,644	26,070	23,629	9,007	(10,999)
5,867	3,159	3,155	4,505	4,505	2,553
35	–	165	9	–	–
7,527	6,485	22,750	19,115	4,502	(13,552)
89,009	90,797	95,846	92,805	95,777	97,035
162,217	171,591	198,496	217,858	208,172	200,053
39,311	42,606	44,798	45,449	47,187	42,956
5,833	7,845	17,274	16,657	17,177	16,514
22,293	18,170	16,755	13,014	10,120	3,557
4,445	5,246	5,631	2,252	3,249	2,813
462	(41)	(192)	(253)	(125)	270
323,570	336,214	378,608	387,782	381,557	363,198
218,449	224,879	253,163	270,424	273,352	262,692
45,537	47,289	52,931	54,691	56,142	56,454
59,584	64,046	72,514	62,667	46,688	38,900
–	–	–	–	5,375	5,152
323,570	336,214	378,608	387,782	381,557	363,198
HK$	HK$	HK$	HK$	HK$	HK$
8.93	6.41	17.34	15.74	6.00	(7.32)
3.90	2.10	2.10	3.00	3.00	1.70
145.22	149.50	168.58	180.09	182.04	174.94
1.79	1.28	3.47	3.15	1.20	(1.46)
0.78	0.42	0.42	0.60	0.60	0.34
29.04	29.90	33.72	36.02	36.41	34.99
9,892	3,063	4,742	8,523	17,797	(3,969)
11.2%	3.6%	5.4%	9.3%	18.2%	-3.9%
6.6	2.0	3.2	5.7	11.9	(2.6)
1.3	0.4	0.6	1.1	2.4	(0.5)
4.6	2.6	4.0	5.0	10.5	5.3
59.3%	103.1%	66.5%	52.9%	25.3%	N/A

Schedule of Principal Group Properties

At 31st December 2020

	Gross floor areas in square feet							
	Hong Kong		Chinese Mainland		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	2,320,003	167,927	2,859,885	2,353,175	496,508	–	5,676,396	8,197,498
Office	7,480,117	727,847	1,751,513	1,208,566	–	–	9,231,630	11,168,043
Residential/serviced apartment	555,551	–	51,517	128,565	109,000	–	716,068	844,633
Hotels	358,371	411,189	753,647	471,318	218,000	258,750	1,330,018	2,471,275
	10,714,042	1,306,963	5,416,562	4,161,624	823,508	258,750	16,954,112	22,681,449
Property developments for investment								
Retail	2,839	–	255,731	–	–	–	258,570	258,570
Office	1,218,000	–	–	–	–	–	1,218,000	1,218,000
Residential/serviced apartment	14,500	–	–	–	–	–	14,500	14,500
Hotels	–	–	–	–	–	–	–	–
Under planning	–	–	–	1,429,306	1,444,000*	–	1,444,000	2,873,306
	1,235,339	–	255,731	1,429,306	1,444,000	–	2,935,070	4,364,376
Completed properties for sale								
Retail	–	–	–	–	–	–	–	–
Residential	–	–	–	–	255,562	–	255,562	255,562
Office	–	–	–	–	–	–	–	–
	–	–	–	–	255,562	–	255,562	255,562
Property developments for sale								
Retail	2,000	–	–	–	–	–	2,000	2,000
Residential	722,856	159,576	–	–	1,073,000	730,604	1,795,856	2,686,036
Under planning	–	–	–	–	825,000	–	825,000	825,000
	724,856	159,576	–	–	1,898,000	730,604	2,622,856	3,513,036
	12,674,237	1,466,539	5,672,293	5,590,930	4,421,070	989,354	22,767,600	30,814,423

* 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 the 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 the Chinese mainland exclude carparking spaces; there are about 10,400 completed carparking spaces in Hong Kong and the Chinese mainland, 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. 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.
4. 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.
5. 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.
6. 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.

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. 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.
8. 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	
9. 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.
10. 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.
11. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	
	Total held through subsidiaries			7,480,117	1,065		
12. 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.
13. 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.
14. 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.
15. South Island Place, Wong Chuk Hang	AIL 461 RP	2064	25,260	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 (part) QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sR ss2 (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)	1,096,898	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	3,410	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).
7. 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)	5,197	–	2016 (Refurbishment)	Floor area shown represents the retail area (excluding residential apartments).
	Total held through subsidiaries			2,320,003	5,041		

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)							
8. 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.
9. Citygate Outlets, Tung Chung, Lantau	TCTL 2 (part) TCTL 11 (part)	2047/ 2063	466,476 (part)	803,582	1,197	1999/ 2000/ 2019	Floor area shown represents the whole of the retail area of the development, in which the Swire Properties group owns a 20% interest.
	Total held through joint venture companies			839,635	1,272		
	– 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	106 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. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
	Total held through subsidiaries			555,551	–		
Hotel							
1. EAST Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sR ss2 (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	561-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, Citygate	TCTL 2 (part)	2047	358,557 (part)	236,758	25	2005	440-room hotel, in which the Swire Properties group owns a 20% interest.
7. The Silveri Hong Kong – MGallery, Citygate	TCTL 11 (part)	2063	107,919 (part)	131,965	5	2019	206-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through joint venture companies			368,723	30		
	– of which attributable to the Swire Properties group			73,745			

Completed properties for investment in the Chinese mainland	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.
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 Shi Men Yi 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.
9. Metrolink in HKRI Taikoo Hui	South of West Nanjing Road and underneath Shi Men Yi 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.
10. 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)	1,238,037	907	2020	Swire Properties group owns a 50% interest.
	Total held through joint venture companies			4,706,349	2,815		
	– of which attributable to the Swire Properties group			2,353,175			

Completed properties for investment in the Chinese mainland	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
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 Centre 1 and HKRI Centre 2	South of West Nanjing Road and east of Shi Men Yi 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 a 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 a 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 United States	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 and Three Brickell City Centre Car Parking Spaces	78 SW 7th Street, Miami, Florida	380,670 (part)	–	289	2016	The property was sold without parking. The Swire Properties group owns the remaining 289 parking spaces.
	Total held through subsidiaries		–	289		

Completed properties for investment in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
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
Residential								
1. Rocky Bank 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,500	–	Demolition in progress	2023	Floor area shown is an approximation.
	Total held through subsidiaries			14,500	–			
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	346	Superstructure works in progress	2022	Floor area shown is an approximation.
2. 46-56 Queen's Road East	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	434			
Retail								
1. EIGHT STAR STREET	IL 526 sA ss1 sC IL 526 sA ss1 sB ss1 IL 526 sA ss1 sB RP IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,609 (part)	2,839	–	Superstructure in progress	2022	Residential block over retail podium. Floor area shown represents the retail portion of the development. The area shown is subject to change.
	Total held through subsidiaries			2,839	–			

Property developments for investment in the Chinese mainland	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	2021	Shopping centre with restaurants.
	Total held through subsidiaries			255,731	50			
2. Phase Two extension of INDIGO, Beijing	Next to and on the east of current INDIGO, Beijing	2060 for retail and hotel, 2070 for office	842,807 (part)	Under planning: 4,083,732	To be determined	Foundation works in progress	Phase 1: 2025 Phase 2: 2027	An office-led, mixed-use extension of the existing INDIGO project comprising a shopping mall, office towers, and a hotel. The Swire Properties group owns a 35% interest.
	Total held through joint venture companies			4,083,732	–			
	– of which attributable to the Swire Properties group			1,429,306				

Property developments for investment in the United States	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 the Chinese mainland	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)	–	207	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 207 carparks.
	Total held through joint venture companies			–	207		
	– of which attributable to the Swire Properties group			–			

Completed properties for sale in the United States	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)	50,005	37	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2020, sales of 365 units had been closed.
2. Rise, Brickell City Centre, Miami, Florida	1 SW 8 Street, Miami, Florida	380,670 (part)	128,345	147	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2020, sales of 301 units had been closed.
	Total held through subsidiaries		178,350	184		

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. EIGHT STAR STREET	IL 526 sA ss1 sC IL 526 sA ss1 sB ss1 IL 526 sA ss1 sB RP IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,609 (part)	30,856	–	2022	Residential block over retail podium. 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 execution of land exchange and represents the residential portion of the whole development, in which the Swire Properties group owns a 80% interest.
	Total held through subsidiaries			722,856	–		
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 companies			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 execution of land exchange and represents the retail portion of the whole development, in which the Swire Properties group owns a 80% interest.
	Total held through subsidiaries			2,000	–		

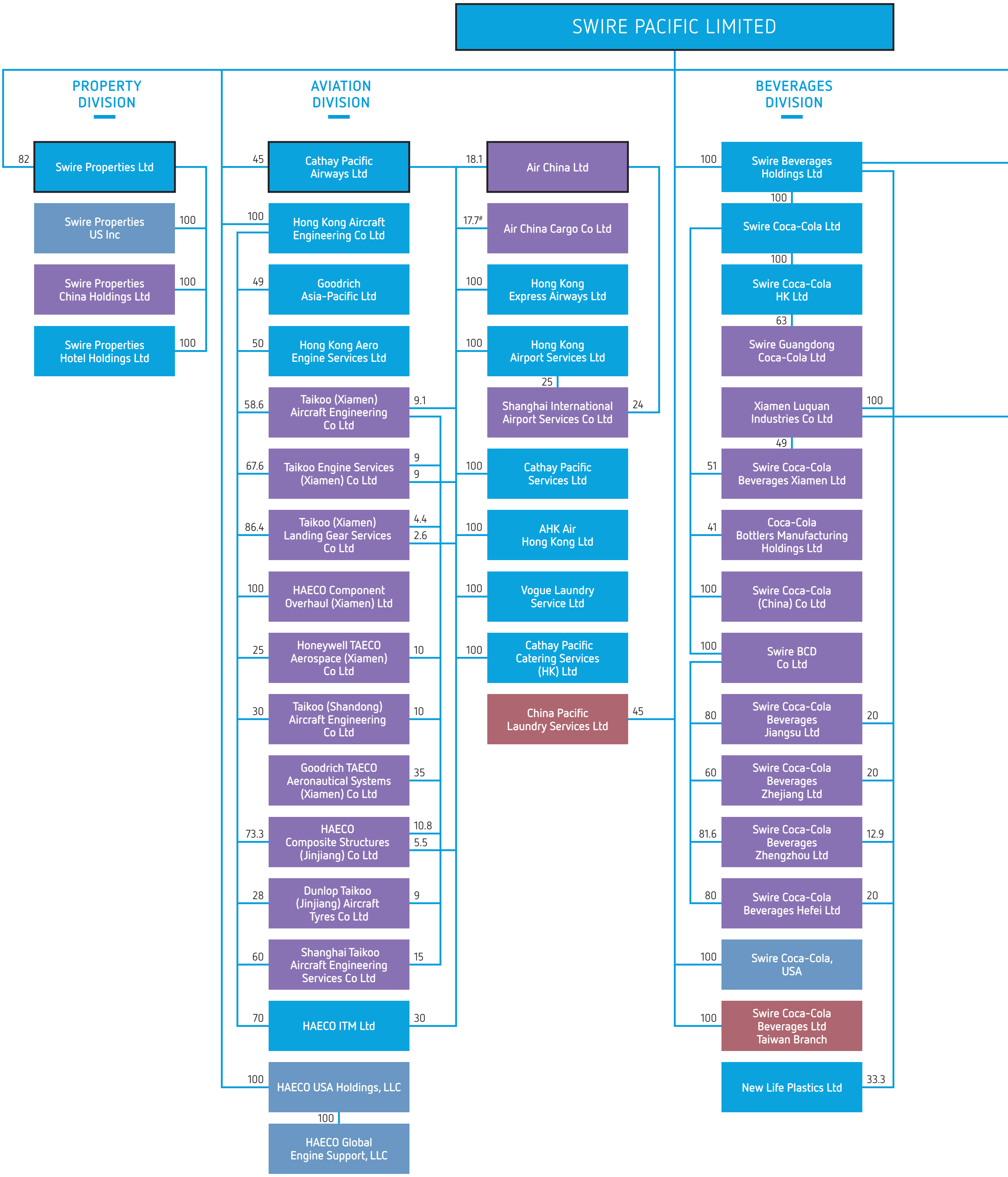
Property developments for sale in the United States	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential: 550,000	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	203,941	Under contract: 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. The site is under contract estimated to be closed by July 2021.
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		

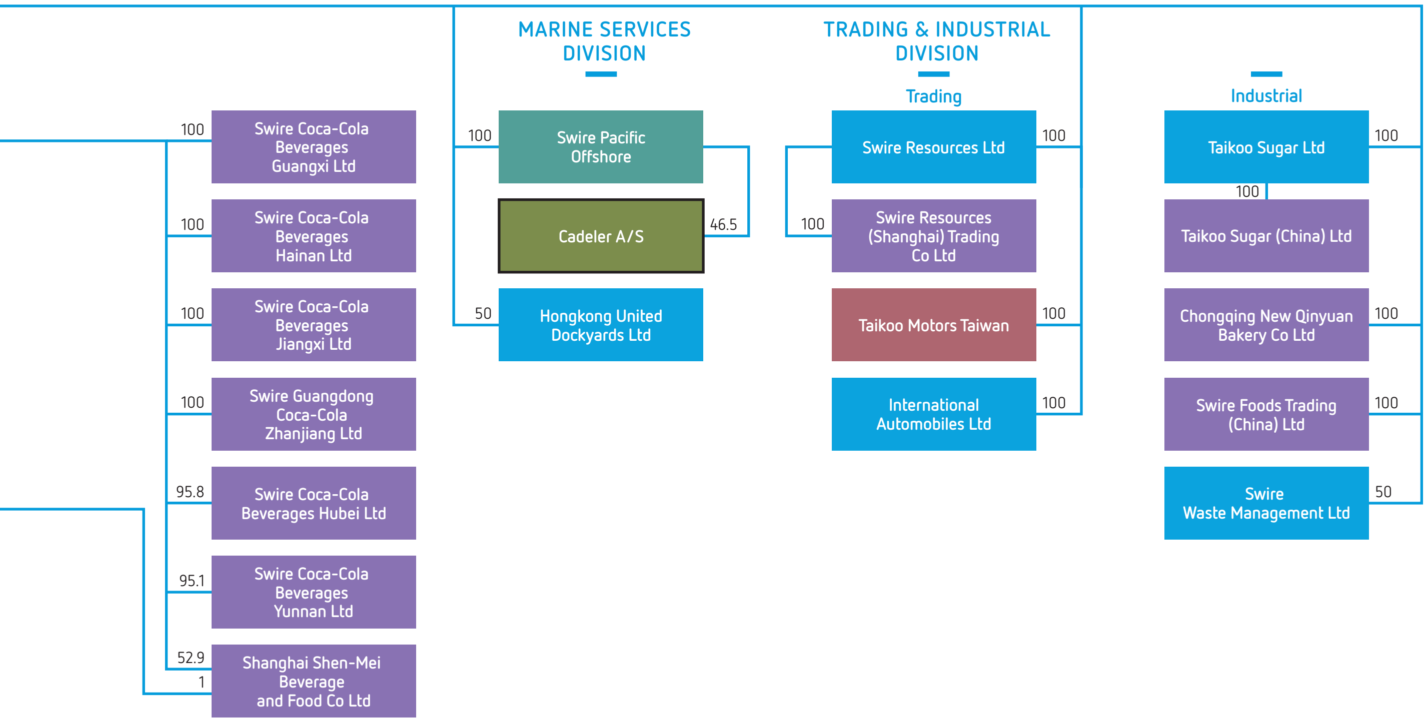
Property developments for sale in Indonesia	Lot number/Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Jakarta Project	Jalan Wijaya II No.37A Kebayoran Baru, South Jakarta	227,982	Residential: 1,122,728	1,079	2024	Residential tower with 431 units, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies		1,122,728	1,079		
	– of which attributable to the Swire Properties group		561,364			

Property developments for sale in Vietnam	Lot number/Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. The River	Thu Thiem, Lot 3.15	165,518	Residential: 846,201	819	2022	3 residential towers with 525 units, in which the Swire Properties group effectively owns a 20% interest. GFA excludes 6,886 sqm of parking and 4,500 sqm of retail which is not included in the Swire Properties group's investment.
	Total held through associated companies		846,201	819		
	– of which attributable to the Swire Properties group		169,240			

Group Structure Chart

at 31st December 2020





- Publicly Quoted
- Taiwan
- Hong Kong
- United States of America
- Chinese mainland
- Denmark
- Singapore

* 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

References in this document to Hong Kong are to Hong Kong SAR, to Macau are to Macao SAR and to Taiwan are to the Taiwan region.

Financial

Underlying profit or loss
Reported profit or loss 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 the 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 impact 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

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on equity} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on capital employed} = \frac{\text{Profit/(loss) before net interest after taxation}}{\text{Average capital employed}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend payout ratio} = \frac{\text{Dividends paid and declared}}{\text{Underlying profit/(loss) attributable to the Company's shareholders}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Aviation

$$\text{Passenger/Cargo load factor} = \frac{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}{\text{Available seat kilometres/Available cargo tonne kilometres}}$$

$$\text{Passenger/Cargo yield} = \frac{\text{Passenger revenue/Cargo revenue}}{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses of Cathay Pacific and Cathay Dragon}}{\text{ATK of Cathay Pacific and Cathay Dragon}}$$

Financial Calendar and Information for Investors

Financial Calendar 2021

'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 2020 second interim dividends	7th May
Share registers closed for attending and voting at Annual General Meeting	10th – 13th May
Annual General Meeting	13th 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

Stock Codes	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

Auditors

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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

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