SWIRE PACIFIC

SWIRE PACIFIC LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

2013 Final Results

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	Note	2013 HK$M	2012 HK$M (Restated)	Change %
Turnover		**51,437**	49,040	+4.9 %
Operating profit		**16,686**	23,487	-29.0 %
Profit attributable to the Company's shareholders		**13,291**	17,410	-23.7 %
Cash generated from operations		**14,301**	10,829	+32.1 %
Net cash outflow before financing		**(211)**	(1,816)	-88.4 %
Total equity (including non-controlling interests)		**262,508**	248,382	+5.7 %
Net debt		**50,505**	44,254	+14.1 %
		HK$	HK$	
Earnings per share	(a)			
'A' share		**8.83**	11.57	-23.7 %
'B' share		**1.77**	2.31	
Dividends per share				
'A' share		**3.50**	3.50	+0.0 %
'B' share		**0.70**	0.70	
Equity attributable to the Company's shareholders per share	(a)			
'A' share		**146.41**	138.55	+5.7 %
'B' share		**29.28**	27.71	

Underlying Profit and Equity		**HK$M**	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(b)	**8,471**	8,270	+2.4 %
		HK$	HK$	
Underlying earnings per share	(a)			
'A' share		**5.63**	5.50	+2.4 %
'B' share		**1.13**	1.10	
Underlying equity attributable to the Company's shareholders per share	(a),(b)			
'A' share		**150.74**	142.37	+5.9 %
'B' share		**30.15**	28.47	

Notes:

(a) Refer to note 7 in the accounts for the weighted average number of shares.

(b) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 58.

Chairman's Statement

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

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

The Economic Background in 2013

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

Operating Performance

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

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

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

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

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

Chairman's Statement (continued)

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

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

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

Economic Outlook

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

Prospects

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

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

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

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

Chairman's Statement (continued)

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

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

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

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

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

Finance

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

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

Sustainable Development

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

Chairman's Statement (continued)

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

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

Dividends

The Directors have declared second interim dividends of HK$2.50 (2012: HK$2.50) per 'A' share and HK$0.50 (2012: HK$0.50) per 'B' share which, together with the first interim dividends of HK$1.00 per 'A' share and HK$0.20 per 'B' share paid in October 2013, amount to full year dividends of HK$3.50 per 'A' share and HK$0.70 per 'B' share, the same as those paid in respect of 2012. The second interim dividends, which total HK$3,761 million (2012: HK$3,761 million), will be paid on 9th May 2014 to shareholders registered at the close of business on the record date, being Friday, 11th April 2014. Shares of the Company will be traded ex-dividend from Wednesday, 9th April 2014.

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

By Order of the Board
SWIRE PACIFIC LIMITED
Christopher Pratt
Chairman
Hong Kong, 13th March 2014

REVIEW OF OPERATIONS

PROPERTY DIVISION

OVERVIEW OF THE BUSINESS

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

Property Investment:

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 13.2 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.8 million square feet on completion. Of this, 6.3 million square feet has already been completed. In the United States, Swire Properties is the primary developer undertaking a mixed-use commercial development at Brickell City Centre in Miami, Florida. On completion after two phases of development, Brickell City Centre is expected to comprise approximately 4.0 million square feet (6.7 million square feet including car park and circulation areas). Swire Properties was responsible for the redevelopment of OPUS HONG KONG at 53 Stubbs Road, which is owned by Swire Pacific, and is responsible for the leasing and management of the property.

Hotel Investment:

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST Hong Kong at Island East. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In Mainland China, Swire Hotels manages two hotels, The Opposite House at Taikoo Li Sanlitun (formerly known as Sanlitun Village) in Beijing, which is wholly-owned by Swire Properties, and EAST at INDIGO, Beijing, in which Swire Properties owns a 50% interest. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental, which opened in January 2013. In the United Kingdom, Swire Properties wholly-owns four hotels, in Cheltenham, Bristol, Brighton and Exeter. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental in Miami.

Property Trading:

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

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

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

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies.
* Includes 894,000 square feet at two techno-centres (Warwick House and Cornwall House).

STRATEGY:

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

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

IMPLEMENTING STRATEGIES:	2013 PERFORMANCE:
New Projects – Swire Properties designs projects which it believes will have the necessary scale, mix of uses and transport links to become key commercial destinations and to transform the areas in which they are situated. Swire Properties' experience and record of success as a developer of major commercial projects gives it a strong competitive advantage in securing new projects. In Hong Kong, suitable development sites of significant size are not easy to obtain due to strong competition and the limited amount of suitable undeveloped land. The progress and cost of developments can be adversely affected by a number of different factors. In Mainland China, Swire Properties aims to replicate the success which it has experienced in Hong Kong. It takes a measured approach to land purchases. It focuses on developments where it can secure sites through early engagement with local governments which recognise its strengths in developing large-scale mixed-use projects.	**Capital Expenditure: HK$7.1bn** **Capital Commitments at Year-end: HK$29.5bn**
Rental Income – Swire Properties actively manages its completed property developments, including by optimising the mix of retail tenants and negotiating with office tenants about early renewal. Its long-term aim is to maintain consistently high levels of service and to enhance and reinforce its assets. By doing so, Swire Properties expects to maximise the occupancy and earnings potential of its properties. Notwithstanding Swire Properties' active management of its developments, the growth of rental income principally depends on the performance of the real estate markets in Hong Kong and Mainland China (in the latter in particular in Beijing and Guangzhou). Any real estate market downturn in these areas could affect Swire Properties' rental income.	**Gross Rental Income (Hong Kong): 5% increase** **Gross Rental Income (Mainland China): 18% increase**
Trading Profit – A key objective of Swire Properties is to expand its residential property activities through acquiring appropriate sites for the development of luxury residential projects.	**Property Trading-Operating Profit: -HK$1.4bn** **Units Closed: 47**
Capital Base – Swire Properties aims to maintain a strong capital base by investing in and financing projects in a disciplined and targeted manner. Its aim in managing its capital base is to safeguard its ability to operate as a going concern and to have access to finance at a reasonable cost. In monitoring its capital structure, Swire Properties considers (among other things) its gearing ratio, its cash interest cover and the return cycle of its various investments.	**Gearing: +0.8% pts** **Return on Equity: 6%**
Sustainability – Tenants increasingly scrutinise the sustainability credentials of landlords and buildings. Swire Properties aims to be at the forefront of sustainable development by designing energy efficient buildings through the innovative use of design, materials and new technology.	**Energy Consumption: 8% increase** **LTIR 8% decrease**

2013 PERFORMANCE

Property Division – Financial Highlights

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

* Other revenue is mainly estate management fees.

Property Division – Sustainable Development Highlights

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

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

Property Division – Reconciliation of Attributable to Underlying Profit

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties.

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

Notes:

(a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture and associated companies.

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

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

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

PROPERTY INDUSTRY BACKGROUND

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

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

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

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

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

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

UK – The trading environment was challenging.

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

USA – The residential property market in urban Miami improved.

2013 RESULTS SUMMARY

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

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

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

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

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

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

KEY CHANGES TO THE PROPERTY PORTFOLIO

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

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

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

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

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

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

INVESTMENT PROPERTIES

Hong Kong

Offices

Swire Properties' completed office portfolio comprises 9.5 million square feet of space in Hong Kong, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza in Island East and 5.3 million square feet at TaiKoo Place in Island East.

Swire Properties has office tenants in Hong Kong operating in different sectors. The top ten office tenants occupied approximately 18% of its office space in Hong Kong at 31st December 2013. Approximately 30% of its office space in Hong Kong is occupied by companies in the financial services sector.

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

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

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

Retail

Swire Properties manages three retail malls in Hong Kong: The Mall at Pacific Place, comprising 0.7 million square feet; Cityplaza in Island East, comprising 1.1 million square feet; and Citygate Outlets at Tung Chung, comprising 0.5 million square feet. The malls are wholly-owned by Swire Properties, except for Citygate Outlets, in which it has a 20% interest. There are other minor retail interests in Hong Kong.

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

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

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

Residential

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

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

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

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

Investment Properties under Development

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

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

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

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

Mainland China

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

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

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

TaiKoo Hui is a mixed-use development in the Tianhe central business district of Guangzhou, with a total area of 3.8 milllion square feet. The development comprises a shopping mall, two Grade A office towers, a cultural centre (owned by a third party) and a Mandarin Oriental hotel with serviced apartments, together with approximately 700 car parking spaces, all of which are interconnected.

INDIGO is a 1.9 million square foot mixed-use development at Jiangtai in the Chaoyang district of Beijing, comprising a retail mall, a Grade A office tower (ONE INDIGO), and EAST, a 369-room hotel.

Retail

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

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

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

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

Offices

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

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

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

Investment Properties under Development

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

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

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

USA

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

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

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

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2013 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$216,239 million compared to HK$205,273 million at 31st December 2012 and HK$209,899 million at 30th June 2013.

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

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

Hong Kong Lease Expiry Profile - at 31st December 2013

% of the total rental income attributable to the Group for the month ended 31st December 2013	2014	2015	2016 and beyond
Office	10.5	14.8	74.7
Retail	11.8	25.1	63.1

Audited financial information

Investment Properties

	Group			Company
	Completed HK$M	**Under Development HK$M**	**Total HK$M**	**Total HK$M**
At 1st January 2013	**192,991**	**12,282**	**205,273**	**4,396**
Translation differences	**676**	**5**	**681**	**-**
Additions	**216**	**4,692**	**4,908**	**-**
Disposals	**-**	**(96)**	**(96)**	**-**
Transfer upon completion	**1,238**	**(1,238)**	**-**	**-**
Transfer to redevelopment	**(5,494)**	**5,494**	**-**	**-**
Other net transfers to property, plant and equipment	**(37)**	**(335)**	**(372)**	**-**
Fair value gains/(losses)	**5,943**	**(98)**	**5,845**	**(296)**
	195,533	**20,706**	**216,239**	**4,100**
Add: Initial leasing costs	**285**	**-**	**285**	**-**
At 31st December 2013	**195,818**	**20,706**	**216,524**	**4,100**
At 1st January 2012	174,130	17,385	191,515	5,266
Translation differences	190	-	190	-
Additions	465	1,812	2,277	73
Disposals	(931)	(2)	(933)	(931)
Transfer upon completion	7,391	(7,391)	-	-
Other net transfers from property, plant and equipment	72	5	77	-
Fair value gains/(losses)	11,674	473	12,147	(12)
	192,991	12,282	205,273	4,396
Add: Initial leasing costs	315	-	315	-
At 31st December 2012	193,306	12,282	205,588	4,396

Geographical Analysis of Investment Properties

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

Note 1: The Group figures in the table above comprise investment properties owned by Swire Properties and a small number of properties owned by Swire Pacific which are managed by Swire Properties. The Company figures represent those investment properties owned directly by Swire Pacific.

Note 2: Fair value gains on investment properties are recognised in the line item "Change in fair value of investment properties" on the face of the consolidated statement of profit or loss.

HOTELS

Hong Kong

Swire Properties wholly-owns Swire Hotels, which manages two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place and EAST Hong Kong, a 345-room hotel at Island East. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung.

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

Mainland China

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

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

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

USA

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

United Kingdom

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

CAPITAL EXPENDITURE AND COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

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

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

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

Profile of Capital Commitments for Investment Properties and Hotels

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

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

Sustainable Development

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

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

PROPERTY TRADING

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

Hong Kong

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

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

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

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

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

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

Mainland China

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

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

USA

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

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

OUTLOOK

Office and Retail:

Hong Kong:

Office

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

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

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

Retail

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

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

Mainland China:

Retail

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

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

Office

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

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

Hotels:

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

Property Trading:

Hong Kong:

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

Mainland China:

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

USA:

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

Martin Cubbon

REVIEW OF OPERATIONS

AVIATION DIVISION

OVERVIEW OF THE BUSINESS

The Aviation Division comprises significant investments in the Cathay Pacific group and the Hong Kong Aircraft Engineering ("HAECO") group.

The Cathay Pacific group:
The Cathay Pacific group includes Cathay Pacific Airways ("Cathay Pacific"), its wholly-owned subsidiary Hong Kong Dragon Airlines ("Dragonair"), its 60%-owned subsidiary AHK Air Hong Kong ("Air Hong Kong"), an associate interest in Air China and an interest in the Air China Cargo joint venture entity. In addition, Cathay Pacific has interests in companies providing flight catering and ramp and cargo handling services. Cathay Pacific also owns and operates its own cargo terminal at Hong Kong International Airport. Cathay Pacific is listed on the Hong Kong Stock Exchange.

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

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

Cathay Pacific owns 20.13% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in Mainland China. Air China serves 212 domestic and 86 international, including regional, destinations. Cathay Pacific also has a cargo joint venture with Air China, which operates eight freighters and carries cargo in the bellies of the Air China passenger fleet.

Air Hong Kong, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express, the remaining 40% shareholder, to 12 Asian cities with a fleet of eight owned Airbus A300-600F freighters, three Boeing 747-400BCF freighters dry-leased from Cathay Pacific and two wet-leased Airbus A300-600F freighters.

Cathay Pacific and its subsidiaries employ more than 31,600 people worldwide (around 24,200 of them in Hong Kong).

The HAECO group:
The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO) and in Xiamen (by HAECO’s subsidiary company, Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO")).

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

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

HAECO is listed on the Hong Kong Stock Exchange.

STRATEGY:

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

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

IMPLEMENTING STRATEGIES:

Turnover – Changes in turnover of the airlines are determined by changes in capacity, load factors and yields. Capacity is determined by the size and composition of the fleets and by the intensity of their usage. Load factors are determined by economic conditions, competition, the routes on which the airlines fly, flight schedules, pricing and standards of service. Yields depend on pricing and, in the case of passenger services, the split between premium and economy class passengers. To the extent that these factors are within the control of the airlines, they do their best to ensure that they result in increased turnover. However, factors which are not within the control of the airlines, in particular economic conditions, cause fluctuations in turnover.

HAECO tries to increase turnover by expanding and improving the range of aircraft engineering services the HAECO group can offer to customers. Where possible, HAECO will increase prices to generate increased revenue. HAECO's ability to expand services in Hong Kong, which is its most important area of operations, can be constrained by labour shortages.

Operating Costs – Managing operating costs is important for the Cathay Pacific group and the HAECO group. Fuel is the Cathay Pacific group's biggest single cost and high fuel prices have a significant adverse effect on operating results. Managing the risk associated with changing fuel prices is a high priority. To this end, Cathay Pacific hedges some of its fuel costs. Investing in a younger, more fuel efficient fleet helps to control fuel costs (and to reduce the Cathay Pacific group's environmental impact). The Cathay Pacific group is vigilant in managing other operating costs but aims to ensure that this does not compromise the quality of its products and services or the long-term strategic investment in its business.

Employee costs make up over 40% of HAECO's operating expenses. Managing these costs while retaining a highly skilled workforce is a key challenge for HAECO.

Investments – The Cathay Pacific group invests in new aircraft, new facilities and new services. Investing in new aircraft and facilities can expand capacity and control operating costs. Investing in new facilities is intended to attract and retain customers.

The HAECO group invests in order to expand its facilities and technical capabilities and to improve and widen the range of services it can offer to customers. By doing so, HAECO aims to set itself apart from competitors and to attract and retain new customers.

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

The HAECO group conducts business in a manner intended to protect the health and safety of its employees, its customers, those with whom it does business and the public. There is safety training and there are safety audits. Safety is of course a core commitment of the airlines.

Both groups recognise that the development of their staff is key to the sustainable development of their businesses and accordingly place great emphasis on supporting, rewarding, motivating and training staff.

Aviation Division – 2013 Performance

Cathay Pacific and Dragonair

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

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

Fleet Profile

At 31st December 2013, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 181, an increase of 5 since 31st December 2012.

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

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

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

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

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

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

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

Fleet profile*

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

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

(a) Including two aircraft on 12-year operating leases.

(b) One aircraft was retired in January 2014.

(c) One aircraft was parked in May 2013.

(d) The finance leases of these three aircraft were terminated early, in January 2014.

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

(f) Aircraft was parked in August 2013.

(g) Purchase options to purchase five Boeing 777-200F freighters.

(h) Aircraft on 8-year operating leases, one of which was delivered in January 2014.

(i) Six aircraft (four owned by Cathay Pacific and two leased by Cathay Pacific) were leased to Dragonair during 2013. Dragonair purchased one of them from Cathay Pacific upon the expiry of its lease in February 2014.

(j) Air Hong Kong also has two Airbus A300-600F freighters on wet leases, with lease terms ending in 2015. Accordingly, it operates a total of 13 aircraft.

Aviation Division – Financial Highlights

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

Cathay Pacific group – Sustainable Development Highlights

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

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

Note 2: Greenhouse gas emissions disclosed above are from jet fuel combustion only.

Accounting for the Cathay Pacific group

The group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss.

Cathay Pacific group

AIRLINE INDUSTRY BACKGROUND

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

2013 RESULTS SUMMARY

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

Passenger revenue in 2013 was HK$71,826 million, an increase of 2.4% compared with 2012. Capacity decreased by 1.8%. 29.9 million passengers were carried, a rise of 3.3% compared to the previous year. The passenger load factor increased by 2.1 percentage points. Yield improved by 1.8% to HK68.5 cents, largely due to strong passenger demand on long-haul routes in all classes of travel.

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

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

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances.

Passenger Services

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

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

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

Cargo Services

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

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

Sustainable Development

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

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

Other Operations

Air Hong Kong

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

Air China

The Cathay Pacific group's share of Air China's profit is based on accounts drawn up three months in arrear. Consequently the 2013 results include Air China's results for the twelve months ended 30th September 2013, with account being taken of any significant events or transactions for the period from 1st October 2013 to 31st December 2013.

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

Air China Cargo Co., Ltd. ("Air China Cargo")

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

Shanghai International Airport Services Co., Limited ("SIAS")

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

Cathay Pacific Services Limited ("CPSL")

Cathay Pacific Services Limited, a wholly owned subsidiary of Cathay Pacific, was established to design, build and operate the new Cathay Pacific cargo terminal at Hong Kong International Airport. Following a phased start to operations, the terminal became fully operational in October. CPSL reported a loss in 2013. This reflected the fact that it was not fully operational until October 2013.

Cathay Pacific Catering Services group ("CPCS")

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

Hong Kong Airport Services ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at Hong Kong International Airport.

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

Outlook

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

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

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

John R Slosar

Cathay Pacific Group - Fuel Price and Consumption

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fuel Price (before hedging)	US$ per barrel (jet fuel)	52.46	72.52	85.83	91.48	131.95	73.46	94.02	129.47	131.71	127.69
Fuel Price (after hedging)	US$ per barrel (jet fuel)	47.42	71.38	84.11	88.14	158.68	63.16	94.15	123.98	129.96	124.48
Fuel consumption	millions of barrels	24.86	27.62	30.48	35.82	38.28	35.29	38.66	40.36	40.13	39.50

Cathay Pacific and Dragonair - Passenger and Cargo Services Data

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Passenger load factor	%	77.3	78.7	79.5	79.8	78.8	80.5	83.4	80.4	80.1	82.2
Passenger yield	HK¢	46.7	48.9	52.9	60.4	63.5	51.1	61.2	66.5	67.3	68.5
Cargo load factor	%	68.7	67.0	68.6	66.7	65.9	70.8	75.7	67.2	64.2	61.8
Cargo yield	HK¢	202.0	219.0	225.0	226.0	254.0	186.0	233.0	242.0	242.0	232.0
ASK	millions	74,062	82,766	91,769	102,462	115,478	111,167	115,748	126,340	129,595	127,215
ATK	millions	15,794	17,751	19,684	23,077	24,410	22,249	24,461	26,383	26,250	26,259

Hong Kong Aircraft Engineering Company ("HAECO") group

HAECO group – Financial Highlights

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

HAECO group – Sustainable Development Highlights

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

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

AVIATION MAINTENANCE AND REPAIR INDUSTRY BACKGROUND

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

2013 RESULTS SUMMARY

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

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

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

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

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

HAECO

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

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

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

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

TAECO

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

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

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

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

HAESL and SAESL

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

Sustainable Development

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

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

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

HXITM

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

TEXL

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

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

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

Acquisition of TIMCO

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

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

Outlook

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

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

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

TEXL is expected to perform well in 2014.

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

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

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

Augustus Tang

HAECO group Key Operating Highlights (2004 – 2013)

YEAR		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Airframe maintenance manhours sold - HAECO	million	1.42	1.64	1.85	2.53	2.65	2.39	2.74	3.00	2.96	2.56
Airframe maintenance manhours sold - TAECO	million	2.11	2.47	3.58	3.87	4.07	2.98	2.52	3.42	3.42	3.68
Line maintenance movements handled - HAECO	Average per day	223	253	250	266	274	249	278	306	320	329

REVIEW OF OPERATIONS

BEVERAGES DIVISION

OVERVIEW OF THE BUSINESS

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

Swire Beverages has two wholly-owned franchise businesses, in Taiwan and the USA, and five majority-owned franchise businesses, in Hong Kong and Fujian, Henan, Anhui and Shaanxi provinces in Mainland China. It has joint venture interests in three other franchises in Mainland China and an associate interest in a manufacturing company, Coca-Cola Bottlers Manufacturing Holdings Limited, which supplies still beverages to all Coca-Cola franchises in Mainland China.

Swire Beverages manufactures 56 beverage brands and distributes them to a franchise population of over 440 million people.

The Beverages Supply Chain :

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

Bottlers – As a Coca-Cola bottler, Swire Beverages converts concentrated beverage base into ready-to-drink packaged beverages at its 16 bottling plants.

Sales and Distribution – Swire Beverages sells and distributes ready-to-drink packaged beverages to customers in its franchise territories.

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

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

FRANCHISE TERRITORIES

	Population (millions)	**GDP per capita (US$)**	**Sales volume (million unit cases) 2013**	Sales volume (million unit cases) 2003	**Per capita consumption (8 oz servings) 2013**	Per capita consumption (8 oz servings) 2003
Mainland China						
Guangdong	77.6	11,622	192	75	59	34
Zhejiang	50.4	11,234	151	54	72	28
Anhui	60.1	5,336	82	11	33	4
Jiangsu	55.0	10,819	110	38	48	17
Fujian	37.8	9,674	86	25	55	17
Shaanxi	37.6	7,340	60	17	38	11
Henan	94.1	5,645	126	17	32	4
Hong Kong	7.2	37,912	65	46	216	161
Taiwan	23.4	20,815	56	45	57	48
USA	6.2	43,597	85	79	331	331

Note: A unit case comprises 24 8 oz servings.

STRATEGY:

The strategic objective of Swire Beverages is to build a world-class bottling system which is recognised as a first class employer, a first class entity with which to do business and a first class corporate citizen in all territories where it does business. The strategies employed in order to achieve this objective are:

- An uncompromising commitment to safety and quality.
- A commitment to work with TCCC to improve our understanding of our customers' businesses, and to use that understanding to create value for our customers and consumers.
- A focus on market execution in sales outlets, recognising that our business depends critically on selling to millions of consumers through such outlets in our franchise territories.
- Effective revenue management, through volume growth and optimisation of pricing and product mix.
- Effective management of costs, through improvements in productivity and efficiency in our supply chain and in sales and distribution.
- A commitment to sustainability, by seeking to reduce the environmental impact of our operations, with a particular focus on water conservation, and by engaging with the communities in which we operate.

IMPLEMENTING STRATEGIES:

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

Turnover – Swire Beverages aims to ensure that sales volume growth is translated into revenue growth. This can be achieved by maintaining or increasing sales prices and by improving the sales mix. The extent to which this is possible depends on the state of the economies in which it operates, consumer habits, competition and resistance by consumers to price increases.

Cost of Sales – Swire Beverages aims to reduce the costs associated with the manufacturing and distribution of its beverage products and at the same time to ensure that high quality goods and services are provided to customers in a cost efficient and effective manner. Swire Beverages seeks to minimise overheads by improving productivity and efficiency.

Sustainability – Swire Beverages is committed to the sustainable development of the business, in particular by reducing consumption of water and energy and by adopting safe working practices.

Beverages Division – 2013 Performance

		Percentage Change				
		Mainland China	Hong Kong	Taiwan	USA	Swire Beverages
Safety	LTIR	-18.0%	-7.5%	+361.0%	-30.0%	-14.0%
Quality	Production Quality Index	-0.8%	-7.2%	+0.4%	+0.7%	n/a
Customers	Active Outlets	+7.2%	-1.3%	-10.7%	+4.3%	+5.7%
Revenue Management	Sales Volume	+3.0%	-0.2%	-3.8%	+2.0%	+2.3%
	Revenue *	-1.6%	+2.7%	-0.3%	-0.5%	+0.8%
Cost Management	Gross Margin *	+4.7%	+8.0%	+5.8%	-0.2%	+5.8%
	Operating Profit	+22.5%	-0.9%	+67.1%	+0.6%	+17.0%
Sustainability	Water Use Ratio	+1.1%	+0.8%	+0.9%	+6.5%	+1.1%
	Energy Use Ratio	0.0%	-8.9%	-2.5%	0.0%	-3.1%

* Per unit case

2013 PERFORMANCE

Beverages Division – Financial Highlights

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

Beverages Division – Sustainable Development Highlights

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

Beverages Division – Segment information

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

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

Note 2: Swire Pacific has considered the impact of revised accounting standard HKFRS 11: Joint Arrangements (effective from 1st January 2013) on its Mainland China franchise businesses and has concluded that three of these franchise businesses, which were previously accounted for as jointly controlled interests, should now be accounted for as subsidiaries and fully consolidated into its financial statements. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.

Accounting for the Beverages Division

The seven wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan and the USA and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China) are accounted for as subsidiaries and fully consolidated in the financial statements of Swire Pacific. Turnover and operating profit shown above, therefore, are attributable to these franchise businesses only. The division's joint venture interests in three other franchises in Mainland China and its associate interest in Coca-Cola Bottlers Manufacturing Holdings Limited are accounted for using the equity method of accounting. Swire Pacific recognises its share of net profit or loss from each of these companies as a single line-item in the consolidated statement of profit or loss.

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

BEVERAGE INDUSTRY BACKGROUND

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

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

The Taiwanese beverage market declined by 1% in 2013.

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

2013 RESULTS SUMMARY

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

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

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

Mainland China

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

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

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

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

Hong Kong

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

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

Taiwan

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

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

USA

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

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

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

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

Sustainable Development

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

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

USA TERRITORY GRANT

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

OUTLOOK

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

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

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

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

Patrick Healy

Sales Volume (million unit cases)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Mainland China	287	348	415	500	600	700	719	788	783	807
USA	77	79	84	86	86	82	82	81	84	85
Taiwan	46	44	41	46	58	61	62	61	58	56
Hong Kong	46	48	50	55	57	61	60	65	65	65
	456	519	590	687	801	904	923	995	990	1,013

Capital Expenditure by Operation (HK$M)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Mainland China	176	265	343	464	924	758	1,060	577	831	374
USA	100	89	121	126	147	154	141	334	248	127
Taiwan	64	40	34	50	50	44	48	31	34	42
Hong Kong	36	45	59	64	51	56	76	51	97	68
	376	439	557	704	1,172	1,012	1,325	993	1,210	611

Breakdown of Total Volume by Channel

	Mainland China 2013	Hong Kong 2013	Taiwan 2013	USA 2013	Total 2013
Modern Trade	23%	37%	45%	67%	29%
General Trade	24%	11%	4%	6%	20%
Other channels	53%	52%	51%	27%	51%
	100%	100%	100%	100%	100%

Breakdown of Total Volume by Category

	2013	2012
Sparkling	59%	59%
Juice	17%	16%
Tea	3%	3%
Other still (excluding water)	3%	3%
Water	18%	19%
	100%	100%

MARINE SERVICES DIVISION

OVERVIEW OF THE BUSINESS

The Marine Services Division, through the Swire Pacific Offshore group ("SPO"), operates a fleet of offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA. SPO also has a logistics business working in the oil and gas industry and a subsea inspection, maintenance and repair ("IMR") business.

SPO can support drilling, production, exploration, pipe-laying, subsea construction and floating production storage and offloading operations. SPO and its subsidiaries can carry out seismic survey support, marine salvage, oil spill preparedness and response, offshore wind farm construction and servicing, oil rig decommissioning, subsea remotely operated vehicle support and supply base logistics.

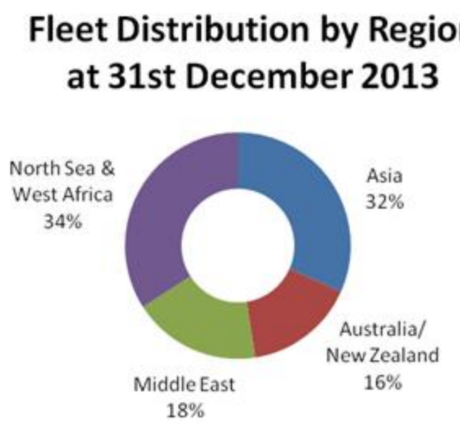
The division has joint venture interests in engineering and harbour towage services in Hong Kong through the Hongkong United Dockyards ("HUD") group.

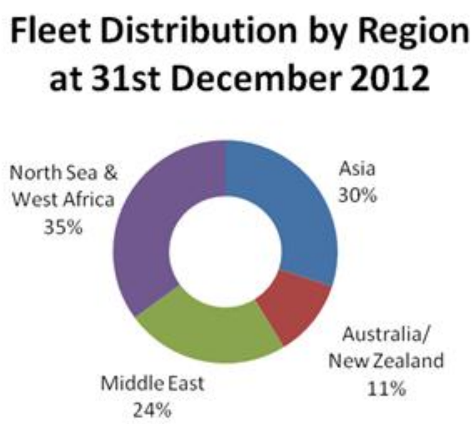
SPO:

SPO's Fleet:
At 31st December 2013, SPO was operating a fleet of 82 offshore support vessels. SPO's expansion plan, which is currently underway, involves building larger, highly specialised vessels capable of operating in deeper waters, where demand for offshore services is expected to be greatest.

The fleet comprises three main segments, being anchor handling tug supply vessels ("AHTSs"), platform supply vessels ("PSVs") and construction and specialist vessels ("CSVs"). The CSVs include inspection, maintenance and repair vessels ("IMRs"), seismic survey vessels, wind farm installation vessels ("WIVs") and accommodation barges.

Except for vessels committed to long-term charters, SPO's operating fleet can be easily relocated from one operating region to another to take advantage of attractive employment opportunities.





	2013	%	2012	%
Asia	**26**	**32%**	24	30%
Australia/New Zealand	**13**	**16%**	9	11%
Middle East	**15**	**18%**	19	24%
North Sea & West Africa	**28**	**34%**	28	35%
Total	**82**	**100%**	80	100%

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

SPO – Fleet Size Growth

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

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

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

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

SPO's Geographical Distribution:

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

SPO's Competitors and Customers:

Competitors: The industry has approximately 1,300 offshore support vessel owners. The largest operators are:	SPO's Principal Customers:
- Tidewater Marine - Bourbon - Edison Chouest - Seacor Holdings - GulfMark Offshore - CNOOC - Maersk Supply Service - Farstad Shipping - Hornbeck Offshore - Topaz Marine	- Oil Majors (ENI, ExxonMobil, Shell, Total, BP, Chevron) - National oil companies (PTSC, Petronas, Petrobras, PTTEP) - Independent exploration companies (Noble, Marathon, Apache, Cairn Energy, HESS) - Construction and subsea companies (Leighton Contractors, McDermott, Schlumberger, Seabed GeoSolutions, Subsea 7) - Offshore wind power provider (DONG Energy) - Seismic and survey companies (WesternGeco, CGG)

HUD:

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

- Engineering – HUD provides 24-hour ship repair from a floating dock and engineering services for infrastructure and onshore projects.
- Salvage and Towage – Hongkong Salvage & Towage ("HKST") is the largest towage operator in Hong Kong, operating 14 tugs and providing 24-hour service in Hong Kong. HKST manages six container vessels which are on long-term contracts to transport refuse for the Hong Kong Government.

STRATEGY: The principal strategic objective of the Marine Services Division is to maintain and strengthen SPO's position as a leader in the offshore energy supply industry. The strategies employed in order to achieve this objective are these:
• Substantial and continuous investment by SPO in new vessels, especially those designed to operate in deeper waters, where the fastest growth in oil and gas exploration is expected. • Selective investment in the provision of complementary marine services with a view to increasing both the range of services offered to customers and the scope of opportunities to utilise assets and resources. • A commitment to operational excellence and to maintaining and enhancing high standards of service to customers, including by placing major emphasis on safety and training. • Strengthening the global and local network of SPO, both by entry into new areas and by developing the network in existing areas.

- Doing business through operating commercial joint ventures where necessary or appropriate.
- Diversifying into the servicing of offshore wind farm developments (as an end in itself and as a contribution to the development of sustainable energy).

IMPLEMENTING STRATEGIES:	2013 PERFORMANCE:
Fleet – The key objective is to strengthen SPO's fleet by making it more diverse and reducing the average age of its vessels. A more diverse and younger fleet helps SPO to meet the needs of its customers by offering modern vessels capable of providing a wide range of offshore support services. Increased investment in vessels designed to operate in deeper waters means that SPO is well placed in the market where the fastest growth in oil and gas exploration is expected. Customers expect a modern, reliable fleet. SPO's investments in new vessels and the retiring of older vessels have reduced the average age of its fleet by over a third in the past ten years.	**Capital Expenditure: HK$4.4bn** **Fleet Size: 2.5% growth** **Average Age of Vessels at Year-end: 8.0 years**
Charter hire revenue – SPO aims to maximise its charter hire revenue, which is its primary source of revenue. Charter hire revenue depends on demand for and supply of tonnage and on utilisation and current charter hire rates (which are themselves a product of demand and supply but also vary significantly between vessel classes and operating regions). SPO aims to deploy its vessels where demand and charter hire rates are expected to be strongest and to offer specialised offshore services in order to maximise its revenue.	**Charter Hire Revenue: 35.8% growth** **Average Charter Hire Rates: +USD6,275 per day**
Fleet utilisation – SPO aims to maintain a high fleet utilisation rate by reducing the number of days that vessels are unavailable. Low utilisation rates can occur as a result of a lack of demand or because vessels are unavailable due to repairs and maintenance (a modern fleet helps in this regard).	**Average Utilisation Rate: 88.9%**
Operating costs – While SPO seeks to maximise its revenues, it is also important that operating costs are kept low to maintain margins. SPO's principal operating costs are manning costs, repair and maintenance costs and depreciation of vessels.	**Operating Costs: 25.4% increase**
Health and Safety – Customers are increasingly risk averse and demand high standards of health and safety and operational excellence. SPO already has a strong reputation in the market for being a safe and reliable operator, but it constantly seeks to do more and places great emphasis on safety and training.	**LTIR: 12% increase**

2013 PERFORMANCE

Marine Services Division – Financial Highlights

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

Marine Services Division – Sustainable Development Highlights

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

Marine Services Division – Fleet Size

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

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

Swire Pacific Offshore group

OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

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

2013 RESULTS SUMMARY

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

Charter Hire

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

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

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

Charter hire rates for SPO's core fleet increased by 7% to USD19,800 per day, due to new vessel deliveries and better demand for offshore services. Charter hire rates for SPO's fleet of CSVs increased by 80% to USD92,000 per day. The significant improvement in day rates was mainly due to the higher rates achieved by the WIVs, which commenced operations in 2013.

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

Non-charter Hire

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

Sustainable Development

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

FLEET EXPANSION

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

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

At 31st December 2013, SPO had total capital expenditure commitments of HK$7,198 million (31st December 2012: HK$10,301 million). These commitments reflect SPO's strategy of focusing a large part of its new building programme on vessels capable of operating in deeper waters, where demand is expected to be greatest, and of improving the balance between PSV and AHTS vessels in its fleet.

OUTLOOK

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

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

SPO - Profile of Capital Commitments (HK$M)

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

1. SPO – Fleet Size and Average Age of Vessels*

Year category	Dec 2004	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017
0-5	17	19	28	33	33	27	29	27	30	29	37	38	32	26
6-10	9	10	10	10	15	18	19	29	25	26	27	30	28	30
11-15	-	-	-	-	3	8	10	10	15	18	16	19	29	25
16-20	2	2	1	1	-	-	2	2	5	6	10	10	10	15
21-25	24	23	14	11	3	2	1	-	-	-	-	-	-	3
26-30	2	2	9	8	14	14	14	5	1	-	-	-	-	-
31-35	-	-	-	-	1	1	1	4	4	2	1	-	-	-
36-40	-	-	-	-	-	-	-	-	-	1	1	1	-	-
Total	54	56	62	63	69	70	76	77	80	82	92	98	99	99
Average age	13.9	14.0	12.4	11.0	10.4	10.8	11.1	9.2	8.5	8.0	7.7	7.8	8.5	9.5

** Includes two vessels chartered from external parties.*

2. SPO – Charter Hire Revenue by Vessel Class

Vessel Class	**2013 HK$M**	**2013 %**	2012 HK$M	2012 %
Anchor Handling Tug Supply Vessels	**1,686**	**32%**	1,717	44%
Large Anchor Handling Tug Supply Vessels	**1,027**	**19%**	993	26%
Platform Supply Vessels	**578**	**11%**	607	16%
Large Platform Supply Vessels	**350**	**7%**	165	4%
Construction and Specialist Vessels	**1,616**	**31%**	388	10%
Total	**5,257**	**100%**	3,870	100%

3. SPO – LTIR (2004 – 2013)

YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SPO LTIR	0.19	0.09	0.06	0.11	0.27	0.14	0.14	0.15	0.16	0.18
ISOA LTIR (2013 data not available)	0.20	0.14	0.14	0.29	0.23	0.10	0.11	0.12	0.11	N.A

4. SPO – Average Utilisation Rates (2004 – 2013)

YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average utilisation rate	88%	91%	94%	92%	91%	89%	80%	86%	90%	89%

Hongkong United Dockyards ("HUD") group

INDUSTRY BACKGROUND

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

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

2013 RESULTS SUMMARY

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

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

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

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

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

OUTLOOK

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

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

J B Rae-Smith

TRADING & INDUSTRIAL DIVISION

OVERVIEW OF THE BUSINESS

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

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

Swire Resources group:

Swire Resources retails and distributes sports and casual footwear, apparel and related accessories. It operates 180 retail outlets in Hong Kong and Macau and 146 retail outlets in Mainland China. There are 232 single brand outlets and 94 multi-brand outlets, the latter operating under the Marathon Sports, GigaSports, Catalog, d2r and Actif names.

Swire Resources distributes the following brands of sports and casual footwear, apparel and related accessories: Aerosoles, Arena, Cath Kidston, Chevignon, Columbia, DKNY, Jockey, Montrail, Mountain Hardwear, Penguin, Repetto, Rockport, Sorel, Speedo, Teva and UGG.

Taikoo Motors group:

Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. It is the principal distributor in Taiwan for Volkswagen and Škoda cars, Volkswagen light commercial vehicles, Volvo trucks and buses, Harley-Davidson motorcycles and Vespa scooters. In Hong Kong and Macau, it is the principal importer and distributor of FIAT, Alfa Romeo and Jeep passenger cars, and Volvo, UD and Renault trucks. It commenced the distributorship of Volkswagen cars in Shanghai and Fuzhou in Mainland China and in Puchong in Malaysia in late 2013.

Swire Foods group:

(i) Taikoo Sugar:

Taikoo Sugar packages and sells sugar in Hong Kong and Mainland China under the Taikoo Sugar brand. It is the market leader in packaged sugar in the retail, catering and industrial sectors in Hong Kong. In Mainland China, it operates three packaging plants. It also exports sugar to Southeast Asia, the Middle East and North America, and sells tea, coffee, salt and pepper in Hong Kong and Mainland China.

(ii) Campbell Swire:

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

(iii) Swire Foods:

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

Swire Pacific Cold Storage group:

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

Akzo Nobel Swire Paints:

Akzo Nobel Swire Paints is a joint venture with Akzo Nobel which manufactures and distributes decorative paints, primarily under the Dulux brand, in Mainland China and Hong Kong. The joint venture has manufacturing plants in Guangzhou, Shanghai and Hebei.

Swire Sustainable Business group:

(i) Swire Waste Management:

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

(ii) Swire Sustainability Fund:

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

STRATEGY:

The strategic objective of the Trading & Industrial Division is to develop and strengthen the trading and industrial businesses which it operates. The strategies employed in order to achieve this objective are these:

- Strengthening the capability of Swire Resources in branded sports and apparel goods, particularly in the Greater China region, including by expanding the range and quality of those branded goods and by increasing the number of retail outlets operated by Swire Resources.
- Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to brands represented.
- Expanding Taikoo Motors' capability into other motor-related businesses and into other parts of Asia.
- Increasing the volume and broadening the range of products sold by Swire Foods.
- Establishing a network of cold storage and logistics businesses in Mainland China.
- Expanding and strengthening the distribution network and sales channels of Akzo Nobel Swire Paints in Mainland China.
- Increasing the number of waste management contracts awarded to Swire Waste Management.
- Making more investments in early stage sustainable technology companies

IMPLEMENTING STRATEGIES:	**2013 PERFORMANCE:**
Distribution – A key objective of each business in the Trading & Industrial Division is to strengthen its distribution capability so as to make its products available to more people. Swire Resources aims to open new retail outlets, particularly in Mainland China, where there are greater opportunities for growth than in Hong Kong. Swire Resources and Taikoo Motors aim to increase the number of brands which they distribute. Taikoo Sugar and Akzo Nobel Swire Paints aim to distribute their products in more cities in Mainland China.	**Number of Retail Outlets: +17** **Number of Brands Sold: unchanged** **Expansion Into New Cities: +2**
Turnover – Strengthening the distribution capability of each business is expected to lead to sales volume growth. The extent to which sales volume growth is translated into revenue growth will depend on the ability of each business to maintain or raise prices, reduce discounting and sell a higher proportion of more expensive goods. The extent to which this is possible depends largely on the state of the economies in which the businesses operate, consumer habits, competition and resistance by consumers to price increases.	**Vehicles Sold: 4% decline** **Sugar Sold: unchanged** **Revenue: 1% decline**

Cost of Sales – The businesses of the Trading & Industrial Division aim to reduce the costs of selling their products. Taikoo Sugar aims to ensure that suppliers of sugar provide a high quality product in a cost efficient manner. Swire Resources aims to minimise costs associated with renting premises.	**Gross Margin: 2% pt increase** **Operating Costs: 9% increase**
People – Employees are key to the businesses of the Trading & Industrial Division. The Trading & Industrial Division believes that proper treatment of employees is an essential part of conducting a sustainable business. The businesses of the Trading & Industrial Division aim to build highly-trained teams, keep staff motivated, reduce staff turnover and adopt safe working practices.	**Average Training Hours:* 26% increase** **Staff Turnover: 9% pt increase**

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

2013 PERFORMANCE

Trading & Industrial Division - Financial Highlights

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

Trading & Industrial Division – Sustainable Development Highlights

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

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

INDUSTRY BACKGROUND

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

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

Sugar sales in Mainland China and Hong Kong – The total amount of sugar sold in Mainland China remained broadly the same as in 2012 at 30,864 million pounds in 2013. Sugar sales in Hong Kong in 2013 were little changed, at approximately 331 million pounds.

Soup market in Mainland China – Ready to consume soups and broths are a new concept in Mainland China, which has high consumption per capita of home-made soup.

Cold storage in Mainland China – There are concerns about the safety and quality of food in Mainland China. Foreign investment in the cold storage industry is welcomed. Accordingly the Trading & Industrial Division is investing in this industry.

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

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

2013 RESULTS SUMMARY

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

Swire Resources group

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

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

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

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

Taikoo Motors group

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

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

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

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

Taiwan

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

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

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

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

Hong Kong

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

Mainland China

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

Malaysia

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

Swire Foods group

Swire Foods (including Taikoo Sugar)

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

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

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

Campbell Swire

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

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

Swire Pacific Cold Storage group

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

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

Akzo Nobel Swire Paints

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

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

Swire Waste Management

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

Sustainable Development

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

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

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

OUTLOOK

The 2014 profits of Swire Resources will be adversely affected by the replacement of the Columbia Mainland China distributorship by a joint venture and by the increased costs of developing the Chevignon brand and multibrand stores in Mainland China. The retail market in Hong Kong will continue to be highly competitive. Increased staff and occupancy costs are likely to put pressure on profit margins.

The outlook for Taikoo Motors depends principally on the economic outlook for Taiwan and its effect on the sales of cars and commercial vehicles. The Volkswagen and Škoda groups plan to set up a national sales company in Taiwan. There will be a transitional period up to the end of 2014 at the end of which Taikoo Motors will cease to be the Volkswagen and Škoda importer in Taiwan. Taikoo Motors will focus on developing its Volkswagen and Škoda dealer network and its other motor-related businesses. The costs of developing and expanding showrooms are expected to increase.

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

Taikoo Sugar expects moderate growth in sales volume in 2014.

Campbell Swire continues to explore ways to contain costs. The joint venture closed its production facilities in 2014 and outsourced production to Swire Beverages and third parties. The business remains challenging.

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

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

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

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

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

J B Rae-Smith

FINANCIAL REVIEW

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties. There is also an analysis of the effect of other significant non-recurring items.

Underlying profit	Note	**2013** **HK$M**	2012 (Restated) HK$M
Profit attributable to the Company's shareholders per accounts		**13,291**	17,410
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(6,650)**	(12,739)
Deferred tax on investment properties	(b)	**573**	661
Realised profit on sale of investment properties	(c)	**94**	763
Depreciation of investment properties occupied by the Group	(d)	**20**	20
Non-controlling interests' share of adjustments		**1,143**	2,155
Underlying profit attributable to the Company's shareholders		**8,471**	8,270
Other significant items:			
Profit on sale of investment properties		**(21)**	(651)
(Profit)/loss on sale of property, plant and equipment and other investments		**(197)**	135
Net impairment of property, plant and equipment, leasehold land and intangible assets		**161**	82
Adjusted underlying profit		**8,414**	7,836
Underlying equity			
Equity attributable to the Company's shareholders per accounts		**220,297**	208,467
Deferred tax on investment properties		**3,713**	3,236
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**1,840**	1,423
Revaluation of investment properties occupied by the Group		**890**	1,036
Cumulative depreciation of investment properties occupied by the Group		**67**	58
Underlying equity attributable to the Company's shareholders		**226,807**	214,220
Underlying non-controlling interests		**43,694**	41,227
Underlying equity		**270,501**	255,447

Notes:

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

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

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

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

(e) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those hotel properties owned by subsidiary and joint venture companies and held for the long-term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated statement of profit or loss.

Consolidated Statement of Profit or Loss
For the year ended 31st December 2013

	Note	2013 HK$M	2012 HK$M (Restated)
Turnover	2	**51,437**	49,040
Cost of sales		**(30,763)**	(28,532)
Gross profit		**20,674**	20,508
Distribution costs		**(5,802)**	(5,528)
Administrative expenses		**(4,081)**	(3,560)
Other operating expenses		**(287)**	(348)
Other net gains		**337**	268
Change in fair value of investment properties		**5,845**	12,147
Operating profit	3	**16,686**	23,487
Finance charges		**(2,159)**	(1,993)
Finance income		**160**	192
Net finance charges	4	**(1,999)**	(1,801)
Share of profits less losses of joint venture companies		**1,682**	1,519
Share of profits less losses of associated companies		**1,521**	582
Profit before taxation		**17,890**	23,787
Taxation	5	**(1,852)**	(2,343)
Profit for the year		**16,038**	21,444
Profit for the year attributable to:			
The Company's shareholders		**13,291**	17,410
Non-controlling interests		**2,747**	4,034
		16,038	21,444
Cash dividends			
First Interim - paid		**1,505**	1,505
Second Interim - declared/paid		**3,761**	3,761
Special interim dividend by way of a distribution in specie		**-**	31,589
	6	**5,266**	36,855
		HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	7		
'A' shares		**8.83**	11.57
'B' shares		**1.77**	2.31

Consolidated Statement of Other Comprehensive Income
For the year ended 31st December 2013

	2013 HK$M	2012 HK$M (Restated)
Profit for the year	**16,038**	21,444
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group		
gains recognised during the year	**357**	54
deferred tax	**(15)**	(9)
Defined benefit plans		
remeasurement gains recognised during the year	**569**	67
deferred tax	**(139)**	(18)
	772	94
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
gains recognised during the year	**4**	92
transferred to net finance charges	**(109)**	(19)
transferred to operating profit - exchange differences	**(4)**	33
transferred to initial cost of non-financial assets	**4**	(56)
deferred tax	**10**	13
Net fair value gains on available-for-sale assets	**252**	153
Share of other comprehensive income of joint venture and associated companies	**2,581**	891
Net translation differences on foreign operations	**675**	215
	3,413	1,322
Other comprehensive income for the year, net of tax	**4,185**	1,416
Total comprehensive income for the year	**20,223**	22,860
Total comprehensive income attributable to:		
The Company's shareholders	**17,115**	18,772
Non-controlling interests	**3,108**	4,088
	20,223	22,860

Consolidated Statement of Financial Position
at 31st December 2013

	Note	**2013 HK$M**	2012 HK$M (Restated)	2011 HK$M (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**39,457**	34,842	28,293
Investment properties		**216,524**	205,588	191,805
Leasehold land and land use rights		**1,164**	1,080	1,048
Intangible assets		**4,634**	4,612	4,361
Properties held for development		**706**	188	124
Joint venture companies		**21,805**	20,222	18,181
Associated companies		**30,699**	27,420	26,614
Available-for-sale assets		**713**	340	188
Long-term other receivables		**21**	17	6
Derivative financial instruments		**590**	643	785
Deferred tax assets		**567**	555	533
Retirement benefit assets		**429**	210	213
		317,309	295,717	272,151
Current assets				
Properties for sale		**7,982**	6,910	6,810
Stocks and work in progress		**3,234**	4,265	3,781
Trade and other receivables	8	**9,187**	9,164	6,846
Derivative financial instruments		**25**	31	18
Cash and cash equivalents		**10,950**	6,080	3,920
Short-term deposits		**338**	11	67
		31,716	26,461	21,442
Current liabilities				
Trade and other payables	9	**16,439**	15,458	15,401
Taxation payable		**456**	886	571
Derivative financial instruments		**97**	64	228
Bank overdrafts and short-term loans		**1,547**	1,891	1,487
Long-term loans and bonds due within one year		**7,130**	5,322	8,750
		25,669	23,621	26,437
Net current assets/(liabilities)		**6,047**	2,840	(4,995)
Total assets less current liabilities		**323,356**	298,557	267,156
Non-current liabilities				
Perpetual capital securities		**2,326**	2,325	2,331
Long-term loans and bonds		**50,841**	40,859	27,237
Receipt in advance from an associated company		**37**	48	58
Derivative financial instruments		**112**	125	119
Other payables		**583**	215	-
Deferred tax liabilities		**6,357**	5,673	4,979
Deferred income		**47**	114	108
Retirement benefit liabilities		**545**	816	806
		60,848	50,175	35,638
NET ASSETS		**262,508**	248,382	231,518
EQUITY				
Share capital	10	**903**	903	903
Reserves	11	**219,394**	207,564	225,477
Equity attributable to the Company's shareholders		**220,297**	208,467	226,380
Non-controlling interests		**42,211**	39,915	5,138
TOTAL EQUITY		**262,508**	248,382	231,518

Consolidated Statement of Cash Flows
For the year ended 31st December 2013

	2013 HK$M	2012 HK$M (Restated)
Operating activities		
Cash generated from operations	**14,301**	10,829
Interest paid	**(2,203)**	(2,058)
Interest received	**234**	102
Tax paid	**(1,831)**	(1,364)
	10,501	7,509
Dividends received from joint venture and associated companies and available-for-sale assets	**1,356**	1,502
Net cash generated from operating activities	**11,857**	9,011
Investing activities		
Purchase of property, plant and equipment	**(6,385)**	(7,532)
Additions of investment properties	**(5,108)**	(2,616)
Purchase of intangible assets	**(44)**	(39)
Proceeds from disposals of property, plant and equipment	**214**	151
Proceeds from disposals of investment properties	**48**	995
Purchase of shares in subsidiary companies	**12**	(220)
Purchase of shares in joint venture companies	**(63)**	(296)
Purchase of shares in associated companies	**(62)**	(63)
Purchase of available-for-sale assets	**(56)**	-
Loans to joint venture companies	**(888)**	(1,426)
Repayment of loans by joint venture companies	**504**	425
Net loans from associated companies	**119**	66
Net increase in deposits maturing after more than three months	**(303)**	(157)
Initial leasing costs incurred	**(56)**	(115)
Net cash used in investing activities	**(12,068)**	(10,827)
Net cash outflow before financing	**(211)**	(1,816)
Financing activities		
Loans drawn and refinancing	**17,900**	19,210
Repayment of loans and bonds	**(6,743)**	(9,332)
	11,157	9,878
Security deposits uplifted	**-**	42
Capital contribution from non-controlling interests	**20**	97
Dividends paid to the Company's shareholders	**(5,266)**	(5,041)
Dividends paid to non-controlling interests	**(857)**	(1,023)
Net cash generated from financing activities	**5,054**	3,953
Increase in cash and cash equivalents	**4,843**	2,137
Cash and cash equivalents at 1st January	**6,053**	3,920
Currency adjustment	**54**	(4)
Cash and cash equivalents at 31st December	**10,950**	6,053
Represented by:		
Bank balances and short-term deposits maturing within three months	**10,950**	6,080
Bank overdrafts	**-**	(27)
	10,950	6,053

1. Segment Information

(a) Information about reportable segments – Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2013	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/ credit HK$M	Profit for the year HK$M	Profit attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	9,707	79	7,309	(1,468)	76	208	(2)	(681)	5,442	4,443	(192)
Change in fair value of investment properties	-	-	6,141	-	-	683	(4)	(447)	6,373	5,211	-
Property trading	2,207	-	1,035	-	7	(46)	-	(185)	811	591	(27)
Hotels	942	-	(65)	(62)	-	(36)	145	(30)	(48)	(38)	(179)
	12,856	**79**	**14,420**	**(1,530)**	**83**	**809**	**139**	**(1,343)**	**12,578**	**10,207**	**(398)**
Aviation											
Cathay Pacific group	-	-	-	-	-	-	1,179	-	1,179	1,179	-
HAECO group	7,387	-	266	(59)	21	501	-	(33)	696	469	(446)
Others	-	-	(52)	-	-	6	(2)	-	(48)	(21)	(52)
	7,387	**-**	**214**	**(59)**	**21**	**507**	**1,177**	**(33)**	**1,827**	**1,627**	**(498)**
Beverages											
Mainland China	7,614	-	364	(62)	22	190	207	(144)	577	415	(288)
Hong Kong	2,144	1	209	-	-	-	-	(13)	196	177	(75)
Taiwan	1,418	-	36	(7)	-	-	-	(7)	22	22	(56)
USA	3,877	-	284	-	-	-	-	(67)	217	217	(162)
Central costs	-	-	(29)	-	-	-	-	-	(29)	(29)	-
	15,053	**1**	**864**	**(69)**	**22**	**190**	**207**	**(231)**	**983**	**802**	**(581)**
Marine Services											
Swire Pacific Offshore group	6,292	-	1,504	(163)	8	1	(2)	(98)	1,250	1,243	(914)
HUD group	-	-	-	-	-	64	-	-	64	64	-
	6,292	**-**	**1,504**	**(163)**	**8**	**65**	**(2)**	**(98)**	**1,314**	**1,307**	**(914)**
Trading & Industrial											
Swire Resources group	3,896	-	214	-	13	4	-	(101)	130	142	(30)
Taikoo Motors group	5,322	-	90	(4)	2	-	-	(31)	57	57	(60)
Swire Foods group	618	108	13	-	-	-	-	(6)	7	7	(2)
Campbell Swire	-	-	-	(8)	-	(117)	-	-	(125)	(125)	-
Swire Pacific Cold Storage group	-	-	(39)	(1)	1	9	-	(1)	(31)	(31)	(3)
Akzo Nobel Swire Paints	-	-	-	-	-	216	-	(10)	206	206	-
Other activities	-	-	(18)	-	-	(1)	-	-	(19)	(19)	-
	9,836	**108**	**260**	**(13)**	**16**	**111**	**-**	**(149)**	**225**	**237**	**(95)**
Head Office											
Net income/(expenses)	13	22	(280)	(1,117)	802	-	-	2	(593)	(593)	(3)
Change in fair value of investment properties	-	-	(296)	-	-	-	-	-	(296)	(296)	-
	13	**22**	**(576)**	**(1,117)**	**802**	**-**	**-**	**2**	**(889)**	**(889)**	**(3)**
Inter-segment elimination	-	**(210)**	-	**792**	**(792)**	-	-	-	-	-	-
Total	**51,437**	**-**	**16,686**	**(2,159)**	**160**	**1,682**	**1,521**	**(1,852)**	**16,038**	**13,291**	**(2,489)**

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

1. Segment Information (continued)

(a) Information about reportable segments – Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2012	External turnover HK$M (Restated)	Inter-segment turnover HK$M	Operating profit HK$M (Restated)	Finance charges HK$M (Restated)	Finance income HK$M (Restated)	Share of profits less losses of joint venture companies HK$M (Restated)	Share of profits less losses of associated companies HK$M (Restated)	Tax (charge)/ credit HK$M (Restated)	Profit for the year HK$M (Restated)	Profit attributable to the Company's shareholders HK$M (Restated)	Depreciation and amortisation charged to operating profit HK$M (Restated)
Property											
Property investment	9,060	63	6,861	(1,443)	113	146	-	(768)	4,909	4,011	(177)
Change in fair value of investment properties	-	-	12,159	-	-	568	1	(638)	12,090	9,900	-
Property trading	4,147	-	2,395	-	3	(14)	-	(422)	1,962	1,360	(20)
Hotels	781	1	(39)	(40)	-	(40)	160	(29)	12	11	(123)
	13,988	**64**	**21,376**	**(1,483)**	**116**	**660**	**161**	**(1,857)**	**18,973**	**15,282**	**(320)**
Aviation											
Cathay Pacific group	-	-	-	-	-	-	387	-	387	387	-
HAECO group	5,830	-	434	(35)	18	560	-	(122)	855	618	(443)
Others	-	-	(52)	-	-	6	-	-	(46)	(21)	(52)
	5,830	**-**	**382**	**(35)**	**18**	**566**	**387**	**(122)**	**1,196**	**984**	**(495)**
Beverages											
Mainland China	6,950	-	268	(67)	24	171	33	(113)	316	207	(263)
Hong Kong	2,122	1	212	-	-	-	-	(19)	193	175	(70)
Taiwan	1,500	-	30	(7)	-	-	-	(5)	18	18	(59)
USA	3,824	-	277	-	1	-	-	(100)	178	178	(146)
Central costs	-	-	(22)	-	-	-	-	-	(22)	(22)	-
	14,396	**1**	**765**	**(74)**	**25**	**171**	**33**	**(237)**	**683**	**556**	**(538)**
Marine Services											
Swire Pacific Offshore group	4,864	-	984	(24)	4	-	1	(42)	923	911	(590)
HUD group	-	-	-	-	-	53	-	-	53	53	-
	4,864	**-**	**984**	**(24)**	**4**	**53**	**1**	**(42)**	**976**	**964**	**(590)**
Trading & Industrial											
Swire Resources group	3,584	-	180	-	3	3	-	(53)	133	141	(22)
Taikoo Motors group	5,763	-	122	(8)	2	-	-	(27)	89	89	(55)
Swire Foods group	606	132	7	-	-	-	-	(4)	3	3	(2)
Campbell Swire	-	-	-	(6)	-	(76)	-	-	(82)	(82)	-
Swire Pacific Cold Storage group	-	-	(24)	-	-	3	-	(1)	(22)	(22)	-
Akzo Nobel Swire Paints	-	-	-	-	-	145	-	(7)	138	138	-
Other activities	3	-	(14)	-	-	(6)	-	-	(20)	(20)	(1)
	9,956	**132**	**271**	**(14)**	**5**	**69**	**-**	**(92)**	**239**	**247**	**(80)**
Head Office											
Net income/(expenses)	6	42	(279)	(1,414)	1,075	-	-	7	(611)	(611)	(2)
Change in fair value of investment properties	-	-	(12)	-	-	-	-	-	(12)	(12)	-
	6	**42**	**(291)**	**(1,414)**	**1,075**	**-**	**-**	**7**	**(623)**	**(623)**	**(2)**
Inter-segment elimination	**-**	**(239)**	**-**	**1,051**	**(1,051)**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**49,040**	**-**	**23,487**	**(1,993)**	**192**	**1,519**	**582**	**(2,343)**	**21,444**	**17,410**	**(2,025)**

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

1. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2013	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	217,067	14,008	50	1,713	232,838	5,066
Property trading and development	9,255	1,128	-	729	11,112	538
Hotels	5,734	1,243	471	79	7,527	299
	232,056	**16,379**	**521**	**2,521**	**251,477**	**5,903**
Aviation						
Cathay Pacific group	-	-	28,799	-	28,799	-
HAECO group	8,719	1,213	-	2,364	12,296	524
Others	4,675	2,819	(2)	-	7,492	-
	13,394	**4,032**	**28,797**	**2,364**	**48,587**	**524**
Beverages						
Swire Beverages	**8,104**	**748**	**1,315**	**1,667**	**11,834**	**475**
Marine Services						
Swire Pacific Offshore group	23,086	-	4	1,031	24,121	5,101
HUD group	-	(29)	-	-	(29)	-
	23,086	**(29)**	**4**	**1,031**	**24,092**	**5,101**
Trading & Industrial						
Swire Resources group	702	22	62	457	1,243	47
Taikoo Motors group	1,856	-	-	559	2,415	123
Swire Foods group	169	-	-	130	299	6
Campbell Swire	-	(111)	-	-	(111)	-
Swire Pacific Cold Storage group	505	266	-	184	955	419
Akzo Nobel Swire Paints	-	481	-	-	481	-
Other activities	205	17	-	1	223	-
	3,437	**675**	**62**	**1,331**	**5,505**	**595**
Head Office	**5,105**	**-**	**-**	**2,425**	**7,530**	**2**
	285,182	**21,805**	**30,699**	**11,339**	**349,025**	**12,600**

At 31st December 2012	Segment assets HK$M (Restated)	Joint venture companies HK$M (Restated)	Associated companies HK$M (Restated)	Bank deposits and securities HK$M (Restated)	Total assets HK$M (Restated)	Additions to non-current assets (note) HK$M (Restated)
Property						
Property investment	205,888	12,737	55	1,529	220,209	2,396
Property trading and development	7,272	1,063	-	345	8,680	66
Hotels	5,532	1,078	666	66	7,342	414
	218,692	**14,878**	**721**	**1,940**	**236,231**	**2,876**
Aviation						
Cathay Pacific group	-	-	25,707	-	25,707	-
HAECO group	7,869	1,156	-	1,423	10,448	349
Others	4,727	2,821	-	-	7,548	-
	12,596	**3,977**	**25,707**	**1,423**	**43,703**	**349**
Beverages						
Swire Beverages	**8,311**	**696**	**981**	**649**	**10,637**	**863**
Marine Services						
Swire Pacific Offshore group	19,412	2	11	251	19,676	6,170
HUD group	-	53	-	-	53	-
	19,412	**55**	**11**	**251**	**19,729**	**6,170**
Trading & Industrial						
Swire Resources group	844	19	-	364	1,227	28
Taikoo Motors group	2,759	-	-	14	2,773	186
Swire Foods group	135	-	-	50	185	2
Campbell Swire	-	(55)	-	-	(55)	-
Swire Pacific Cold Storage group	81	255	-	33	369	-
Akzo Nobel Swire Paints	-	395	-	-	395	-
Other activities	143	2	-	78	223	59
	3,962	**616**	**-**	**539**	**5,117**	**275**
Head Office	**5,420**	**-**	**-**	**1,341**	**6,761**	**73**
	268,393	**20,222**	**27,420**	**6,143**	**322,178**	**10,606**

Note:
In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, financial instruments, deferred tax assets and retirement benefit assets.

1. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2013	**Segment liabilities HK$M**	**Current and deferred tax liabilities HK$M**	**Inter-segment borrowings/ (advances) HK$M**	**External borrowings HK$M**	**Total liabilities HK$M**	**Non-controlling interests HK$M**
Property						
Property investment	6,979	5,700	8,892	19,829	41,400	34,957
Property trading and development	873	102	4,754	795	6,524	969
Hotels	247	1	-	547	795	1,227
	8,099	**5,803**	**13,646**	**21,171**	**48,719**	**37,153**
Aviation						
HAECO group	**2,084**	**338**	**-**	**2,545**	**4,967**	**4,095**
Beverages						
Swire Beverages	**3,756**	**379**	**1,268**	**65**	**5,468**	**945**
Marine Services						
Swire Pacific Offshore group	**1,560**	**89**	**9,427**	**655**	**11,731**	**17**
Trading & Industrial						
Swire Resources group	755	66	(194)	-	627	1
Taikoo Motors group	876	9	38	-	923	-
Swire Foods group	111	1	-	-	112	-
Campbell Swire	-	-	206	-	206	-
Swire Pacific Cold Storage group	36	-	-	-	36	-
Other activities	20	14	-	-	34	-
	1,798	**90**	**50**	**-**	**1,938**	**1**
Head Office	**563**	**114**	**(24,391)**	**37,408**	**13,694**	**-**
	17,860	**6,813**	**-**	**61,844**	**86,517**	**42,211**

At 31st December 2012	Segment liabilities HK$M (Restated)	Current and deferred tax liabilities HK$M (Restated)	Inter-segment borrowings/ (advances) HK$M (Restated)	External borrowings HK$M (Restated)	Total liabilities HK$M (Restated)	Non-controlling interests HK$M (Restated)
Property						
Property investment	6,828	5,189	10,999	14,189	37,205	33,393
Property trading and development	557	469	4,265	423	5,714	604
Hotels	165	-	-	691	856	1,167
	7,550	**5,658**	**15,264**	**15,303**	**43,775**	**35,164**
Aviation						
HAECO group	**1,643**	**333**	**-**	**1,664**	**3,640**	**3,921**
Beverages						
Swire Beverages	**3,442**	**346**	**1,395**	**132**	**5,315**	**801**
Marine Services						
Swire Pacific Offshore group	**1,792**	**55**	**6,816**	**102**	**8,765**	**15**
Trading & Industrial						
Swire Resources group	724	14	(30)	-	708	14
Taikoo Motors group	1,026	25	-	470	1,521	-
Swire Foods group	84	2	-	-	86	-
Campbell Swire	-	-	144	-	144	-
Swire Pacific Cold Storage group	1	-	-	-	1	-
Other activities	27	12	-	-	39	-
	1,862	**53**	**114**	**470**	**2,499**	**14**
Head Office	**551**	**114**	**(23,589)**	**32,726**	**9,802**	**-**
	16,840	**6,559**	**-**	**50,397**	**73,796**	**39,915**

1. Segment Information (continued)

(a) Information about reportable segments (continued)

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

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

The Beverages Division is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated statement of profit or loss in note 1(a) presents the results of the Beverages Division by geographical location in order to provide further information to the user of this analysis.

(b) Information about geographical areas

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

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

	Turnover		**Non-current assets***	
	2013	2012	**2013**	2012
	HK$M	HK$M	**HK$M**	HK$M
		(Restated)		(Restated)
Hong Kong	**19,109**	20,329	**202,362**	193,014
Asia (excluding Hong Kong)	**22,337**	20,271	**35,311**	33,272
United States of America	**4,083**	4,039	**3,045**	1,911
United Kingdom	**185**	132	**568**	566
Ship owning and operating activities	**5,723**	4,269	**21,220**	17,564
	51,437	49,040	**262,506**	246,327

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

2. Turnover

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

	2013	2012
	HK$M	HK$M
		(Restated)
Gross rental income from investment properties	**9,606**	8,954
Property trading	**2,207**	4,147
Hotels	**942**	781
Aircraft and engine maintenance services	**6,972**	5,603
Sales of goods	**24,904**	24,447
Charter hire	**5,262**	4,271
Rendering of other services	**1,544**	837
Total	**51,437**	49,040

3. Operating Profit

	2013 HK$M	2012 HK$M (Restated)
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment	**2,294**	1,846
Amortisation of leasehold land and land use rights	**32**	30
Amortisation of intangible assets	**69**	60
Amortisation of initial leasing costs	**94**	89
And after crediting:		
Dividend income on available-for-sale assets	**1**	3
Profit on sale of investment properties	**-**	66
Profit on sale of property, plant and equipment	**95**	22

4. Net Finance Charges

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

5. Taxation

	2013		2012	
	HK$M	**HK$M**	HK$M (Restated)	HK$M (Restated)
Current taxation:				
Hong Kong profits tax	**(974)**		(1,240)	
Overseas taxation	**(544)**		(438)	
Over/(under)-provisions in prior years	**117**		(2)	
		(1,401)		(1,680)
Deferred taxation:				
Changes in fair value of investment properties	**(208)**		(249)	
Origination and reversal of temporary differences	**(243)**		(414)	
		(451)		(663)
		(1,852)		(2,343)

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

6. Dividends

	Company	
	2013 HK$M	2012 HK$M
Cash dividends		
First interim dividend paid on 4th October 2013 of HK$1.00 per 'A' share and HK$0.20 per 'B' share (2012: HK$1.00 and HK$0.20)	**1,505**	1,505
Second interim dividend declared on 13th March 2014 of HK$2.50 per 'A' share and HK$0.50 per 'B' share (2012 actual dividend paid: HK$2.50 and HK$0.50)	**3,761**	3,761
Special interim dividend by way of a distribution in specie	**-**	31,589
	5,266	36,855

The second interim dividend is not accounted for in 2013 because it had not been declared at the year end date. The actual amount payable in respect of 2013 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2014.

On 21st December 2011, the Board declared conditional special interim dividends (the "Conditional Dividend") for the year ended 31st December 2011 of 7 Swire Properties shares for every 10 'A' shares held in the Company and 7 Swire Properties shares for every 50 'B' shares held in the Company to shareholders on the register of members as at the close of business on 6th January 2012. Fractional entitlements were disregarded. The Conditional Dividend became unconditional upon the listing of the Swire Properties shares under stock code 1972 on the Main Board of the Stock Exchange on 18th January 2012 and was satisfied wholly by way of a distribution in specie of an aggregate of 1,053,234,165 Swire Properties shares, representing 18% of the total of 5,850,000,000 Swire Properties shares in issue, on 18th January 2012. The net assets attributable to the distribution in specie of an aggregate of 1,053,234,165 Swire Properties shares were HK$31,589 million.

6. Dividends (continued)

The Directors have declared second interim dividends of HK$2.50 per 'A' share and HK$0.50 per 'B' share which, together with the first interim dividends of HK$1.00 per 'A' share and HK$0.20 per 'B' share paid in October 2013, amount to full year dividends of HK$3.50 per 'A' share and HK$0.70 per 'B' share, the same as those paid in respect of 2012. The second interim dividends will be paid on 9th May 2014 to shareholders registered at the close of business on the record date, being Friday, 11th April 2014. Shares of the Company will be traded ex-dividend from Wednesday, 9th April 2014.

The register of members will be closed on Friday, 11th April 2014, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 10th April 2014.

To facilitate the processing of proxy voting for the annual general meeting to be held on 15th May 2014, the register of members will be closed from 12th May 2014 to 15th May 2014, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 9th May 2014.

7. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$13,291 million (2012: HK$17,410 million, as restated) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2013 and 2012 in the proportion five to one.

8. Trade and Other Receivables

	2013	2012
	HK$M	HK$M
		(Restated)
Trade debtors	**3,845**	3,119
Amounts due from joint venture companies	**168**	369
Amounts due from associated companies	**624**	439
Interest-bearing advances to joint venture companies	**-**	190
Prepayments and accrued income	**2,211**	1,867
Other receivables	**2,339**	3,180
	9,187	9,164

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

	2013	2012
	HK$M	HK$M
		(Restated)
Up to three months	**3,666**	2,957
Between three and six months	**103**	113
Over six months	**76**	49
	3,845	3,119

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

9. Trade and Other Payables

	2013 HK$M	2012 HK$M (Restated)
Trade creditors	**3,418**	3,231
Amounts due to immediate holding company	**213**	253
Amounts due to joint venture companies	**167**	197
Amounts due to associated companies	**227**	134
Interest-bearing advances from joint venture companies	**528**	484
Advances from non-controlling interests	**445**	365
Rental deposits from tenants	**2,124**	1,953
Put option over non-controlling interest in Taikoo Li Sunlitun	**1,256**	1,112
Put option over non-controlling interest in Brickell City Centre	**367**	-
Put options over non-controlling interests in subsidiary companies	**216**	215
Accrued capital expenditure	**988**	1,235
Other accruals	**4,728**	4,058
Other payables	**2,345**	2,436
	17,022	15,673
Amounts due after one year included under non-current liabilities	**(583)**	(215)
	16,439	15,458

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

	2013 HK$M	2012 HK$M (Restated)
Up to three months	**3,218**	2,995
Between three and six months	**126**	200
Over six months	**74**	36
	3,418	3,231

10. Share Capital

	Company				
	'A' shares of HK$0.60 each	'B' shares of HK$0.12 each	'A' shares HK$M	'B' shares HK$M	Total HK$M
Authorised:					
At 31st December 2013 and 2012	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 31st December 2013 and 2012	905,578,500	2,995,220,000	543	360	903

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

Except for voting rights, which are equal, the entitlements of ‘A’ and ‘B’ shareholders are in the proportion five to one. This has not changed following the abolition of nominal value by the Companies Ordinance (Cap.662), which came into effect on 3rd March 2014. The effect of paragraph 40 of Schedule 11 to that Ordinance is to preserve the rights attaching to the Company’s ‘A’ shares and ‘B’ shares as if they still had their nominal values.

11. Reserves

	Revenue reserve	Share premium	Capital redemption reserve	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Group								
At 1st January 2012								
as originally stated	221,209	342	49	1,650	435	(706)	3,677	226,656
impact of change in accounting policy	(1,181)	-	-	-	-	-	2	(1,179)
as restated	220,028	342	49	1,650	435	(706)	3,679	225,477
Profit for the year	17,410	-	-	-	-	-	-	17,410
Other comprehensive income								
Defined benefit plans								
- remeasurement gains recognised during the year	60	-	-	-	-	-	-	60
- deferred tax	(17)	-	-	-	-	-	-	(17)
Cash flow hedges								
- recognised during the year	-	-	-	-	-	106	-	106
- transferred to net finance charges	-	-	-	-	-	(19)	-	(19)
- transferred to operating profit - exchange differences	-	-	-	-	-	33	-	33
- transferred to initial cost of non-financial assets	-	-	-	-	-	(56)	-	(56)
- deferred tax	-	-	-	-	-	10	-	10
Net fair value gains on available-for-sale assets	-	-	-	-	153	-	-	153
Revaluation of property previously occupied by the Group								
- gain recognised during the year	-	-	-	44	-	-	-	44
- deferred tax	-	-	-	(8)	-	-	-	(8)
Share of other comprehensive income of joint venture and associated companies	35	-	-	-	17	737	93	882
Net translation differences on foreign operations	-	-	-	-	-	-	174	174
Total comprehensive income for the year	17,488	-	-	36	170	811	267	18,772
Change in composition of the Group	3	-	-	-	-	-	-	3
Recognition of put options over non-controlling interests in subsidiary companies	(58)	-	-	-	-	-	-	(58)
2011 second interim dividend (note 6)	(3,536)	-	-	-	-	-	-	(3,536)
2012 first interim dividend (note 6)	(1,505)	-	-	-	-	-	-	(1,505)
Special interim dividend by way of a distribution in specie (note 6)	(31,589)	-	-	-	-	-	-	(31,589)
At 31st December 2012	200,831	342	49	1,686	605	105	3,946	207,564

11. Reserves (continued)

Group	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2013								
as originally stated	**202,007**	**342**	**49**	**1,686**	**605**	**105**	**3,944**	**208,738**
impact of change in accounting policy	**(1,176)**	**-**	**-**	**-**	**-**	**-**	**2**	**(1,174)**
as restated	**200,831**	**342**	**49**	**1,686**	**605**	**105**	**3,946**	**207,564**
Profit for the year	**13,291**	**-**	**-**	**-**	**-**	**-**	**-**	**13,291**
Other comprehensive income								
Defined benefit plans								
- remeasurement gains recognised during the year	**485**	**-**	**-**	**-**	**-**	**-**	**-**	**485**
- deferred tax	**(125)**	**-**	**-**	**-**	**-**	**-**	**-**	**(125)**
Cash flow hedges								
- recognised during the year	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**
- transferred to net finance charges	**-**	**-**	**-**	**-**	**-**	**(109)**	**-**	**(109)**
- transferred to operating profit - exchange differences	**-**	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**
- transferred to initial cost of non-financial assets	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**4**
- deferred tax	**-**	**-**	**-**	**-**	**-**	**10**	**-**	**10**
Net fair value gains on available-for-sale assets	**-**	**-**	**-**	**-**	**252**	**-**	**-**	**252**
Revaluation of property previously occupied by the Group								
- gain recognised during the year	**-**	**-**	**-**	**293**	**-**	**-**	**-**	**293**
- deferred tax	**-**	**-**	**-**	**(12)**	**-**	**-**	**-**	**(12)**
Share of other comprehensive income of joint venture and associated companies	**485**	**-**	**-**	**-**	**27**	**1,509**	**498**	**2,519**
Net translation differences on foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**509**	**509**
Total comprehensive income for the year	**14,136**	**-**	**-**	**281**	**279**	**1,412**	**1,007**	**17,115**
Change in composition of the Group	**(19)**	**-**	**-**	**-**	**-**	**-**	**-**	**(19)**
2012 second interim dividend (note 6)	**(3,761)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,761)**
2013 first interim dividend (note 6)	**(1,505)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,505)**
At 31st December 2013	**209,682**	**342**	**49**	**1,967**	**884**	**1,517**	**4,953**	**219,394**

12. Changes in Accounting Standards

(a) The following relevant new and revised standards were required to be adopted by the Group effective from 1st January 2013:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (revised 2011)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The following revised standard was early adopted by the Group from 1st January 2013:

HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets

The improvements to HKFRSs 2009 to 2011 cycle consists of six amendments to five existing standards. These have had no significant impact on the results and financial position of the Group.

The amendment to HKAS 1 focuses on improving the presentation of components of other comprehensive income items. It requires items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently or not. The Group's presentation of other comprehensive income in these accounts has been modified accordingly.

HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The adoption of HKFRS 11 has prompted the Group to review the accounting treatment of certain of its franchise businesses in Mainland China within the Beverages Division. Having regard to HKFRS 11, it has concluded that certain franchises previously accounted for as jointly controlled companies no longer meet the definition of joint ventures under the new standard. Having regard to the relevant standards, the group has reclassified these franchise businesses as subsidiaries and has fully consolidated them in its accounts. The change has been applied retrospectively.

12. Changes in Accounting Standards (continued)

HKAS 19 was amended in 2011. The impact on the Group's defined benefit plans and post employment benefits is as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. In addition, it removes the accounting policy choice that previously permitted only the recognition of actuarial gains and losses outside a 10% 'corridor' to be recognised in profit or loss. Instead all such remeasurements are required to be recognised in other comprehensive income, when they occur. The above change is required to be applied retrospectively.

As a result of the adoption of the new HKFRS 11 and revised HKAS 19, the Group has changed its accounting policy with respect to interests in joint venture companies and defined benefit plans. These changes in accounting policy have been applied retrospectively by restating the balances at 31st December 2012 and 2011, and the results for the year ended 31st December 2012 as summarised in the below table:

Consolidated Statement of Profit or Loss for the year ended 31st December 2012	**As previously reported**	**Effect of adopting HKFRS 11**	**Effect of adopting revised HKAS 19**	**As restated**
	HK$M	**HK$M**	**HK$M**	**HK$M**
Turnover	43,859	5,181	-	49,040
Cost of sales	24,923	3,609	-	28,532
Distribution costs	4,406	1,122	-	5,528
Administrative expenses	3,236	255	69	3,560
Other net gains	194	74	-	268
Finance charges	1,988	5	-	1,993
Finance income	191	1	-	192
Share of profits less losses of joint venture companies	1,647	(119)	(9)	1,519
Share of profits less losses of associated companies	607	50	(75)	582
Taxation	2,289	67	(13)	2,343
Profit attributable to the Company's shareholders	17,484	50	(124)	17,410
Profit attributable to non-controlling interests	3,971	79	(16)	4,034
	HK$	**HK$**	**HK$**	**HK$**
Earnings per 'A' share (basic and diluted)	11.62	0.03	(0.08)	11.57
Earnings per 'B' share (basic and diluted)	2.32	-	(0.01)	2.31

Consolidated Statement of Other Comprehensive Income for the year ended 31st December 2012	**HK$M**	**HK$M**	**HK$M**	**HK$M**
Defined benefit plans - remeasurement gains recognised during the year	-	-	67	67
Defined benefit plans - deferred tax	-	-	18	18
Cash flow hedge gains recognised during the year	86	6	-	92
Share of other comprehensive income of joint venture and associated companies	860	(6)	37	891
Total comprehensive income attributable to the Company's shareholders	18,767	46	(41)	18,772
Total comprehensive income attributable to non-controlling interests	4,018	79	(9)	4,088

12. Changes in Accounting Standards (continued)

Consolidated Statement of Financial Position at 31st December 2012	As previously reported	Effect of adopting HKFRS 11	Effect of adopting revised HKAS 19	As restated
	HK$M	HK$M	HK$M	HK$M
Property, plant and equipment	33,641	1,201	-	34,842
Leasehold land and land use rights	998	82	-	1,080
Intangible assets	4,509	103	-	4,612
Joint venture companies	20,969	(731)	(16)	20,222
Associated companies	27,946	55	(581)	27,420
Deferred tax assets	338	78	139	555
Retirement benefit assets	637	-	(427)	210
Stocks and work in progress	3,860	405	-	4,265
Trade and other receivables	8,835	329	-	9,164
Cash and cash equivalents	5,888	192	-	6,080
Short-term deposits	310	(299)	-	11
Trade and other payables	14,376	1,297	-	15,673
Taxation payable	873	13	-	886
Derivative financial instrument liabilities	174	15	-	189
Bank overdrafts and short-term loans	1,918	(27)	-	1,891
Long-term loans and bonds	46,425	(244)	-	46,181
Deferred tax liabilities	5,757	-	(84)	5,673
Retirement benefit liabilities	304	-	512	816
Reserves	208,738	55	(1,229)	207,564
Non-controlling interests	39,693	306	(84)	39,915

Consolidated Statement of Financial Position at 31st December 2011	HK$M	HK$M	HK$M	HK$M
Property, plant and equipment	27,288	1,005	-	28,293
Leasehold land and land use rights	969	79	-	1,048
Intangible assets	4,270	91	-	4,361
Joint venture companies	18,866	(669)	(16)	18,181
Associated companies	27,145	4	(535)	26,614
Deferred tax assets	305	71	157	533
Retirement benefit assets	600	-	(387)	213
Stocks and work in progress	3,287	494	-	3,781
Trade and other receivables	6,275	571	-	6,846
Cash and cash equivalents	3,707	213	-	3,920
Short-term deposits	215	(148)	-	67
Trade and other payables	14,179	1,222	-	15,401
Taxation payable	557	14	-	571
Derivative financial instrument liabilities	326	21	-	347
Bank overdrafts and short-term loans	1,333	154	-	1,487
Deferred tax liabilities	5,050	-	(71)	4,979
Retirement benefit liabilities	258	-	548	806
Reserves	226,656	4	(1,183)	225,477
Non-controlling interests	4,917	296	(75)	5,138

12. Changes in Accounting Standards (continued)

Consolidated Statement of Cash Flows for the year ended 31st December 2012	**As previously reported HK$M**	**Effect of adopting HKFRS 11 HK$M**	**Effect of adopting revised HKAS 19 HK$M**	**As restated HK$M**
Cash generated from operations	10,186	643	-	10,829
Interest paid	2,053	5	-	2,058
Interest received	101	1	-	102
Tax paid	1,290	74	-	1,364
Dividends received from joint venture and associated companies and available-for-sale assets	1,337	165	-	1,502
Purchase of property, plant and equipment	7,183	349	-	7,532
Purchase of intangible assets	19	20	-	39
Proceeds from disposals of property, plant and equipment	149	2	-	151
Repayment of loans by joint venture companies	293	132	-	425
Net increase in deposits maturing after more than three months	134	23	-	157
Loans drawn and refinancing	19,455	(245)	-	19,210
Repayment of loans and bonds	9,129	203	-	9,332
Dividends paid to non-controlling interests	954	69	-	1,023
Cash and cash equivalents at 1st January	3,706	214	-	3,920
Cash and cash equivalents at end of the year	5,884	169	-	6,053

HKAS 27 (revised 2011) was issued following the issuance of HKFRS 10. The revised HKAS 27 only deals with the accounting for subsidiaries, joint ventures and associates in the separate financial statements of the parent company. The amendment has had no significant impact on the results and financial position of the Company as it already complies with the requirements of the standard.

HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The amendment has had no significant impact on the results and financial position of the Group.

The amendment to HKFRS 7 required entities to disclose quantitative information about financial assets and financial liabilities that are offset in the statement of financial position or subject to an enforceable master netting agreement or similar arrangement. The amendment has had no significant impact on the Group's accounts.

HKFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has considered whether to consolidate Cathay Pacific Airways Limited ("Cathay Pacific") as a subsidiary in its accounts in light of the provisions of HKFRS 10 and has concluded that it should continue to account for its interest in Cathay Pacific as an associate interest.

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has provided the applicable disclosures.

12. Changes in Accounting Standards (continued)

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use in all relevant HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how fair value should be measured where its use is already required or permitted by other standards in HKFRSs. It also provides new disclosure requirements. The adoption of HKFRS 13 only affects disclosures on fair value measurements of investment properties and financial assets and liabilities in the Group's accounts.

The amendments to HKFRSs 10, 11 and 12 provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments have had no significant impact on the Group's accounts.

The amendment to HKAS 36 removes certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. The effective date for the amendement is annual periods on or after 1st January 2014. As permitted, the Group has early adopted this amendment. The amendment has had no significant impact on the Group's accounts.

(b) The following revised standards are effective but not relevant to the Group's operations:

HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) 21	Levies[1]
HKFRS 9	Financial Instruments[2]

[1] To be applied by the Group from 1st January 2014.
[2] The mandatory effective date has not been issued but is not expected to be earlier than 1st January 2017.

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

The amendment to HKAS 39 provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group has yet to assess the full impact of the amendment.

HK(IFRIC) 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to a levy and when a liability should be recognised. The Group has yet to assess the full impact of the interpretation.

12. Changes in Accounting Standards (continued)

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

(d) The following amendment has been issued which is not yet effective and is not relevant to the Group's operations:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Investment Entities

13. Events after the Reporting Period

In October 2013, a wholly owned subsidiary of HAECO entered into a stock purchase agreement (the "Acquisition Agreement") with TAS Management, LLC ("TASM"). Under the Acquisition Agreement, the subsidiary conditionally agreed to acquire and TASM conditionally agreed to sell all the outstanding shares in TIMCO Aviation Services, Inc. ("TIMCO"). TIMCO is a Delaware corporation based in the United States which provides aircraft technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing. The acquisition was completed on 6th February 2014 for a total consideration of HK$2,887 million. If the acquisition had occurred on 1st January 2013, the HAECO group's consolidated revenue and consolidated net profit for the year ended 31st December 2013 would have been, on a pro-forma basis, HK$10,364 million and HK$724 million respectively. TIMCO's identifiable net assets as at 31st December 2013 were HK$1,459 million.

In January 2014, Swire Properties acquired 50% of DCH Commercial Centre, an office building with a gross floor area of approximately 389,000 sq. ft. in Quarry Bay, Hong Kong.

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

In February 2014, Swire Properties' acquisition of a 20% interest in Taikoo Li Sanlitun in Beijing from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, was completed following a notice of intention to exercise a put option as served by GCA in August 2013.

In February 2014, Swire Properties entered into an agreement with the Government of the Hong Kong Special Administrative Region (represented by The Financial Secretary Incorporated) to acquire its interest in Cornwall House in TaiKoo Place. The transaction is to be completed on or before 30th December 2016. The acquisition will allow Swire Properties to proceed with the redevelopment of three existing techno-centres in TaiKoo Place into two Grade-A office buildings.

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

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

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

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

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

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

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

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

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

Annual Report
The 2013 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Group website www.swirepacific.com. Printed copies will be available to shareholders on 8th April 2014.

List of Directors
As at the date of this announcement, the Directors of the Company are:
Executive Directors: C D Pratt (Chairman), M Cubbon, P A Kilgour, J B Rae-Smith, I S C Shiu, J R Slosar, A K W Tang
Non-Executive Directors: Baroness Dunn, J W J Hughes-Hallett, P A Johansen, M B Swire
Independent Non-Executive Directors: T G Freshwater, C K M Kwok, C Lee, R W M Lee, M C C Sze, M M T Yang