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# **SWIRE PACIFIC LIMITED**

(Incorporated in Hong Kong with limited liability)

**(Stock Codes: 00019 and 00087)**

## **2019 Interim Results**

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## CORPORATE STATEMENT

### Sustainable Growth

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

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

### Our Values

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

### Our Core Principles

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

### Our Investment Principles

- We aim to build a portfolio of businesses that collectively deliver a steady dividend stream over time.
- We are long term investors. We prefer to have controlling interests in our businesses and to manage them for long term growth.
- We concentrate on businesses where we can contribute expertise, and where our expertise can add value.
- We invest in businesses that provide high-quality products and services and that are leaders in their markets.
- We divest from businesses which have reached their full potential under our ownership, and recycle the capital released into existing or new businesses.

## PERFORMANCE HIGHLIGHTS

	Note	Six months ended			Year ended
		30th June			31st December
		2019	2018	Change	2018
		HK\$M	HK\$M	%	HK\$M
Profit attributable to the Company's shareholders					
As reported		<b>7,939</b>	13,501	-41%	23,629
Underlying profit	(a)	<b>15,846</b>	1,265	+1153%	8,523
Recurring underlying profit	(a)	<b>4,226</b>	3,026	+40%	7,489
Revenue		<b>42,870</b>	42,265	+1%	84,606
Operating profit		<b>10,866</b>	18,695	-42%	30,888
Operating profit excluding change in fair value of investment properties		<b>7,035</b>	3,222	+118%	11,510
Change in fair value of investment properties		<b>3,831</b>	15,473	-75%	19,378
Cash generated from operations		<b>4,368</b>	8,297	-47%	18,328
Net cash inflow before financing		<b>15,260</b>	8,075	+89%	17,919
Total equity (including non-controlling interests)		<b>330,045</b>	322,563	+2%	325,115
Net debt	(b)	<b>48,630</b>	67,272	-28%	62,667
Gearing ratio	(b)	<b>14.7%</b>	20.9%	-6.2% pts	19.3%
				Change	
		HK\$	HK\$	%	HK\$
Earnings per share (c)					
As reported					
'A' share		<b>5.29</b>	8.99	-41%	15.74
'B' share		<b>1.06</b>	1.80		3.15
Underlying					
'A' share		<b>10.55</b>	0.84	+1156%	5.68
'B' share		<b>2.11</b>	0.17		1.14
Dividends per share					
'A' share		<b>1.35</b>	1.20	+13%	3.00
'B' share		<b>0.27</b>	0.24		0.60
Equity attributable to the Company's shareholders per share (d)					
'A' share		<b>182.78</b>	177.39	+3%	180.09
'B' share		<b>36.56</b>	35.48		36.02

## Notes:

- (a) Reconciliations between the reported and underlying profit, and between underlying profit and recurring underlying profit are provided on page 34.
- (b) Net debt is the total of loans, bonds and overdrafts net of cash, bank deposits and bank balances. Gearing ratio is measured as net debt to total equity. Including lease liabilities as part of net debt would increase our gearing ratio to 16.4% (see page 38).
- (c) Refer to note 11 in the financial statements for the daily weighted average number of shares in issue throughout the period.
- (d) Refer to note 25 in the financial statements for the number of shares at the period end.

## CHAIRMAN'S STATEMENT

Our recurring underlying profits grew by 40% in the first half of 2019, to HK\$4,226 million. We are pleased with this solid set of results, which demonstrate a continuation of the recovery which started last year.

Steady growth was seen at Swire Properties. Despite weakness in retail sales, rental income grew overall in Hong Kong. There was strong retail sales growth in Mainland China.

Cathay Pacific continues to benefit from its transformation programme. It was profitable in the first half, which is usually the weaker half of the year, despite yield pressures and a challenging geopolitical environment. The acquisition of Hong Kong Express, a low cost carrier, was announced in March this year and closed in July. We are supportive of this important strategic development for Cathay Pacific.

HAECO's results improved. Swire Coca-Cola (which changed its name from Swire Beverages during the period) did well in Mainland China. The performance of Swire Pacific Offshore remained weak.

### Dividends

The Directors have declared dividends for the half year of HK\$1.35 per A share and HK\$0.27 per B share. This represents a 13% increase on the dividends for the first half of 2018. The rate of increase in dividends is somewhat lower than the growth in recurring underlying profit. This reflects our aim to deliver sustainable growth in ordinary dividends, and is mindful of the more cautious outlook for our businesses in the second half.

### Outlook

Notwithstanding the improved performance in the first half, we are facing stronger headwinds. Global trade tensions and protests in Hong Kong are having direct and indirect effects on demand in a number of our businesses. But we face whatever near-term challenges may come from a position of financial strength. Cash receipts from our disposal of non-core assets were over HK\$14 billion in the first half of 2019. As a result, Swire Pacific's gearing was reduced to 14.7% at the end of June 2019, its lowest level since 2007. We will continue with our core investment plans in both Hong Kong and Mainland China and are well placed to take advantage of new opportunities that might arise.

### Merlin Swire

*Chairman*

Hong Kong, 8th August 2019

## FINANCE DIRECTOR'S STATEMENT

### Results Summary

The consolidated profit attributable to shareholders for the first half of 2019 was HK\$7,939 million, a 41% decrease compared to 2018. Underlying profit attributable to shareholders, which principally adjusts for changes in the value of investment properties, increased significantly, to HK\$15,846 million. The increase principally reflects a gain on disposal of the Cityplaza Three and Cityplaza Four properties of HK\$11,221 million. Disregarding significant non-recurring items in both years, the recurring underlying profit for the first half of 2019 was HK\$4,226 million, compared with HK\$3,026 million in 2018. The principal contributors to the increase were the Property and Aviation Divisions.

The Property Division is the major contributor to the Group's profit. The recurring underlying profit from the Property Division in the first half of 2019 (which excludes gains from the disposal of investment properties aggregating HK\$11,937 million) was HK\$3,319 million, compared with HK\$3,058 million in 2018. Demand for our office properties in Hong Kong was generally strong, but retail sales in Hong Kong were weaker. In Mainland China, strong retail sales were recorded at Taikoo Li Sanlitun, Taikoo Hui, Sino-Ocean Taikoo Li Chengdu and INDIGO. Hotels recorded a profit in the first half of 2019, compared to a loss in 2018.

The Cathay Pacific group's attributable profit on a 100% basis was HK\$1,347 million in the first half of 2019, compared with a loss of HK\$263 million in the first half of 2018. Cathay Pacific is in the final year of a three-year transformation programme, which is designed to make its businesses leaner, more agile and able to compete more effectively. Work on the programme continues and, as evidenced by its return to profitability in 2018, Cathay Pacific is moving in the right direction. The positive performance continued in the first half of 2019, but the operating environment for the airlines worsened, as geopolitical and trade tensions intensified. Passenger revenue was satisfactory, but overall yield declined. The cargo business was weaker, due in part to US-China trade tensions, with a decline in both volume and yield. The airlines benefited from lower fuel prices, but were adversely impacted by the stronger US dollar.

The HAECO group reported an attributable profit of HK\$535 million for the first six months of 2019. This compares with a profit of HK\$469 million on a 100% basis for the equivalent period in 2018. The higher profit primarily reflected profit growth at HAECO Hong Kong, HAESL and the component repair businesses in Mainland China.

Disregarding a non-recurring gain in 2018, Swire Coca-Cola's attributable profit of HK\$748 million in the first half of 2019 was 2% higher than in the first half of 2018. There was strong profit growth in Mainland China, in the first half of 2019 but the overall results of the period were adversely affected by withholding tax of HK\$83 million on a dividend paid from the USA.

The recurring loss of the Marine Services Division was HK\$583 million in the first half of 2019, compared to HK\$650 million in 2018. The figure in 2018 excludes impairment charges and related write-offs of HK\$3,900 million at Swire Pacific Offshore. There was some increase in utilisation of its fleet. This reflected more working rig activity. Average day rates remained depressed due to oversupply of vessels.

Disregarding non-recurring items, the Trading & Industrial Division made an attributable profit of HK\$60 million in the first half of 2019, compared with a profit of HK\$154 million in the first half of 2018. The decrease mainly reflects the net adverse effect of disposals of the Akzo Nobel and Columbia businesses (which were profit making) and the cold storage business (which was loss making). There were reduced contributions from Swire Retail, Taikoo Motors and Swire Foods.

### Dividends

The Directors have declared first interim dividends of HK\$1.35 per A share and HK\$0.27 per B share. The first interim dividends will be paid on 4th October 2019 to shareholders registered at the close of business on the record date, being Friday, 6th September 2019. Shares of the Company will be traded ex-dividend as from Wednesday, 4th September 2019.

### Implementing Our Aims

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

Swire Properties is investing HK\$15 billion in the redevelopment of Taikoo Place in Hong Kong. The second phase will be completed in 2021 or 2022. Swire Properties also has a 50% interest in a 1.25 million square feet retail development in Shanghai, which is expected to be completed in 2020. Swire Properties completed the sale of its interest in the Cityplaza Three and Cityplaza Four properties in Hong Kong in April 2019 and of its interest in a property at 625 King's Road in Quarry Bay, Hong Kong in July 2019. Swire Properties has announced new residential developments in Singapore and Indonesia.

Cathay Pacific completed its acquisition of Hong Kong Express in July 2019. Swire Pacific remains supportive of the prospects and long-term investment plans of Cathay Pacific.

The HAECO group continues to invest in order to increase the scale of its operations and technical capabilities and to improve and widen the range of services it can offer to customers. HAECO management is discussing with the Xiamen authorities the relocation of HAECO Xiamen's premises from the existing to the new Xiamen airport.

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

In the Marine Services Division, Swire Pacific Offshore disposed of two vessels in the first half of 2019 and expects to dispose of more vessels in the second half of the year.

In the first half of 2019, the Trading & Industrial Division disposed of its interest in the Columbia business and wrote off its investment in an associated company. It continued to invest in its motor and foods businesses.

In the first half of 2019, we generated HK\$4.4 billion from operations and HK\$17.9 billion (including HK\$3.3 billion received by way of deposit in 2018) from disposals and we made total capital investments of HK\$2.7 billion. Our net debt at the end of June 2019 was HK\$48.6 billion, a reduction of 22% from the end of 2018. Our gearing ratio at the end of June 2019 was 14.7%, 4.6 percentage points lower than our gearing ratio of 19.3% at the end of 2018. Including lease liabilities as part of net debt would increase our gearing ratio at the end of June 2019 to 16.4%.

### Outlook By Division

In the Property Division, more vacancies are expected in the Central district of Hong Kong. This will put downward pressure on office rents in Central. Strong demand and high occupancy are expected to result in office rents at our Taikoo Place developments being resilient despite increased supply in other districts. Global trade uncertainties and the adverse effect of Renminbi weakness on spending by tourists from Mainland China have affected retail spending in Hong Kong. The protests in Hong Kong have had some effect on retail sales at our malls, particularly at Pacific Place. If the protests continue, sales are likely to continue to be affected. In Mainland China, retail sales in the second half of 2019 are expected to grow steadily in Beijing and Guangzhou, moderately in Shanghai and satisfactorily in Chengdu. Increased vacancy rates are expected to put downward pressure on office rents in Guangzhou and Beijing. In Shanghai, vacancy rates are expected to increase. But rents will remain resilient at HKRI Taikoo Hui due to high occupancy. In Miami, retail sales are growing and the supply of new Grade-A office space is limited. Trading conditions for our hotels are expected to be stable in the second half of 2019, except that occupancy in Hong Kong has been affected somewhat by the protests and this is likely to continue if the situation persists. Trading profits are expected to be recognised in 2019 from sales at Pinnacle One in Sino-Ocean Taikoo Li Chengdu, Mainland China and of residential units at the Reach and Rise developments in Miami.

Cathay Pacific normally achieves better results in the second half of the year than in the first half and, despite headwinds and other uncertainties, this is expected to be the case in 2019. Geopolitical and trade tensions are expected to continue to affect the global economy and, in turn, demand for air travel and air freight. The protests in Hong Kong reduced inbound passenger traffic in July and are adversely impacting forward bookings. The US dollar is expected to remain strong. Fuel costs have recently weakened but we continue to expect fuel price volatility. The transformation programme continues and Cathay Pacific believes that it is on track to achieve its objective of sustainable long-term performance.

The prospects for the HAECO group's different businesses in the second half of 2019 are mixed. The airframe services workload in the second half of 2019 is expected to grow in HAECO Americas and be stable in HAECO Xiamen, but to be slightly lower than in the first half of 2019 in Hong Kong. Line services work is expected to be stable. The increased demand for HAESL's engine services is expected to continue. The demand for TEXL's engine services in the second half of 2019 is expected to be lower than in the first half.

At Swire Coca-Cola, revenue in Mainland China is expected to continue to grow in the second half of 2019 and to grow faster than volume. Increased operating costs, particularly staff costs, will put pressure on profits. Revenue is expected to improve in Hong Kong in the second half of 2019. Operating costs are expected to increase. Increased depreciation on recent capital expenditure will put pressure on profits. Revenue is expected to continue to grow in Taiwan in the second half of 2019. In the USA, the beverages market is expected to grow moderately in the second half of 2019. Increased costs will put pressure on profits.

There are some signs of recovery in the offshore industry. Exploration and production spending is expected to increase in 2019 and 2020. The number of working rigs is slowly increasing, which has resulted in higher vessel utilisation rates, but day rates remain depressed due to oversupply of vessels. Increased rig activity has resulted in more vessels being brought back into the market from cold stack to compete for the extra work. Nevertheless, a third of the laid up fleet has been in cold stack for more than three years, with many unlikely to return to service.

The overall results of the Trading & Industrial Division are expected to be better in the second than in the first half of 2019. At Swire Resources, the protests in Hong Kong have adversely affected sales at its retail outlets. This is likely to continue if the situation persists.

**Michelle Low**

*Finance Director*

Hong Kong, 8th August, 2019



## REVIEW OF OPERATIONS

### Property Division

Swire Properties' business comprises three main areas:

#### Property Investment:

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury residential accommodation in prime locations. Including hotels, the completed portfolio in Hong Kong totals 12.7 million square feet of gross floor area, with an additional 1.2 million square feet under development. In Mainland China, Swire Properties owns and operates major mixed-use commercial developments in Beijing, Shanghai, Guangzhou and Chengdu, in joint venture in most cases, which will total 9.8 million square feet on completion. Of this, 8.9 million square feet has already been completed. In the USA, Swire Properties is the primary developer of a 1.1 million square feet mixed-use commercial development at Brickell City Centre in Miami, with an adjoining 1.4 million square feet development under planning.

#### Hotel Investment:

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

#### Property Trading:

Swire Properties' trading portfolio comprises completed developments available for sale in the Reach and Rise developments at Brickell City Centre in Miami, USA, and two uncompleted residential developments, one in Hong Kong, the other in Singapore. There are also land banks in Miami and Fort Lauderdale in Florida, USA.

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

**Financial Highlights**

	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
<b>Revenue</b>			
Gross rental income derived from			
Office	3,302	3,141	6,375
Retail	2,747	2,579	5,205
Residential	297	276	537
Other revenue *	66	63	137
Property investment	6,412	6,059	12,254
Property trading	392	530	1,061
Hotels	706	720	1,404
<b>Total revenue</b>	<b>7,510</b>	<b>7,309</b>	<b>14,719</b>
<b>Operating profit derived from</b>			
Property investment			
From operation	4,460	4,442	8,585
Sale of interests in investment properties	1,361	1,254	1,276
Valuation gains on investment properties	3,831	15,473	19,378
Property trading	50	73	65
Hotels	11	(1)	(25)
<b>Total operating profit</b>	<b>9,713</b>	<b>21,241</b>	<b>29,279</b>
<b>Share of post-tax profits from joint venture and associated companies</b>	<b>740</b>	<b>1,064</b>	<b>1,978</b>
<b>Attributable profit</b>	<b>8,962</b>	<b>21,139</b>	<b>28,583</b>
<b>Swire Pacific share of attributable profit</b>	<b>7,349</b>	<b>17,334</b>	<b>23,437</b>

\* Other revenue is mainly estate management fees.

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

	Note	Six months ended		Year ended
		30th June		31st December
		2019	2018	2018
		HK\$M	HK\$M	HK\$M
<b>Reported attributable profit</b>				
		8,962	21,139	28,583
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	(4,264)	(16,298)	(20,722)
Deferred tax on investment properties	(b)	684	121	935
Valuation gains realised on sale of interests in investment properties	(c)	13,197	1,233	1,351
Depreciation of investment properties occupied by the Group	(d)	16	15	28
Non-controlling interests' share of revaluation movements				
less deferred tax		17	6	(15)
Less amortisation of right-of-use assets reported under investment properties	(e)	(8)	-	-
<b>Underlying attributable profit</b>		<b>18,604</b>	<b>6,216</b>	<b>10,160</b>
Profit on sale of interests in investment properties		(14,557)	(2,487)	(2,627)
<b>Recurring underlying attributable profit</b>		<b>4,047</b>	<b>3,729</b>	<b>7,533</b>
<b>Swire Pacific share of underlying attributable profit</b>		<b>15,256</b>	<b>5,098</b>	<b>8,331</b>
<b>Swire Pacific share of recurring underlying attributable profit</b>		<b>3,319</b>	<b>3,058</b>	<b>6,177</b>

## Notes:

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

**Property Division - Movement in Underlying Profit on a 100% basis**

	HK\$M
Underlying profit for six months ended 30th June 2018	6,216
Increase in profit from the sale of interests in investment properties	12,070
Increase in profit from property investment	261
Decrease in profit from property trading	(20)
Increase in profit from hotels	76
Others	1
Underlying profit for six months ended 30th June 2019	<u>18,604</u>

**RESULTS SUMMARY**

Attributable profit from the Property Division for the first half of 2019 was HK\$7,349 million compared to HK\$17,334 million in the first half of 2018. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK\$4,264 million and HK\$16,298 million respectively. Attributable underlying profit, which principally adjusts for changes in the valuation of investment properties, increased by HK\$10,158 million to HK\$15,256 million. This increase principally reflected the profit arising from the sale of interests in Cityplaza Three and Cityplaza Four in Taikoo Shing and in other investment properties in Hong Kong.

Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK\$3,319 million in the first half of 2019, compared with HK\$3,058 million in the first half of 2018.

Recurring underlying profit from property investment increased by 7% in the first half of 2019, with satisfactory growth at the Hong Kong and Mainland China portfolios. Gross rental income increased by 6% (to HK\$6,346 million in the first half of 2019, compared with HK\$5,996 million in the first half of 2018). This reflected positive rental reversions at the office properties in Hong Kong and Mainland China and higher retail sales in Mainland China and the USA.

Underlying profit from property trading in the first half of 2019 arose mainly from the sale of carparks at the ALASSIO development in Hong Kong and residential units in the USA.

Hotels recorded a profit in the first half of 2019 compared with a loss in the first half of 2018, principally due to improved performances at the hotels in Shanghai in Mainland China and in the USA.

**KEY DEVELOPMENTS**

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

In April 2019, Swire Properties announced its first residential project "EDEN" in Singapore. The development comprises 20 residential units with an aggregate gross floor area of approximately 77,000 square feet and is expected to be completed in the fourth quarter of 2019.

In May 2019, Swire Properties conditionally agreed to sell its entire 50% interest in a company which owns an office building at 625 King's Road in Hong Kong. Completion of the sale took place in July 2019.

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate gross floor area of approximately

1,123,000 square feet. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

Principal Property Investment Portfolio - Gross Floor Area ('000 square feet)							At 31st December 2018
Location	At 30th June 2019						Total
	Office	Retail	Hotels	Residential	Under Planning	Total	
<b>Completed</b>							
Pacific Place	2,186	711	496	443	-	3,836	3,836
Taikoo Place	5,571	12	-	63	-	5,646	5,646
Cityplaza	629	1,105	200	-	-	1,934	1,934
Others	450	665	73	74	-	1,262	1,322
<b>- Hong Kong</b>	<b>8,836</b>	<b>2,493</b>	<b>769</b>	<b>580</b>	<b>-</b>	<b>12,678</b>	<b>12,738</b>
Taikoo Li Sanlitun	-	1,296	169	-	-	1,465	1,465
Taikoo Hui	1,732	1,473	584	52	-	3,841	3,841
INDIGO	294	470	179	-	-	943	943
Sino-Ocean Taikoo Li Chengdu	-	678	98	55	-	831	810
HKRI Taikoo Hui	914	587	194	73	-	1,768	1,734
Others	20	91	-	-	-	111	91
<b>- Mainland China</b>	<b>2,960</b>	<b>4,595</b>	<b>1,224</b>	<b>180</b>	<b>-</b>	<b>8,959</b>	<b>8,884</b>
<b>- USA</b>	<b>263</b>	<b>497</b>	<b>477</b>	<b>109</b>	<b>-</b>	<b>1,346</b>	<b>1,346</b>
<b>Total completed</b>	<b>12,059</b>	<b>7,585</b>	<b>2,470</b>	<b>869</b>	<b>-</b>	<b>22,983</b>	<b>22,968</b>
<b>Under and pending development</b>							
- Hong Kong ^	1,218	3	-	-	-	1,221	1,316
- Mainland China	-	879	-	-	-	879	623
- USA	-	-	-	-	1,444	1,444	1,444
<b>Total</b>	<b>13,277</b>	<b>8,467</b>	<b>2,470</b>	<b>869</b>	<b>1,444</b>	<b>26,527</b>	<b>26,351</b>

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

^The office portfolio principally comprises Two Taikoo Place.

## INVESTMENT PROPERTIES

### Hong Kong

#### Office

Gross rental income from the Hong Kong office portfolio in the first half of 2019 was HK\$3,047 million, 6% higher than in the same period in 2018. The increase mainly reflected positive rental reversions and the opening of One Taikoo Place in September 2018. The increase was partly offset by the loss of gross rental income from Cityplaza Three and Cityplaza Four in Taikoo Shing which were disposed of in April 2019. Demand for the group's office space in Hong Kong was strong. This was reflected in positive rental reversions. Occupancy was high at Pacific Place, Taikoo Place and Cityplaza One. At 30th June 2019, the office portfolio was almost fully let.

#### Retail

Retail sales decreased by 4% at The Mall, Pacific Place, against a background of global trade uncertainties and with lower spending by tourists, particularly from Mainland China. Retail sales increased marginally at Cityplaza and Citygate Outlets, following an improvement in the tenant mix.

Gross rental income from the group's retail portfolio in Hong Kong was HK\$1,404 million in the first half of 2019, representing an increase of 3% compared to the same period in 2018. Rental income from The Mall at Pacific Place and Cityplaza increased by 2% and 1% respectively despite the challenging retail environment in the first half of 2019. Occupancy levels at the group's malls were effectively 100% during the period.

The development at the Tung Chung Town Lot No. 11 next to Citygate Outlets was completed in March 2019 and is expected to open later this year. 98% of the retail space is leased.

**Residential**

The occupancy rate at the residential portfolio was approximately 87% at 30th June 2019.

**Investment Properties under Development**

The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House) is the construction of an office building with an aggregate gross floor area of approximately 1,000,000 square feet, to be called Two Taikoo Place. Superstructure works are in progress. Completion of the redevelopment is expected in 2021 or 2022.

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

**Others**

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

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

In 2018, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited received general building plans approvals for a predominantly residential development in Chai Wan, Hong Kong (Inland Lot No. 88). The joint venture company intends to complete the acquisition of the relevant land in September 2019. The joint venture company is negotiating land exchange terms (including a land premium) with the Hong Kong government to redevelop the relevant land into a residential and commercial complex. Subject to agreement with

the Hong Kong government, the proposed development is expected to have an aggregate gross floor area of approximately 694,000 square feet.

**Outlook**

With reduced demand for office space, particularly from Mainland Chinese companies, and relocations to other districts, more vacancies are expected in the Central district of Hong Kong. This will put downward pressure on office rents in Central. Strong demand and high occupancy are expected to result in office rents at our Taikoo Place developments being resilient despite increased supply in Kowloon East and other districts.

Global trade uncertainties and the adverse effect of Renminbi weakness on spending by tourists from Mainland China have affected retail spending in Hong Kong. The protests in Hong Kong have had some effect on retail sales at our malls, particularly at Pacific Place. If the protests continue, sales are likely to continue to be affected.

Rental demand for our residential investment properties is expected to be stable in the second half of 2019.

**Mainland China****Retail**

The Mainland China retail portfolio's gross rental income for the first half of 2019 was HK\$1,193 million. In Renminbi terms, this represents an increase of 16% compared to the same period in 2018.

**Subsidiaries**

Gross rental income at Taikoo Li Sanlitun in Beijing increased in the first half of 2019. Retail sales increased by 9%. The overall occupancy rate was 100% at 30th June 2019. Demand for retail space in Taikoo Li Sanlitun remains solid as it reinforces its position as a fashionable retail destination in Beijing. Improvement works are being carried out and are expected to have a positive impact on rents. The refurbishment of Taikoo Li Sanlitun West as an extension to Taikoo Li Sanlitun (with a gross floor area of 255,731 square feet) is expected to be completed in 2020.

Gross rental income at Taikoo Hui in Guangzhou increased in the first half of 2019, as the tenant mix improved. Retail sales grew by 15%. The mall was fully let at 30th June 2019.

**Joint Ventures**

The mall at INDIGO in Beijing was 99% occupied at 30th June 2019. Improvements to the tenant mix have been made. Retail sales increased by 18% in the first half of 2019. The mall is becoming a significant lifestyle shopping centre in north-east Beijing.

Gross rental income at Sino-Ocean Taikoo Li Chengdu increased in the first half of 2019. Retail sales increased by 19% in the first half of 2019. The development is gaining popularity as a downtown shopping destination in Chengdu. At 30th June 2019, the occupancy rate was 98%.

Gross rental income at HKRI Taikoo Hui increased in the first half of 2019 as more shops were open than in the first half of 2018. Retail sales increased by 67% in the first half of 2019 and footfall has grown steadily since early 2019. At 30th June 2019, the occupancy rate was 98% and 92% of the shops were open.

**Office**

The Mainland China office portfolio's gross rental income for the first half of 2019 was HK\$195 million.

The occupancy rate at Taikoo Hui's office towers in Guangzhou was 99% at 30th June 2019. The occupancy rate at ONE INDIGO in Beijing was 86% at 30th June 2019. Demand for office space in Beijing was weak in the first half of 2019. The occupancy rate at HKRI Taikoo Hui in Shanghai was 99% at 30th June 2019.

**Outlook**

In the second half of 2019, retail sales are expected to grow steadily in Beijing and Guangzhou, moderately in Shanghai and satisfactorily in Chengdu. In Beijing, demand for luxury, fashion and lifestyle brands and food and beverages is expected to be solid. In Guangzhou, demand for retail space from international retailers is expected to be strong. In Chengdu, demand for luxury goods, and for retail space in prime locations, is expected to be strong. In Shanghai, demand for retail space from cosmetic, fashion, lifestyle and food and beverages outlets is expected to be strong.

In the second half of 2019, increased vacancy rates consequent on new supply and a weak market are expected to put downward pressure on office rents in Guangzhou. The same is true in Beijing. In the central business district of Shanghai, demand for office space is expected to weaken and vacancy rates are expected to increase. But rents will remain resilient at HKRI Taikoo Hui due to high occupancy.

**Investment Property under Development**

In 2018, Swire Properties and a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. formed a joint venture to develop a retail project with an aggregate gross floor area of 1,247,031 square feet in Qiantan, Pudong New District in Shanghai. The project was named "Taikoo Li Qiantan" in January 2019. Construction and pre-leasing are in progress. The development is expected to be completed in late 2020.

**USA**

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

The first phase of the Brickell City Centre development was completed in 2016. Two and Three Brickell City Centre are fully leased. The shopping centre was 90% let (including by way of letters of intent) at 30th June 2019.

At 30th June 2019, Swire Properties owned 100% of the office, hotel and unsold residential elements, and 62.93% of the shopping centre, at the Brickell City Centre development. The remaining interest in the shopping centre was owned by Simon Property Group (25%) and Bal Harbour Shops (12.07%). Bal Harbour Shops has an option, exercisable from 2020, to sell its interest to Swire Properties.

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

**Outlook**

In Miami, retail sales are growing. Demand for retail space in the metropolitan area is correspondingly steady.

In Miami, the supply of new Grade-A office space in the central business district and the Brickell area is limited and demand is firm.

**Valuation of Investment Properties**

The portfolio of investment properties was valued at 30th June 2019 on the basis of market value (94% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK\$275,649 million, compared to HK\$271,256 million at 31st December 2018 and HK\$268,802 million at 30th June 2018.

The increase in the valuation of the investment property portfolio is mainly due to increases in the valuation of the office properties in Hong Kong and of the investment properties in Mainland China following rental increases.

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

**HOTELS**

The operating profit before depreciation of managed hotels increased by 18% to HK\$122 million in the first half of 2019, mainly due to improved results in Shanghai in Mainland China and in the USA. Trading conditions for the managed hotels in Hong Kong were difficult in the first half of 2019.

Average room rates increased at the Mandarin Oriental in Guangzhou in the first half of 2019. Occupancy started to build up at The Sukhothai in Shanghai.

The operating results of EAST, Miami were better in the first half of 2019 due to higher occupancy and improved operating margins. Occupancy also improved at the Mandarin Oriental hotel in the USA.

**Outlook**

Trading conditions for our hotels are expected to be stable in the second half of 2019, except that occupancy in Hong Kong has been affected somewhat by the protests and this is likely to continue if the situation persists. Our new hotels in Shanghai are building up their occupancy. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later this year.

**Profile of Capital Commitments for Investment Properties and Hotels**

	Expenditure	Forecast expenditure				Commitments*
	Six months ended 30th June 2019 HK\$M	Six months ending 31st December 2019 HK\$M	2020 HK\$M	2021 HK\$M	2022 and later HK\$M	at 30th June 2019 HK\$M
Hong Kong	1,023	1,323	3,928	2,783	6,786	14,820
Mainland China	72	721	868	225	144	1,958
USA and elsewhere	115	8	-	-	-	8
<b>Total</b>	<b>1,210</b>	<b>2,052</b>	<b>4,796</b>	<b>3,008</b>	<b>6,930</b>	<b>16,786</b>

\* The capital commitments represent 100% of the capital commitments of subsidiaries and the group's share of the capital commitments of joint venture companies. The group is committed to funding HK\$66 million and HK\$297 million of the capital commitments of joint venture companies in Hong Kong and Mainland China, respectively.

**PROPERTY TRADING*****Hong Kong***

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

***Mainland China***

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 carparking spaces at Pinnacle One were pre-sold in 2013 and the profit from the sales of approximately 52% of the pre-sold gross floor area was recognised in 2015. Application was made to the court to cancel the sale of the remaining pre-sold gross floor area and 350 carparking spaces as part of the consideration was not received on time. The application succeeded (after an unsuccessful appeal by the buyer). The profit on the sales of 122,136 square feet of the gross floor area and 44 carparking spaces was recognised in 2018. Agreements have been entered into for the sales of a further 436,988 square feet of the gross floor area and 163 carparking spaces in 2019. It is expected that the profit on these sales will be recognised later this year. The remaining 34,015 square feet of the gross floor area will be retained.

***USA***

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

The Reach and Rise developments were completed, and handover to purchasers commenced, in 2016. 364 units (out of 390 units) at Reach and 280 units (out of 390 units) at Rise had been sold at 6th August 2019. Profits from the sales of 25 units at Rise and the last unit in the ASIA development were recognised in the first half of 2019.

***Singapore***

EDEN at 2 Draycott Park in District 10, comprises 20 residential units with an aggregate gross floor area of approximately 77,000 square feet. Fitting out works are in progress and the development is expected to be completed in the fourth quarter of 2019.

***Indonesia***

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate gross floor area of approximately 1,123,000 square feet. Demolition works are in progress. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

***Outlook***

In Miami, the majority of the demand for condominiums is from South American buyers. The demand is expected to continue to be affected by weak South American economies and the relative strength of the US dollar. The property markets in Singapore and in Jakarta, Indonesia are expected to be stable. Trading profits are expected to be recognised in 2019 from sales at Pinnacle One at Sino-Ocean Taikoo Li Chengdu, Mainland China and of residential units at the Reach and Rise developments in Miami.

***Guy Bradley***



## Aviation Division

The Aviation Division comprises significant investments in the Cathay Pacific group and the Hong Kong Aircraft Engineering Company (HAECO) group. Cathay Pacific Airways Limited (Cathay Pacific) is listed on The Stock Exchange of Hong Kong Limited. The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiaries Hong Kong Dragon Airlines Limited (Cathay Dragon) (Cathay Pacific and Cathay Dragon together the Airlines), AHK Air Hong Kong Limited (Air Hong Kong) (which was 60% owned by Cathay Pacific in 2018) and Hong Kong Express Airways Limited (Hong Kong Express), an associate interest in Air China Limited (Air China) and an interest in Air China Cargo Co., Ltd. (Air China Cargo). In addition, the Cathay Pacific group provides flight catering and ramp and passenger handling services, and owns and operates a cargo terminal at Hong Kong International Airport.

### Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
<b>HAECO group</b>			
Revenue	7,873	7,325	14,892
Operating profit	679	553	1,140
Attributable profit	535	469	993
Swire Pacific share of attributable profit	535	351	760
<b>Cathay Pacific group</b>			
Share of post-tax profit/(losses) from associated companies	606	(118)	1,056
<b>Swire Pacific share of attributable profit</b>	<b>1,124</b>	<b>217</b>	<b>1,781</b>

#### Accounting for the Aviation Division

The Group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss. The figures for the HAECO and Cathay Pacific groups presented above are before Swire Pacific's consolidation adjustments.

**Cathay Pacific and Cathay Dragon - Key Operating Highlights**

		Six months ended		Change
		30th June		
		2019	2018	
Available tonne kilometres (ATK)*	Million	<b>16,318</b>	15,747	+3.6%
Available seat kilometres (ASK)*	Million	<b>80,814</b>	75,770	+6.7%
Available cargo tonne kilometres (AFTK)	Million	<b>8,635</b>	8,542	+1.1%
Revenue tonne kilometres (RTK)	Million	<b>11,950</b>	11,899	+0.4%
Passenger revenue	HK\$M	<b>37,449</b>	35,452	+5.6%
Passenger revenue per ASK	HK ¢	<b>46.3</b>	46.8	-1.1%
Revenue passengers kilometres (RPK)*	Million	<b>68,078</b>	63,810	+6.7%
Revenue passengers carried	'000	<b>18,261</b>	17,485	+4.4%
Passenger load factor*	%	<b>84.2</b>	84.2	-
Passenger yield*	HK ¢	<b>54.9</b>	55.4	-0.9%
Cargo revenue#	HK\$M	<b>10,275</b>	11,276	-8.9%
Cargo revenue per AFTK	HK\$	<b>1.19</b>	1.32	-9.8%
Cargo carried	Tonnes '000	<b>979</b>	1,038	-5.7%
Cargo load factor*	%	<b>63.4</b>	68.3	-4.9% pts
Cargo yield*	HK\$	<b>1.88</b>	1.93	-2.6%
Cost per ATK (with fuel)*	HK\$	<b>3.12</b>	3.29	-5.2%
Cost per ATK (without fuel)	HK\$	<b>2.23</b>	2.29	-2.6%
Aircraft utilisation	Hours per day	<b>12.0</b>	12.2	-1.6%
On-time performance*	%	<b>74.2</b>	74.1	+0.1% pt
Average age of fleet	Years	<b>10.2</b>	9.7	+5.2%
Fuel consumption per million RTK	Barrels	<b>1,870</b>	1,840	+1.6%
Fuel consumption per million ATK	Barrels	<b>1,369</b>	1,390	-1.5%

\* Refer to Glossary on pages 76 and 77 for definitions.

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

**RESULTS SUMMARY**

The Aviation Division reported an attributable profit of HK\$1,124 million in the first half of 2019. This compared with a profit of HK\$217 million in the same period in 2018.

**CATHAY PACIFIC GROUP**

The Cathay Pacific group's attributable profit on a 100% basis was HK\$1,347 million in the first half of 2019 (2018 first half: loss of HK\$263 million). The Airlines' profit after tax was HK\$615 million in the first half of 2019 (2018 first half: loss of HK\$904 million), and the share of profits from subsidiaries and associates was HK\$732 million (2018 first half: HK\$641 million).

Cathay Pacific is in the final year of a three-year transformation programme, which is designed to make its businesses leaner, more agile and able to compete more effectively. Work on the programme continues and, as evidenced by its return to profitability in 2018, Cathay Pacific is moving in the right direction. The positive performance continued in the first half of 2019, but the operating environment for the Airlines worsened, as geopolitical and trade tensions intensified. Passenger revenue was satisfactory, but overall yield declined. The cargo business was weaker, due in part to US-China trade tensions, with a decline in both volume and yield. The Airlines benefited from lower fuel prices, but were adversely impacted by the stronger US dollar.

## Passenger Services

Passenger revenue for the first half of 2019 was HK\$37,449 million, an increase of 6% compared with the same period in 2018. Passenger capacity increased by 7%. The growth in revenue reflected the full impact of new routes introduced in 2018, the introduction of two new routes, increased frequencies on existing routes and the use of larger aircraft on popular routes. The passenger load factor remained unchanged at 84.2%. Passengers carried increased by 4% to 18.3 million. Yield decreased by 1% to HK\$54.9 cents, due to intense competition in premium classes and long haul economy class, and adverse foreign currency movements.

## Cargo Services

### *Cathay Pacific and Cathay Dragon*

Cargo revenue of the Cathay Pacific and Cathay Dragon for the first half of 2019 was HK\$10,275 million, a decrease of 9% compared with the same period in 2018. The decline reflected weaker global trade brought about in part by US-China trade tensions. Flown cargo capacity of Cathay Pacific and Cathay Dragon increased by 1%, principally due to additional belly cargo space in newly acquired passenger aircraft. In the face of weak demand, freighter capacity was rationalised and shipments of specialist cargo were emphasised. The cargo load factor decreased by 4.9 percentage points to 63.4%. Tonnage carried decreased by 6% to 979 thousand tonnes. Yield decreased by 3% to HK\$1.88.

### *Air Hong Kong*

At the end of 2018, Air Hong Kong became a wholly owned subsidiary of Cathay Pacific, having been previously 60% owned by Cathay Pacific. In the first half of 2019, on a 100% like for like basis, Air Hong Kong recorded a decrease in profit compared with the same period in 2018. Capacity decreased by 8% to 344 million available tonne kilometres and the load factor increased by 3.3 percentage points to 67.7%.

## Operating Costs

Total fuel costs for Cathay Pacific and Cathay Dragon (before the effect of fuel hedging) decreased by HK\$674 million (or 5%) compared with the first half of 2018, reflecting a 7% decrease in average into-plane fuel prices and a 2% increase in consumption. Fuel is the group's most significant cost, accounting for 28% of total operating costs in the first half of 2019 (compared to 30% in the same period in 2018). Fuel hedging losses were reduced. After taking fuel hedging into account, fuel costs decreased by HK\$1,213 million (or 8%) compared with the first half of 2018. Fuel consumption per available tonne kilometre fell by 2%, reflecting the continued introduction of more fuel efficient aircraft.

Non-fuel costs per available tonne kilometre decreased by 3% in the first half of 2019 compared with the same period in 2018. Disregarding the effect of foreign currency movements, exceptional items and the impact of adopting a new accounting standard, the decrease was 1%. This reflected a focus on productivity and efficiency.

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.

In October 2018, Cathay Pacific announced that it had discovered unauthorised access to passenger data and notified privacy regulators in affected jurisdictions, including the Hong Kong Privacy Commissioner for Personal Data. In June 2019, the Hong Kong Privacy Commissioner published a report on the data incident. Investigations by privacy regulators in Singapore and Taiwan have been closed. Cathay Pacific continues to respond to the investigations and enquiries of other privacy regulators.

## Fleet Profile

At 30th June 2019, the total number of aircraft in the Cathay Pacific and Cathay Dragon fleets was 206.

Cathay Pacific took delivery of four Airbus A350-1000 aircraft in the first half of 2019 and expects to have 20 aircraft of this type in service by the end of 2021. The new aircraft have Wi-Fi and Cathay Pacific's latest seats and inflight entertainment systems. New economy class seating is being installed in Cathay Pacific's existing Boeing 777-300ER and Boeing 777-300 aircraft, in a new configuration. Wi-Fi is being installed on all Cathay Pacific's Boeing 777 and Airbus A330 aircraft. It is already available on all A350 aircraft.

One used Boeing 777-300 aircraft was delivered in the first half of 2019. A further two aircraft of this type, as well as two Airbus A350-900 aircraft are expected to be delivered in the second half of the year. One Boeing 777-200 aircraft was retired in the first half of the year.

At 30th June 2019 there were 67 new aircraft on order for delivery up to 2024.

**Fleet profile\***

Aircraft type	Number at 30th June 2019			Total	Firm orders			Total	Expiry of operating leases**						
	Leased**				'19	'20	'21 and beyond		'19	'20	'21	'22	'23	'24	'25 and beyond
	Owned	Finance	Operating												
<b>Aircraft operated by Cathay Pacific:</b>															
A330-300	20	10	3	33					1	2 <sup>(a)</sup>					
A350-900	16	4	2	22	2 <sup>(b)</sup>	4		6						2	
A350-1000	9	3		12		3	5	8							
747-400BCF	1			1											
747-400ERF		6		6											
747-8F	3	11		14											
777-200	3			3											
777-300	15			15	2			2 <sup>(c)</sup>							
777-300ER	22	8	22 <sup>(d)</sup>	52					1 <sup>(d)</sup>		6	4	2	3	6
777-9							21	21							
<b>Total</b>	<b>89</b>	<b>42</b>	<b>27</b>	<b>158</b>	<b>4</b>	<b>7</b>	<b>26</b>	<b>37</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>8</b>
<b>Aircraft operated by Cathay Dragon:</b>															
A320-200	5		10	15						4	3	3			
A321-200	2		6	8						1	2	2	1		
A321-200neo						9	23	32							
A330-300	18 <sup>(e)</sup>		7	25					3	1	2			1	
<b>Total</b>	<b>25</b>		<b>23</b>	<b>48</b>		<b>9</b>	<b>23</b>	<b>32</b>	<b>3</b>	<b>6</b>	<b>7</b>	<b>5</b>	<b>1</b>	<b>1</b>	
<b>Aircraft operated by Air Hong Kong:</b>															
A300-600F***			10	10					1	1		5	3		
<b>Total</b>			<b>10</b>	<b>10</b>					<b>1</b>	<b>1</b>		<b>5</b>	<b>3</b>		
<b>Grand total</b>	<b>114</b>	<b>42</b>	<b>60</b>	<b>216</b>	<b>4</b>	<b>16</b>	<b>49</b>	<b>69</b>	<b>6</b>	<b>9</b>	<b>13</b>	<b>14</b>	<b>6</b>	<b>3</b>	<b>9</b>

\* The table does not reflect aircraft movements after 30th June 2019.

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

\*\*\* Under the new block space agreement Air Hong Kong entered with DHL International which commenced on 1st January 2019, the 10 Airbus A300-600F freighters are considered operated by Air Hong Kong, even though the arrangement does not constitute a lease in accordance with HKFRS 16.

(a) An extension was signed in July 2019 to extend the operating lease of one Airbus A330-300 aircraft to 2026.

(b) One aircraft was delivered in July 2019 and a second aircraft was delivered in August 2019.

(c) One used Boeing 777-300 aircraft has been delivered in July 2019 and a second aircraft will be delivered in second half of 2019.

(d) The operating lease of one Boeing 777-300ER aircraft expired in July 2019. The aircraft was returned to its lessor.

(e) Eight of these aircraft are owned by Cathay Pacific and leased by Cathay Dragon.

**Air China and Air China Cargo**

The Cathay Pacific group's share of the results of Air China (in which the Cathay Pacific group had a 18.13% interest at 30th June 2019) is based on its financial statements drawn up three months in arrears. Consequently the 2019 interim results include Air China's results for the six months ended 31st March 2019, adjusted for any significant events or transactions for the period from 1st April 2019 to 30th June 2019.

Air China's profit increased in the six months to 31st March 2019.

In the first half of 2019, Air China Cargo's profit was lower than in the first half of 2018.

## **Outlook**

The Airlines normally achieve better results in the second half of the year than in the first half and, despite headwinds and other uncertainty, this is expected to be the case in 2019. Geopolitical and trade tensions are expected to continue to affect the global economy and, in turn, demand for air travel and air freight. The protests in Hong Kong reduced inbound passenger traffic in July and are adversely impacting forward bookings. The US dollar is expected to remain strong. Fuel costs have recently weakened but we continue to expect fuel price volatility. The transformation programme continues and Cathay Pacific believes that it is on track to achieve its objective of sustainable long-term performance. The recent refreshment of the Cathay Pacific brand reflects a determination to challenge what is considered standard, to 'Move Beyond' and to be the very best which Cathay Pacific can be for the customers and shareholders of Cathay Pacific.

Cathay Pacific has been Hong Kong's home airline for over seven decades and remains resolutely committed to this wonderful city. Cathay Pacific's story has always been one of innovation and ambition. It will continue to make significant investments in strengthening Hong Kong's standing as Asia's largest international aviation hub. Its recent announcement of the completion of the acquisition of Hong Kong Express is the commencement of a new chapter. Cathay Pacific intends to preserve what is unique and special about Hong Kong Express and to keep it as a low cost carrier, while at the same time broadening its network and maximising synergies with the rest of the Cathay Pacific group.

## **Rupert Hogg**

## Hong Kong Aircraft Engineering Company (HAECO) group

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

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

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

### Financial Highlights

	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
<b>Revenue</b>			
HAECO Hong Kong	2,208	2,077	4,253
HAECO Americas	1,364	1,356	2,644
HAECO Xiamen	1,088	1,090	2,165
TEXL	2,549	2,422	4,893
Others	664	380	937
	<b>7,873</b>	<b>7,325</b>	<b>14,892</b>
<b>Operating profit after net finance charges</b>	<b>568</b>	<b>500</b>	<b>1,048</b>
<b>Attributable profit/(loss)</b>			
HAECO Hong Kong	151	117	261
HAECO Americas	(128)	(118)	(290)
HAECO Xiamen	132	126	233
TEXL	91	90	182
<b>Share of profit of</b>			
HAESL	208	180	374
Other subsidiary and joint venture companies	81	74	191
<b>Attributable profit (excluding non-recurring items)</b>	<b>535</b>	<b>469</b>	<b>951</b>
Gain on acquisition of additional interests in a joint venture company which became a subsidiary	-	-	42
	<b>535</b>	<b>469</b>	<b>993</b>
<b>Swire Pacific share of attributable profit</b>	<b>535</b>	<b>351</b>	<b>760</b>

**HAECO group - Movement in Attributable Profit**

	HK\$M
Profit for six months ended 30th June 2018	469
Revenue	
HAECO Hong Kong	131
HAECO Americas	8
HAECO Xiamen	(2)
TEXL	127
HAECO ITM	139
HAECO Composite Services	90
Others	55
Share of profit of HAESL	28
Staff costs	(158)
Cost of direct materials and job expenses	(211)
Depreciation, amortisation and impairment	(92)
Others	(49)
Profit for six months ended 30th June 2019	535

**Key Operating Highlights**

		Six months ended		Change
		30th June 2019	2018	
<b>Airframe services manhours sold</b>				
HAECO Hong Kong	<i>Million</i>	<b>1.39</b>	1.37	1%
HAECO Americas	<i>Million</i>	<b>1.60</b>	1.40	14%
HAECO Xiamen	<i>Million</i>	<b>2.10</b>	2.03	3%
<b>Line services movements handled</b>				
HAECO Hong Kong	<i>Average per day</i>	<b>317</b>	319	-1%
Mainland China and overseas	<i>Average per day</i>	<b>132</b>	124	6%
<b>Engines overhauled</b>				
TEXL		<b>46</b>	42	10%
HAESL		<b>114</b>	91	25%

**RESULTS SUMMARY**

The HAECO group reported an attributable profit of HK\$535 million for the first six months of 2019. This compares with a profit of HK\$469 million on a 100% basis for the equivalent period in 2018. The higher profit primarily reflected profit growth at HAECO Hong Kong, HAESL and the component repair businesses in Mainland China. The losses of HAECO Americas were similar to those in the first half of 2018.

A total of 5.09 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in the first half of 2019, 6% more than those in the first half of 2018. HAECO Hong Kong, HAECO Xiamen and HAECO Americas all performed more airframe services work.

**HAECO Hong Kong**

In the first half of 2019, HAECO Hong Kong recorded a 29% increase in profit to HK\$151 million compared to the first half of 2018. This mainly reflected better airframe and line services results. 1.39 million airframe services manhours were sold in the first half of 2019, 1% more than in the first half of 2018. The increase reflected more work done on light maintenance checks and cabin modifications.

In line services, HAECO Hong Kong handled approximately 57,400 aircraft movements (representing an average of 317 per day) in the first half of 2019, a decrease of 1% compared with the first half of 2018. Line services manhours sold however increased, reflecting an increase in work per aircraft.

### HAECO Americas

HAECO Americas recorded a loss of HK\$128 million in the first half of 2019, compared with a loss of HK\$118 million in the first half of 2018. The increase in the loss principally reflects higher interest expense.

1.60 million airframe services manhours were sold, 14% more than the first half of 2018. This reflected increased utilisation of the fifth hangar at the Greensboro facility.

In the cabin and seat business, more Panasonic communication kits were sold in the first half of 2019 than in the first half of 2018. Fewer seats and seating spares were sold. A new seat (called Eclipse) was introduced. Interest in the new seat is encouraging. There was more revenue from cabin reconfiguration work, but margins declined.

### HAECO Xiamen

In the first half of 2019, HAECO Xiamen recorded a 5% increase in attributable profit to HK\$132 million compared to the first half of 2018. This mainly reflected increases in business volume in airframe services and parts manufacturing.

In airframe services, 2.10 million manhours were sold in the first half of 2019, 3% higher than in the first half of 2018. The parts manufacturing business delivered higher volume of aircraft parts and services. Its revenue increased by 68% in local currency terms. In line services, an average of 59 aircraft movements per day were handled in the first half of 2019, 4% more than in the first half of 2018.

### TEXL

In the first half of 2019, TEXL performed 25 performance restoration worksopes and 21 quick turn worksopes on GE90 aircraft engines (compared with 30 performance restoration worksopes and 12 quick turn worksopes in the first half of 2018). Attributable profit increased by 1% to HK\$91 million in the first half of 2019 compared with the first half of 2018. This mainly reflected increased engine component repair work compensating for reduced demand for GE90 aircraft engine performance restoration services from airlines.

### HAESL

In the first half of 2019, HAESL recorded a 16% increase in attributable profit to HK\$208 million compared to the first half in 2018. The growth in profit reflected an increase in engine volume and a heavier work mix. 114 engines were overhauled, compared with 91 in the first half of 2018. HAESL continues to recruit additional manpower in order to accommodate further growth.

### Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for 294 aircraft, on an average basis, in the first half of 2019, 2% more than in the first half of 2018. Its profit in the first half of 2019 was lower than in the first half of 2018. This mainly reflected higher operating costs.

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

### Outlook

The prospects for the HAECO group's different businesses in the second half of 2019 are mixed. The airframe services workload in the second half of 2019 is expected to grow in HAECO Americas and be stable in HAECO Xiamen, but to be slightly lower than in the first half of 2019 in Hong Kong. Line services work is expected to be stable. The increased demand for HAESL's engine services is expected to continue. The demand for TEXL's overhaul services in the second half of 2019 is expected to be lower than in the first half. More seats are expected to be sold in the second than in the first half of 2019. Forward bookings for cabin integration work are low. Panasonic communication equipment work in the second half of 2019 is expected to be consistent with the first half of 2019.

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

### Augustus Tang



## Beverages Division

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

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

At 30th June 2019, Swire Coca-Cola manufactured 58 beverage brands and distributed them to a franchise population of 735 million people.

### Financial Highlights

	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
<b>Revenue</b>	<b>21,169</b>	20,538	41,190
<b>EBITDA</b>	<b>2,135</b>	2,138	3,915
<b>Operating profit derived from:</b>			
Operating activities	<b>1,201</b>	1,144	2,034
Non-recurring items	-	144	255
Total operating profit	<b>1,201</b>	1,288	2,289
<b>Share of post-tax profits from joint venture and associated companies</b>	<b>96</b>	105	151
<b>Attributable profit (excluding non-recurring items)</b>	<b>748</b>	736	1,354
<b>Non-recurring items:</b>			
Gain from the acquisition of new franchise territories and assets in the USA	-	-	132
Gain on disposal of Kaohsiung plant in Taiwan	-	144	144
<b>Attributable profit</b>	<b>748</b>	880	1,630

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

**Segment Financial Highlights**

	Revenue			EBITDA			Attributable Profit		
	Six months ended		Year ended	Six months ended		Year ended	Six months ended		Year ended
	30th June	2018	31st December	30th June	2018	31st December	30th June	2018	31st December
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Mainland China									
- operating activities	11,042	10,871	21,358	1,252	1,134	1,974	509	377	634
- non-recurring items	-	-	-	-	-	-	-	-	-
	11,042	10,871	21,358	1,252	1,134	1,974	509	377	634
Hong Kong	1,095	1,097	2,343	141	145	323	90	99	230
Taiwan									
- operating activities	781	740	1,551	68	51	129	27	21	67
- non-recurring items	-	-	-	-	148	148	-	144	144
	781	740	1,551	68	199	277	27	165	211
USA									
- operating activities	8,251	7,830	15,938	715	680	1,300	164	260	491
- non-recurring items	-	-	-	-	-	107	-	-	132
	8,251	7,830	15,938	715	680	1,407	164	260	623
Central costs	-	-	-	(41)	(20)	(66)	(42)	(21)	(68)
<b>Beverages Division</b>	<b>21,169</b>	<b>20,538</b>	<b>41,190</b>	<b>2,135</b>	<b>2,138</b>	<b>3,915</b>	<b>748</b>	<b>880</b>	<b>1,630</b>

**Revenue by Territory**

Revenue shown in the table below represents revenue including that of a joint venture company and excluding sales to other bottlers.

	Mainland				Total
	China	Hong Kong	Taiwan	USA	
<b>Six months ended 30th June 2019 (HK\$M)</b>	<b>12,621</b>	<b>1,051</b>	<b>779</b>	<b>7,535</b>	<b>21,986</b>
Six months ended 30th June 2018 (HK\$M)	12,485	1,064	738	7,047	21,334

**Breakdown of Total Revenue by Category (%)**

	Sparkling	Juice	Tea	Energy drinks	Water	Other still
<b>Six months ended 30th June 2019</b>	<b>65%</b>	<b>11%</b>	<b>3%</b>	<b>6%</b>	<b>8%</b>	<b>7%</b>
Six months ended 30th June 2018	67%	12%	2%	4%	8%	7%

**Segment Performance**

	Note	Mainland China	Hong Kong	Taiwan	USA	Swire Coca-Cola
<b>EBITDA Margin</b>	1					
<b>Six Months ended 30th June 2019</b>		<b>10.2%</b>	<b>13.4%</b>	<b>8.8%</b>	<b>9.3%</b>	<b>10.0%</b>
Six Months ended 30th June 2018		9.7%	13.5%	7.1%	9.7%	9.8%
<b>EBIT Margin</b>	1					
<b>Six Months ended 30th June 2019</b>		<b>6.8%</b>	<b>9.7%</b>	<b>4.6%</b>	<b>5.1%</b>	<b>6.3%</b>
Six Months ended 30th June 2018		6.3%	10.4%	3.6%	5.5%	6.2%

Note 1: (i) EBITDA and EBIT for Swire Coca-Cola (including that of a joint venture company and excluding non-recurring gains and central costs) for the first half of 2019 were HK\$2,199 million (2018: HK\$2,097 million) and HK\$1,377 million (2018: HK\$1,317 million) respectively.

(ii) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which include that of a joint venture company and exclude sales to other bottlers).

**RESULTS SUMMARY**

Swire Coca-Cola made an attributable profit of HK\$748 million in the first half of 2019. This compares with an attributable profit of HK\$880 million in the first half of 2018. The 2018 figure included a non-recurring gain of HK\$144 million arising from the disposal of a plant in Kaohsiung, Taiwan.

Disregarding the non-recurring gain in 2018, the attributable profit of HK\$748 million in the first half of 2019 was 2% higher than in the first half of 2018. The results of the first half of 2019 were adversely affected by withholding tax of HK\$83 million on a dividend paid from the USA.

Total revenue (including that of a joint venture company and excluding sales to other bottlers) increased by 3% to HK\$21,986 million. Overall sales volume increased by 1% to 885 million unit cases. Revenue and volume grew in Mainland China and Taiwan. In the USA, revenue grew and volume decreased. Revenue and volume decreased slightly in Hong Kong.

EBITDA (including that of a joint venture company and excluding non-recurring gains and central costs) increased by 5% to HK\$2,199 million. Revenue growth was reflected in improved EBITDA margins in Mainland China and Taiwan. In the USA, the positive effect of revenue growth on EBITDA margins was more than offset by increases in raw material and operating expenses.

**Mainland China**

Attributable profit from Mainland China for the first half of 2019 was HK\$509 million, a 35% increase from the first half of 2018.

Revenue (including that of a joint venture company and excluding sales to other bottlers) grew by 7% in local currency terms, representing a higher growth rate than that of volume. This reflected price increases and improvements in the sales mix, with more sales of sparkling beverages, juice, premium water, energy drinks, tea and sport drinks.

Sparkling revenue increased by 6%. Still revenue increased by 9%. Water and energy revenue increased by 13% and 143% respectively.

Total sales volume increased by 2%.

The increase in revenue was partly offset by higher raw material, operating and infrastructure costs.

EBITDA and EBIT (including that of a joint venture company and excluding non-recurring gains and central costs) increased by 12% and 14% in local currency terms respectively. The EBITDA margin increased from 9.7% in the first half of 2018 to 10.2% in the first half of 2019. The EBIT margin increased from 6.3% to 6.8%.

**Hong Kong**

Attributable profit from Hong Kong for the first half of 2019 was HK\$90 million, a 9% decrease from the first half of 2018.

Revenue decreased by 1%. Sparkling revenue increased by 1%. Still revenue decreased by 3%. Juice, tea and water revenue decreased by 8%, 5% and 2% respectively.

Total sales volume decreased by 3%.

EBITDA and EBIT decreased by 2% and 8% respectively. The EBITDA margin decreased from 13.5% in the first half of 2018 to 13.4% in the first half of 2019. The EBIT margin decreased from 10.4% to 9.7%.

**Taiwan**

Attributable profit from Taiwan for the first half of 2019 was HK\$27 million. Disregarding a non-recurring gain on disposal of the Kaohsiung plant in the first half of 2018, the attributable profit increased by 29%.

Revenue in local currency terms increased by 9%, representing a higher growth rate than that of volume. This reflected better management of sales promotions and an improved product mix.

Sparkling revenue increased by 5%. Still revenue increased by 12%. Tea and energy drink revenue increased by 18% and 98% respectively.

Total sales volume increased by 6%.

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

EBITDA and EBIT (excluding non-recurring gains and central costs) increased by 34% and 37% in local currency terms respectively. The EBITDA margin increased from 7.1% in the first half of 2018 to 8.8% in the first half of 2019. The EBIT margin increased from 3.6% to 4.6%.

## USA

Attributable profit from the USA for the first half of 2019 was HK\$164 million, a 37% decrease from the first half of 2018. The beneficial effect of revenue increases was more than offset by higher raw material costs and operating expenses, and a withholding tax of HK\$83 million on a dividend.

Revenue in local currency (excluding sales to other bottlers) grew by 7%. The revenue increase reflected price increases and a favourable product mix.

Sparkling revenue increased by 2%. Still revenue increased by 17%. The latter increase reflected increases in revenue from sports and energy drinks of 19% and 64% respectively.

Total sales volume decreased by 0.4%.

EBITDA and EBIT (excluding non-recurring gains and central costs) increased by 3% and 0.2% in local currency terms respectively. The EBITDA margin decreased from 9.7% in the first half of 2018 to 9.3% in the first half of 2019. The EBIT margin decreased from 5.5% to 5.1%.

## Outlook

Revenue in Mainland China is expected to continue to grow in the second half of 2019 and to grow faster than volume, reflecting better product and package mixes, and improved market execution. A reduction in value-added tax will have a positive impact. Increased operating costs, particularly staff costs, will put pressure on profits.

Revenue is expected to improve in Hong Kong in the second half of 2019. Operating costs are expected to increase. Increased depreciation on recent capital expenditure will put pressure on profits.

Revenue is expected to continue to grow in Taiwan in the second half of 2019, reflecting improvements in product and package mixes and in the management of sales channels. Regulatory restrictions on overtime working and capacity constraints are adversely affecting operations during the summer. Capacity constraints should be alleviated by the introduction of a second can filling line in the third quarter.

In the USA, the beverages market is expected to grow moderately in the second half of 2019. Increased costs will put pressure on profits.

**Patrick Healy**

## Marine Services Division

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

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

HUD, a joint venture between CK Hutchison and Swire Pacific, provides engineering, harbour towage and salvage services from its facilities on Tsing Yi Island in Hong Kong. It is the largest towage operator in Hong Kong, operating 15 tugs and providing a 24-hour service. It also has six container vessels.

### Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
<b>Swire Pacific Offshore group</b>			
Revenue	1,287	1,527	3,019
Operating loss derived from:			
Operating activities	(519)	(469)	(915)
Impairment charges	-	(3,861)	(3,872)
Total operating loss	(519)	(4,330)	(4,787)
Attributable loss	(633)	(4,563)	(5,070)
<b>HUD group</b>			
Share of post-tax profits from joint venture companies	22	13	37
<b>Attributable loss</b>	<b>(611)</b>	<b>(4,550)</b>	<b>(5,033)</b>
<b>Non-recurring items:</b>			
Loss on disposal of vessels	(28)	-	-
Impairment charges on vessels and goodwill	-	(3,861)	(3,872)
Associated write-off of deferred tax asset	-	(39)	(39)
	(28)	(3,900)	(3,911)
<b>Recurring loss</b>	<b>(583)</b>	<b>(650)</b>	<b>(1,122)</b>

**Fleet Size**

	At		At 31st
	30th June		December
	2019	2018	2018
<b>Number of vessels</b>			
Swire Pacific Offshore group	75	78	77
HUD group	21	19	19
<b>Total</b>	<b>96</b>	<b>97</b>	<b>96</b>

**SPO - Movement in Attributable Loss**

	<b><u>HK\$M</u></b>
Attributable loss for six months ended 30th June 2018	(4,563)
Decrease in revenue from existing vessels	(107)
Decrease in revenue from vessels sold	(6)
Decrease in other revenue	(127)
Decrease in operating costs	186
Decrease in net finance charges	75
Decrease in impairment charges	3,861
Others	48
Attributable loss for six months ended 30th June 2019	<u>(633)</u>

**RESULTS SUMMARY**

The attributable loss of the Marine Services Division in the first half of 2019 was HK\$611 million, compared to a loss of HK\$4,550 million in the first half of 2018. The latter loss included an impairment charge (and associated write-offs) relating to SPO of HK\$3,900 million.

**Swire Pacific Offshore group**

SPO reported an attributable loss of HK\$633 million for the first half of 2019, compared to a loss of HK\$663 million (disregarding the impairment charge and write-offs referred to above) in the first half of 2018.

There was some increase in utilisation of SPO's fleet in the first half of 2019. This reflected more working rig activity. Average day rates remained depressed due to oversupply of vessels.

SPO disposed of two vessels in the first half of 2019 at an aggregate loss of HK\$28 million.

SPO generated a net cash deficit from operating activities of HK\$129 million in the first half of 2019 (first half of 2018: generated a net cash deficit of HK\$248 million).

**Charter Hire**

Charter hire revenue decreased by 9% to HK\$1,180 million in the first half of 2019. Fleet utilisation during the first half of 2019 was 74.7%, 5.8 percentage points higher than in the first half of 2018. Average charter hire rates decreased by 16% to US\$14,500 per day.

Utilisation of SPO's core fleet of anchor handling tug supply vessels (AHTSs) and platform supply vessels (PSVs) increased by 6.4 percentage points to 79.9%. Average charter hire rates for the core fleet were US\$10,800 per day, a decrease of 1% from those in the first half of 2018.

Utilisation of SPO's construction and specialist vessels (CSVs) increased by 2.4 percentage points to 43.6%. The CSVs' average charter hire rates decreased by 37% to US\$54,800 per day.

Utilisation of SPO's subsea vessels decreased to 59.6% in the first half of 2019 (first half of 2018: 73.7%). Day rates decreased by 44% to US\$36,400 per day. Revenue decreased by 51%.

Utilisation of SPO's wind farm installation vessels decreased to 54.8% in the first half of 2019 from 59.6% in the first half of 2018. Revenue decreased by 16%.

One accommodation barge and one seismic survey vessel were in cold stack at 30th June 2019.

#### Non-charter Hire

Non-charter hire income decreased by 54% to HK\$107 million in the first half of 2019 as compared to the same period in 2018. Non-charter hire income in the prior period included consultancy and engineering services provided by subsea vessels, which did not recur in 2019.

#### Operating Costs

Total operating costs decreased by 9% in the first half of 2019 as compared to the same period in 2018. This reflected reduced manning and repair and maintenance costs.

#### **Fleet**

The fleet size at 30th June 2019 was 75, compared to 77 at 31st December 2018.

SPO disposed of two older AHTSs in the first half of 2019 and expects to dispose of more vessels in the second half of the year.

Total capital expenditure on fixed assets during the first half of 2019 was HK\$230 million, compared to HK\$907 million in the first half of 2018. The latter included expenditure on new vessels.

Vessel class	31st	Disposals	30th
	December		June
	2018	Half-year 2019	
Anchor Handling Tug			
Supply Vessels	44	(2)	42
Platform Supply Vessels	22	-	22
Construction and Specialist Vessels*	11	-	11
	<u>77</u>	<u>(2)</u>	<u>75</u>

\* one vessel is subject to an operating lease.

#### **Outlook**

There are some signs of recovery in the offshore industry. Exploration and production spending is expected to increase in 2019 and 2020. The number of working rigs is slowly increasing, which has resulted in higher vessel utilisation rates, but day rates remain depressed due to oversupply of vessels. Increased rig activity has resulted in more vessels being brought back into the market from cold stack to compete for the extra work. Nevertheless, a third of the laid up fleet has been in cold stack for more than three years, with many unlikely to return to service.

SPO will continue to evaluate the composition of its fleet with a view to being in the best position to take advantage of market opportunities as they materialise. SPO remains vigilant in its control of costs.

**Peter Langslow - SPO**

### **Hongkong United Dockyards (HUD) group**

The attributable profit of the HUD group in the first half of 2019 was HK\$22 million, compared to HK\$13 million in the first half of 2018.

The engineering division recorded a loss (before tax and interest and on a 100% basis) of HK\$22 million in the first half of 2019, compared to a loss of HK\$33 million in the first half of 2018.

The profit of Hongkong Salvage & Towage (HKST) (before tax and interest and on a 100% basis) in the first half of 2019 was HK\$73 million, compared to HK\$60 million in the first half of 2018. The increase reflected unscheduled emergency oil spill response services provided to a shipping customer.

Following the delivery of two new 6500HP tugs during the first half of 2019, HKST has 21 vessels in its fleet, including six container vessels.

### **Outlook**

Engineering and salvage and towing work is expected to be similar in the second half of 2019 to that in the first half. The second half will benefit from a contract for typhoon precaution and protection services which commenced in June 2019.

### **Derrick Chan - HUD**



## Trading & Industrial Division

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

### Swire Retail:

Swire Resources retails and distributes footwear, apparel and related accessories. At 30th June 2019, it operated 187 retail outlets in Hong Kong and Macau and 11 retail outlets in Mainland China.

### Taikoo Motors:

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

### Swire Foods group:

#### Qinyuan Bakery:

Qinyuan Bakery is a leading bakery chain in southwest China, with over 600 stores in Chongqing, Guiyang and Chengdu.

#### Taikoo Sugar:

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

### Swire Environmental Services:

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

**Financial Highlights**

	Six months ended 30th June		Year ended 31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
<b>Revenue</b>			
Swire Retail	1,779	1,699	3,338
Taikoo Motors	2,537	2,969	5,810
Swire Foods group	801	905	1,748
Swire Pacific Cold Storage	-	82	82
	<u>5,117</u>	<u>5,655</u>	<u>10,978</u>
<b>Operating (losses)/profits</b>			
Swire Retail	74	69	69
Taikoo Motors	94	99	155
Swire Foods group	(13)	34	(30)
Swire Pacific Cold Storage	73	(57)	24
Swire Environmental Services	(283)	(9)	(24)
Others, including central costs	(11)	(8)	3,061
	<u>(66)</u>	<u>128</u>	<u>3,255</u>
<b>Attributable (losses)/profits</b>			
Swire Retail	56	98	102
Taikoo Motors	69	83	123
Swire Foods group	(19)	18	(91)
Swire Pacific Cold Storage	110	(73)	(45)
Swire Environmental Services	(318)	(39)	(54)
Akzo Nobel Swire Paints	(1)	80	2,894
Others, including central costs	(11)	(13)	(25)
	<u>(114)</u>	<u>154</u>	<u>2,904</u>
<b>Non-recurring items</b>			
Gain on disposal of businesses	107	-	2,792
Cost of terminating Malaysia business	-	-	(14)
Impairment provision in respect of sugar refinery business of Swire Foods group	-	-	(38)
Write-off of investment in an associated company at Swire Environmental Services	(281)	-	-
	<u>(174)</u>	<u>-</u>	<u>2,740</u>
<b>Recurring profit</b>	<b>60</b>	<b>154</b>	<b>164</b>

**RESULTS SUMMARY**

The Trading & Industrial Division made an attributable loss in the first half of 2019 of HK\$114 million, compared with an attributable profit of HK\$154 million in the first half of 2018. The deterioration mainly reflects the net effect of a

write off of the investment in an associated company, the write back of a provision in respect of the cold storage business and the net adverse effect of disposals of the Akzo Nobel and Columbia businesses (which were profit making) and the cold storage business (which was loss making).

### Swire Retail

The attributable profit of Swire Retail, disregarding the share of the Columbia associated company's profits in the first half of 2018 (amounting to HK\$33 million), decreased by 14% in the first half of 2019 to HK\$56 million. There was more discounting in the Hong Kong business, which suffered from reduced expenditure by tourists from Mainland China.

Revenue in the first half of 2019 was 5% higher than in the first half of 2018. The gross profit percentage decreased because of more discounting. Attributable profit was adversely affected by increased staff and occupancy costs.

Swire Retail operated 187 retail outlets in Hong Kong and Macau at 30th June 2019, six fewer than at the end of 2018. The group operated 11 retail outlets in Mainland China at 30th June 2019.

The 40% interest in the Columbia associated company was disposed of in January 2019.

### Taikoo Motors

The attributable profit of Taikoo Motors decreased from HK\$83 million in the first half of 2018 to HK\$69 million in the first half of 2019.

8,517 vehicles were sold in the first half of 2019, 6% fewer than in the first half of 2018. Revenue decreased by 15%. The gross profit percentage improved as a result of a favorable sales mix. Operating profits decreased by 5%.

### Swire Foods group

The Swire Foods group reported an attributable loss of HK\$19 million for the first half of 2019, compared with an attributable profit of HK\$18 million for the first half of 2018.

Qinyuan Bakery recorded an attributable loss of HK\$31 million in the first half of 2019, compared with an attributable profit of HK\$9 million in the first half of 2018. The stores are being rationalised. 610 stores were operated at 30th June 2019, compared with 651 stores at the end of 2018.

The volume of sugar sold by Taikoo Sugar decreased by 15% and 2% in Hong Kong and Mainland China respectively. This was mainly due to a decline in the bulk sugar business in Hong Kong. Margins benefited from lower sugar costs. Operating costs, particularly the costs of recruiting additional sales staff in Mainland China to accommodate business expansion, increased.

### Swire Environmental Services

Swire Environmental Services reported an attributable loss of HK\$318 million in the first half of 2019, which included a write-off of the investment in an associated company of HK\$281 million. Disregarding the write off, the loss of HK\$37 million was marginally lower than in the first half of 2018.

### Outlook

The retail market in Hong Kong is expected to deteriorate further, with reduced expenditure by Mainland China tourists. At Swire Resources, the protests in Hong Kong have adversely affected sales at its retail outlets. This is likely to continue if the situation persists.

Taikoo Motors expects its sales of motor vehicles to be stable in the second half of 2019. Its results are expected to be in line with those of the first half.

Qinyuan Bakery will continue to rationalise its stores, to expand its product range and to make its supply chain more agile and efficient, all with a view to improving longer term performance.

Taikoo Sugar is expanding its distribution network in Mainland China and sales volume is expected to increase.

The overall results of the Trading & Industrial Division in the second half are expected to be better than in the first half of 2019.

**David Cogman / Ivan Chu**

## FINANCIAL REVIEW

## Financial Information Reviewed by Auditors

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

	Note	Six months ended		Year ended
		30th June		31st December
Underlying profit		2019	2018	2018
		HK\$M	HK\$M	HK\$M
Profit attributable to the Company's shareholders		7,939	13,501	23,629
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	(4,264)	(16,298)	(20,722)
Deferred tax on investment properties	(b)	684	121	935
Valuation gains realised on sale of interests in investment properties	(c)	13,197	1,233	1,351
Depreciation of investment properties occupied by the Group	(d)	16	15	28
Non-controlling interests' share of adjustments		(1,718)	2,693	3,302
Less amortisation of right-of-use assets reported under investment properties	(e)	(8)	-	-
<b>Underlying profit attributable to the Company's shareholders</b>		<b>15,846</b>	<b>1,265</b>	<b>8,523</b>

## Notes:

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

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

	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
<b>Underlying profit attributable to the Company's shareholders</b>	<b>15,846</b>	<b>1,265</b>	<b>8,523</b>
Significant non-recurring items:			
Profit on sale of interests in investment properties	(11,937)	(2,039)	(2,155)
Profit on acquisition/sale of businesses in HAECO group	-	-	(35)
Profit on sale of businesses in Trading & Industrial Division	(109)	-	(2,792)
Loss/(profit) on sale of property, plant and equipment and other investments	22	(111)	(105)
Gain by Swire Coca-Cola <sup>#</sup> from territory changes in the USA	-	-	(132)
Impairment of property, plant and equipment and intangible assets and write-off of deferred tax assets and investments	404	3,911	4,185
<b>Recurring underlying profit</b>	<b>4,226</b>	<b>3,026</b>	<b>7,489</b>

# Change of corporate name to Swire Coca-Cola in 2019 (formerly Swire Beverages).

## FINANCING

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

### Summary of Cash Flows

	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
<b>Net cash from businesses and investments</b>			
Cash generated from operations	4,368	8,297	18,328
Dividends received	664	542	1,716
Tax paid	(993)	(738)	(2,180)
Net interest paid	(1,122)	(1,213)	(2,428)
Cash generated from investing activities	12,343	1,187	2,483
	<b>15,260</b>	<b>8,075</b>	<b>17,919</b>
<b>Cash paid to shareholders and net funding by external debt</b>			
Dividends paid	(3,589)	(2,450)	(4,582)
Purchase of shares in existing subsidiary companies	(226)	-	(3,018)
Decrease in borrowings	(2,094)	(1,345)	(6,947)
Principal elements of lease payments	(488)	-	-
Repurchase of the Company's shares	-	(21)	(21)
	<b>(6,397)</b>	<b>(3,816)</b>	<b>(14,568)</b>
<b>Increase in cash and cash equivalents</b>	<b>8,863</b>	<b>4,259</b>	<b>3,351</b>

Cash generated from investing activities during the first half of 2019 included cash proceeds from disposal of subsidiary companies net of cash used for capital expenditure on property projects, plant and equipment and intangible assets and for investments in joint venture companies.

### Changes in Financing

Financial Information Reviewed by Auditors			
Analysis of Changes in Financing During the Period			
	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	Loans and bonds	Lease liabilities	Loans and bonds
	HK\$M	HK\$M	HK\$M
At 1st January	71,779	-	78,586
Loans drawn and refinancing	5,661	-	10,624
Repayment of loans and bonds	(7,755)	-	(17,571)
Lease liabilities at the start of the period	-	5,659	-
Principal elements of lease payments	-	(488)	-
New leases arranged during the period	-	378	-
Change in composition of the Group	-	-	45
Currency adjustments	(151)	(11)	(29)
Other non-cash movements	63	1	124
At 30th June / 31st December	<b>69,597</b>	<b>5,539</b>	<b>71,779</b>

## Sources of Finance

## Financial Information Reviewed by Auditors

At 30th June 2019, committed loan facilities and debt securities amounted to HK\$88,275 million, of which HK\$18,529 million remained undrawn. In addition there were lease liabilities amounting to HK\$5,539 million. The Group also had undrawn uncommitted facilities totalling HK\$8,091 million. Sources of gross borrowings at 30th June 2019 comprised:

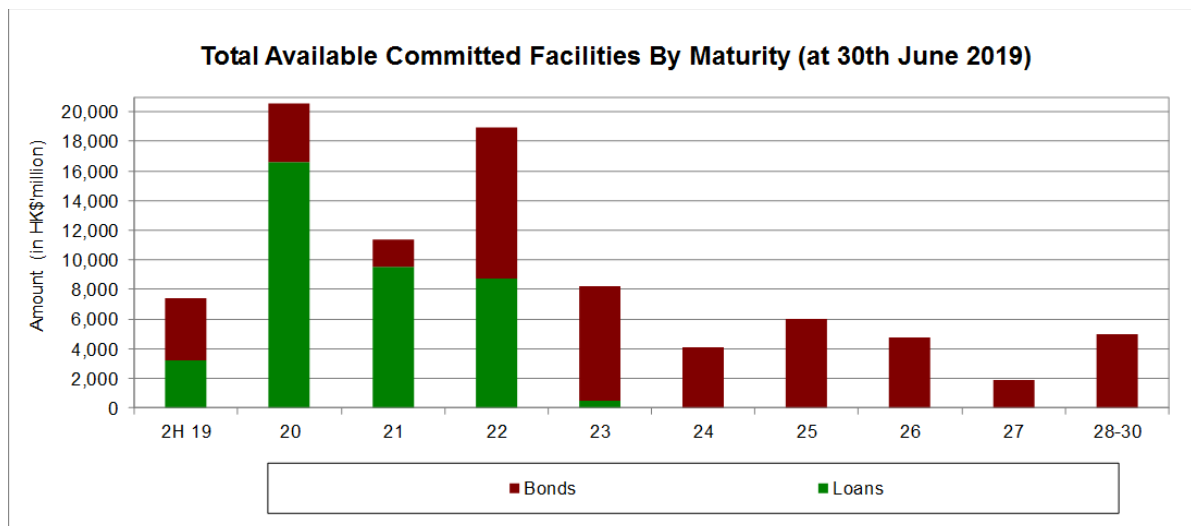
	Available HK\$M	Drawn HK\$M	Undrawn expiring within one year HK\$M	Undrawn expiring after one year HK\$M	Total Undrawn HK\$M
<b>Committed facilities</b>					
Loans and bonds					
Fixed/floating rate bonds	49,617	49,617	-	-	-
Bank loans, overdrafts and other loans	38,658	20,129	1,832	16,697	18,529
<b>Total committed facilities</b>	<b>88,275</b>	<b>69,746</b>	<b>1,832</b>	<b>16,697</b>	<b>18,529</b>
<b>Uncommitted facilities</b>					
Bank loans, overdrafts and other loans	8,200	109	8,091	-	8,091
<b>Total</b>	<b>96,475</b>	<b>69,855</b>	<b>9,923</b>	<b>16,697</b>	<b>26,620</b>

Note: The figures above are stated before unamortised loan fees of HK\$258 million.

The Group had bank balances and short-term deposits of HK\$20,967 million at 30th June 2019 compared to HK\$9,112 million at 31st December 2018.

## Maturity Profile and Refinancing

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



<b>Financial Information Reviewed by Auditors</b>							
<b>Gross Borrowings and Lease Liabilities Maturity Profile</b>							
	<b>30th June 2019</b>					<b>31st December 2018</b>	
	<b>Loans and bonds</b>		<b>Lease liabilities</b>		<b>Total</b>	<b>Loans and bonds</b>	
	<b>HK\$M</b>	<b>%</b>	<b>HK\$M</b>	<b>%</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>%</b>
Within 1 year	12,005	17%	623	11%	12,628	11,528	16%
1 - 2 years	9,937	14%	667	12%	10,604	9,755	14%
2 - 5 years	26,961	39%	1,119	20%	28,080	29,060	40%
After 5 years	20,694	30%	3,130	57%	23,824	21,436	30%
<b>Total</b>	<b>69,597</b>	<b>100%</b>	<b>5,539</b>	<b>100%</b>	<b>75,136</b>	<b>71,779</b>	<b>100%</b>
<b>Currency Profile</b>							
An analysis of the carrying amounts of gross borrowings and lease liabilities by currency (after cross-currency swaps) is shown below:							
	<b>30th June 2019</b>					<b>31st December 2018</b>	
	<b>Loans and bonds</b>		<b>Lease liabilities</b>		<b>Total</b>	<b>Loans and bonds</b>	
	<b>HK\$M</b>	<b>%</b>	<b>HK\$M</b>	<b>%</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>%</b>
<b>Currency</b>							
Hong Kong dollars	50,744	73%	3,506	63%	54,250	49,653	69%
United States dollars	17,619	25%	435	8%	18,054	20,566	29%
Renminbi	621	1%	1,096	20%	1,717	1,079	1%
Others	613	1%	502	9%	1,115	481	1%
<b>Total</b>	<b>69,597</b>	<b>100%</b>	<b>5,539</b>	<b>100%</b>	<b>75,136</b>	<b>71,779</b>	<b>100%</b>

## Finance Charges

**Financial Information Reviewed by Auditors**

At 30th June 2019, 76% of the Group's gross borrowings were on a fixed rate basis and 24% were on a floating rate basis (31st December 2018: 74% and 26% respectively). Interest charged and earned was as follows:

	Six months ended 30th June		Year ended 31st December
	2019 HK\$M	2018 HK\$M	2018 HK\$M
Interest charged:			
Bank loans and overdrafts	286	316	639
Other loans and bonds	929	1,026	1,970
Fair value (gains)/losses on derivative instruments			
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	(43)	(46)	(77)
Interest rate swaps not qualifying as hedges	(2)	(3)	2
Amortised loan fees - loans at amortised cost	68	63	124
	<b>1,238</b>	<b>1,356</b>	<b>2,658</b>
Lease liabilities	105	-	-
Fair value loss/(gain) on put options over non-controlling interests in subsidiary companies	12	5	(23)
Fair value loss on put options over other joint venture partners' interests in a joint venture company	-	15	15
Other financing costs	71	67	145
Capitalised on:			
Investment properties	(129)	(127)	(265)
Properties under development and for sale	(8)	-	(2)
Vessels	-	(2)	(3)
	<b>1,289</b>	<b>1,314</b>	<b>2,525</b>
Less interest income:			
Short-term deposits and bank balances	125	43	115
Fair value gain on put options over other joint venture partners' interests in a joint venture company	18	-	-
Other loans	41	49	86
	<b>184</b>	<b>92</b>	<b>201</b>
<b>Net finance charges</b>	<b>1,105</b>	<b>1,222</b>	<b>2,324</b>

**Gearing Ratio and Interest Cover**

	30th June		31st December
	2019	2018	2018
Gearing ratio*	14.7%	20.9%	19.3%
Gearing ratio - including lease liabilities#	16.4%	-	-
Interest cover - times*	9.8	15.3	13.3
Cash interest cover - times*	8.7	13.8	11.9
Underlying cash interest cover - times	16.3	3.3	5.0

\* Refer to Glossary on pages 76 and 77 for definition.

# Lease liabilities amounted to HK\$5,539 million at 30th June 2019 (refer to note 23 on page 67).



### Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at 30th June 2019 and 31st December 2018:

	Total net debt/(cash) of joint venture and associated companies		Portion of net debt/(cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	30th June 2019	31st December 2018	30th June 2019	31st December 2018	30th June 2019	31st December 2018
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Property Division	18,586	17,024	7,340	6,765	1,839	1,771
Aviation Division						
Cathay Pacific group	38,874	58,580	17,493	26,361	-	-
HAECO group	676	105	417	118	-	-
Others	5	-	2	-	-	-
Beverages Division	(749)	(747)	(326)	(343)	-	-
Marine Services Division	726	775	364	388	500	500
Trading & Industrial Division	(25)	(245)	(9)	(99)	-	14
	<b>58,093</b>	<b>75,492</b>	<b>25,281</b>	<b>33,190</b>	<b>2,339</b>	<b>2,285</b>

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 22.4% at 30th June 2019.

The net debt position and lease liabilities at 30th June 2019 were as follows:

	Total net debt/(cash) and lease liabilities of joint venture and associated companies			Portion of net debt/(cash) and lease liabilities attributable to the Group		
	30th June 2019			30th June 2019		
	Net debt HK\$M	Lease liabilities HK\$M	Total HK\$M	Net debt HK\$M	Lease liabilities HK\$M	Total HK\$M
Property Division	18,586	266	18,852	7,340	107	7,447
Aviation Division						
Cathay Pacific group	38,874	39,340	78,214	17,493	17,703	35,196
HAECO group	676	9	685	417	4	421
Others	5	-	5	2	-	2
Beverages Division	(749)	222	(527)	(326)	101	(225)
Marine Services Division	726	-	726	364	-	364
Trading & Industrial Division	(25)	-	(25)	(9)	-	(9)
	<b>58,093</b>	<b>39,837</b>	<b>97,930</b>	<b>25,281</b>	<b>17,915</b>	<b>43,196</b>

## REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

**To the Board of Directors of Swire Pacific Limited**  
(incorporated in Hong Kong with limited liability)

### Introduction

We have reviewed the condensed interim financial statements set out on pages 41 to 71, which comprise the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together the "Group") as at 30th June 2019 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 8th August 2019

## Swire Pacific Limited

### Consolidated Statement of Profit or Loss

for the six months ended 30th June 2019

	Note	(Unaudited)		(Audited)
		Six months ended		Year ended
		30th June		31st December
		2019	2018	2018
		HK\$M	HK\$M	HK\$M
Revenue	4	42,870	42,265	84,606
Cost of sales		(26,553)	(26,827)	(53,739)
<b>Gross profit</b>		<b>16,317</b>	15,438	30,867
Distribution costs		(7,163)	(6,843)	(14,086)
Administrative expenses		(3,151)	(3,066)	(6,331)
Other operating expenses		(160)	(154)	(398)
Other net gains/(losses)	5	1,192	(2,153)	1,458
Change in fair value of investment properties		3,831	15,473	19,378
<b>Operating profit</b>		<b>10,866</b>	18,695	30,888
Finance charges		(1,289)	(1,314)	(2,525)
Finance income		184	92	201
Net finance charges	7	(1,105)	(1,222)	(2,324)
Share of profits less losses of joint venture companies		994	1,338	2,458
Share of profits less losses of associated companies		684	14	1,324
<b>Profit before taxation</b>		<b>11,439</b>	18,825	32,346
Taxation	8	(1,639)	(1,169)	(2,926)
<b>Profit for the period</b>		<b>9,800</b>	17,656	29,420
Profit attributable to:				
The Company's shareholders		7,939	13,501	23,629
Non-controlling interests		1,861	4,155	5,791
		<b>9,800</b>	17,656	29,420
Underlying profit attributable to the Company's shareholders	9	15,846	1,265	8,523
		HK\$	HK\$	HK\$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	11			
'A' share		5.29	8.99	15.74
'B' share		1.06	1.80	3.15

The notes on pages 46 to 71 form part of these financial statements.

**Swire Pacific Limited****Consolidated Statement of Other Comprehensive Income**

for the six months ended 30th June 2019

	(Unaudited) Six months ended 30th June	(Audited) Year ended 31st December
	2019 HK\$M	2018 HK\$M
<b>Profit for the period</b>	<b>9,800</b>	<b>29,420</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Revaluation of property previously occupied by the Group gains recognised during the period	256	4
deferred tax	(2)	-
Changes in the fair value of equity investments at fair value through other comprehensive income	(16)	(53)
Defined benefit plans		
remeasurement losses recognised during the period	(11)	(10)
deferred tax	1	4
Share of other comprehensive income of joint venture and associated companies	4	18
	<b>232</b>	<b>(37)</b>
<b>Items that can be reclassified subsequently to profit or loss</b>		
Cash flow hedges		
gains/(losses) recognised during the period	254	119
transferred to net finance charges	(43)	(46)
transferred to operating profit	16	(49)
deferred tax	(38)	(6)
Share of other comprehensive income of joint venture and associated companies	116	1,463
Net translation differences on foreign operations		
recognised during the period	(274)	(543)
reclassified to profit or loss on disposal	-	-
	<b>31</b>	<b>938</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>263</b>	<b>(3,183)</b>
<b>Total comprehensive income for the period</b>	<b>10,063</b>	<b>26,237</b>
Total comprehensive income attributable to:		
The Company's shareholders	8,185	14,527
Non-controlling interests	1,878	4,030
	<b>10,063</b>	<b>26,237</b>

The notes on pages 46 to 71 form part of these financial statements.

**Swire Pacific Limited**  
**Consolidated Statement of Financial Position**  
at 30th June 2019

		(Unaudited)	(Audited)
		30th June	31st December
		2019	2018
	Note	HK\$M	HK\$M
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	34,803	39,644
Investment properties	13	275,908	271,515
Leasehold land and land use rights	12	-	1,415
Intangible assets	14	13,396	12,918
Right-of-use assets	15	9,960	-
Properties held for development		1,358	1,360
Joint venture companies	16	18,557	18,870
Loans due from joint venture companies	16	14,724	15,470
Associated companies	17	30,632	31,533
Loans due from associated companies	17	11	167
Equity investments at fair value through other comprehensive income		230	244
Other receivables	20	68	67
Derivative financial instruments	19	157	80
Deferred tax assets	24	437	454
Retirement benefit assets		85	89
		<b>400,326</b>	<b>393,826</b>
<b>Current assets</b>			
Properties under development and for sale		2,349	1,469
Stocks and work in progress		5,200	5,242
Contract assets		1,383	1,176
Trade and other receivables	20	10,291	9,945
Derivative financial instruments	19	146	109
Bank balances and short-term deposits		20,967	9,112
		<b>40,336</b>	<b>27,053</b>
Assets classified as held for sale	21	1,399	15,526
		<b>41,735</b>	<b>42,579</b>
<b>Current liabilities</b>			
Trade and other payables	22	22,865	25,102
Contract liabilities		183	438
Taxation payable		755	636
Derivative financial instruments	19	12	28
Short-term loans		109	3,227
Long-term loans and bonds due within one year		11,896	8,301
Lease liabilities due within one year	23	623	-
		<b>36,443</b>	<b>37,732</b>
Liabilities directly associated with assets classified as held for sale	21	-	207
		<b>36,443</b>	<b>37,939</b>
<b>Net current assets</b>		<b>5,292</b>	<b>4,640</b>
<b>Total assets less current liabilities</b>		<b>405,618</b>	<b>398,466</b>
<b>Non-current liabilities</b>			
Long-term loans and bonds		57,592	60,251
Lease liabilities	23	4,916	-
Derivative financial instruments	19	102	170
Other payables	22	1,142	1,679
Deferred tax liabilities	24	10,559	10,034
Retirement benefit liabilities		1,262	1,217
		<b>75,573</b>	<b>73,351</b>
<b>NET ASSETS</b>		<b>330,045</b>	<b>325,115</b>
<b>EQUITY</b>			
Share capital	25	1,294	1,294
Reserves	26	273,160	269,130
<b>Equity attributable to the Company's shareholders</b>		<b>274,454</b>	<b>270,424</b>
<b>Non-controlling interests</b>	27	55,591	54,691
<b>TOTAL EQUITY</b>		<b>330,045</b>	<b>325,115</b>

The notes on pages 46 to 71 form part of these financial statements.

**Swire Pacific Limited****Consolidated Statement of Cash Flows**  
for the six months ended 30th June 2019

	(Unaudited)		(Audited)
	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
<b>Operating activities</b>			
Cash generated from operations	4,368	8,297	18,328
Interest paid	(1,251)	(1,298)	(2,629)
Interest received	129	85	201
Tax paid	(993)	(738)	(2,180)
	<b>2,253</b>	<b>6,346</b>	<b>13,720</b>
Dividends received from joint venture and associated companies	664	542	1,716
<b>Net cash generated from operating activities</b>	<b>2,917</b>	<b>6,888</b>	<b>15,436</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(1,630)	(2,610)	(4,103)
Additions of investment properties	(673)	(2,598)	(3,917)
Additions of other current assets	-	(71)	(88)
Additions of assets classified as held for sale	-	-	(364)
Purchase of intangible assets	(633)	(43)	(126)
Proceeds from disposals of property, plant and equipment	142	305	450
Proceeds from disposals of investment properties	94	236	350
Proceeds from disposals of subsidiary companies, net of cash disposed of	17,529	7,771	9,584
Proceeds from disposal of a joint venture company	-	-	3,594
Proceeds from disposal of an associated company	140	-	-
Purchase of shares in new subsidiary companies	-	-	(14)
Purchase of shares in joint venture companies	(214)	(1,670)	(1,670)
Adjustment for previous year's purchase of new businesses	-	66	187
Purchase of equity investment at fair value through other comprehensive income	(2)	(4)	(4)
Loans to joint venture companies	(48)	(558)	(1,635)
Loan to an associated company	-	(60)	(176)
Repayment of loans by joint venture companies	669	326	363
Repayment of loans by associated companies	10	1	2
(Increase)/decrease in deposits maturing after more than three months	(3,024)	102	110
Initial leasing costs incurred	(17)	(6)	(60)
<b>Net cash generated from investing activities</b>	<b>12,343</b>	<b>1,187</b>	<b>2,483</b>
<b>Net cash inflow before financing activities</b>	<b>15,260</b>	<b>8,075</b>	<b>17,919</b>
<b>Financing activities</b>			
Loans drawn and refinancing	5,661	7,967	10,624
Repayment of loans and bonds	(7,755)	(9,312)	(17,571)
Principal elements of lease payments	(488)	-	-
	<b>(2,582)</b>	<b>(1,345)</b>	<b>(6,947)</b>
Repurchase of the Company's shares	-	(21)	(21)
Purchase of shares in existing subsidiary companies	(226)	-	(3,018)
Dividends paid to the Company's shareholders	(2,703)	(1,652)	(3,454)
Dividends paid to non-controlling interests	(886)	(798)	(1,128)
<b>Net cash used in financing activities</b>	<b>(6,397)</b>	<b>(3,816)</b>	<b>(14,568)</b>
<b>Increase in cash and cash equivalents</b>	<b>8,863</b>	<b>4,259</b>	<b>3,351</b>
Cash and cash equivalents at 1st January	9,102	5,951	5,951
Currency adjustment	(31)	(47)	(200)
<b>Cash and cash equivalents at end of the period</b>	<b>17,934</b>	<b>10,163</b>	<b>9,102</b>
<b>Represented by:</b>			
Bank balances and short-term deposits maturing within three months	17,934	10,163	9,102

The notes on pages 46 to 71 form part of these financial statements.

## Swire Pacific Limited

### Consolidated Statement of Changes in Equity

for the six months ended 30th June 2019

	Attributable to the Company's shareholders				Non-controlling interests	Total equity
	Share capital	Revenue reserve	Other reserves	Total		
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<b>At 1st January 2019</b>						
as originally stated	1,294	266,842	2,288	270,424	54,691	325,115
adjustment on adoption of HKFRS 16 as restated	-	(1,279)	-	(1,279)	(30)	(1,309)
	1,294	265,563	2,288	269,145	54,661	323,806
Profit for the period	-	7,939	-	7,939	1,861	9,800
Other comprehensive income	-	(17)	263	246	17	263
<b>Total comprehensive income for the period</b>	-	7,922	263	8,185	1,878	10,063
Dividends paid	-	(2,703)	-	(2,703)	(895)	(3,598)
Change in composition of the Group	-	(173)	-	(173)	(53)	(226)
<b>At 30th June 2019 (unaudited)</b>	<b>1,294</b>	<b>270,609</b>	<b>2,551</b>	<b>274,454</b>	<b>55,591</b>	<b>330,045</b>

	Attributable to the Company's shareholders				Non-controlling interests	Total equity
	Share capital	Revenue reserve	Other reserves	Total		
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<b>At 1st January 2018</b>						
	1,294	247,538	4,662	253,494	52,963	306,457
Profit for the period	-	13,501	-	13,501	4,155	17,656
Other comprehensive income	-	12	1,014	1,026	(125)	901
<b>Total comprehensive income for the period</b>	-	13,513	1,014	14,527	4,030	18,557
Dividends paid	-	(1,652)	-	(1,652)	(798)	(2,450)
Capital contribution from non-controlling interests	-	-	-	-	8	8
Repurchase of the Company's shares	-	(9)	-	(9)	-	(9)
<b>At 30th June 2018 (unaudited)</b>	<b>1,294</b>	<b>259,390</b>	<b>5,676</b>	<b>266,360</b>	<b>56,203</b>	<b>322,563</b>

The notes on pages 46 to 71 form part of these financial statements.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## 1. Segment Information

(a) Analysis of Consolidated Statement of Profit or Loss

	External	Inter-segment	Operating	Finance	Finance	Share of profits	Share of profits	Tax	Profit/(loss)	Profit/(loss)	Underlying	
	revenue	revenue	profit/(loss)	charges	income	less losses of	less losses of	(charge)/credit	for	attributable to	profit/(loss)	
Six months ended 30th June 2019	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	joint venture	associated	HK\$M	HK\$M	HK\$M	HK\$M	
						companies	companies				attributable to	
						HK\$M	HK\$M				the Company's	
											shareholders	
											HK\$M	
											HK\$M	
<b>Property</b>												
Property investment	6,360	52	5,821	(396)	114	488	-	(645)	5,382	4,382	15,211	
Change in fair value of investment properties	-	-	3,831	-	-	203	-	(454)	3,580	2,922	-	
Property trading	392	-	50	(22)	1	(13)	-	(14)	2	2	2	
Hotels	706	-	11	(20)	-	(4)	66	(1)	52	43	43	
	<b>7,458</b>	<b>52</b>	<b>9,713</b>	<b>(438)</b>	<b>115</b>	<b>674</b>	<b>66</b>	<b>(1,114)</b>	<b>9,016</b>	<b>7,349</b>	<b>15,256</b>	
<b>Aviation</b>												
Cathay Pacific group	-	-	-	-	-	-	606	-	606	606	606	
HAECO group	7,873	-	679	(134)	23	250	-	(130)	688	535	535	
Others	-	-	(28)	-	-	2	(1)	-	(27)	(17)	(17)	
	<b>7,873</b>	<b>-</b>	<b>651</b>	<b>(134)</b>	<b>23</b>	<b>252</b>	<b>605</b>	<b>(130)</b>	<b>1,267</b>	<b>1,124</b>	<b>1,124</b>	
<b>Beverages</b>												
Mainland China	11,042	-	707	(63)	29	42	54	(203)	566	509	509	
Hong Kong	1,094	1	102	(1)	-	-	-	(11)	90	90	90	
Taiwan	781	-	35	-	-	-	-	(8)	27	27	27	
USA	8,251	-	399	(73)	5	-	-	(167)	164	164	164	
Central costs	-	-	(42)	-	-	-	-	-	(42)	(42)	(42)	
	<b>21,168</b>	<b>1</b>	<b>1,201</b>	<b>(137)</b>	<b>34</b>	<b>42</b>	<b>54</b>	<b>(389)</b>	<b>805</b>	<b>748</b>	<b>748</b>	
<b>Marine Services</b>												
Swire Pacific Offshore group	1,287	-	(519)	(100)	6	-	(4)	(22)	(639)	(633)	(633)	
HUD group	-	-	-	-	-	22	-	-	22	22	22	
	<b>1,287</b>	<b>-</b>	<b>(519)</b>	<b>(100)</b>	<b>6</b>	<b>22</b>	<b>(4)</b>	<b>(22)</b>	<b>(617)</b>	<b>(611)</b>	<b>(611)</b>	
<b>Trading &amp; Industrial</b>												
Swire Retail	1,779	-	74	(17)	4	3	-	(8)	56	56	56	
Taikoo Motors	2,537	-	94	(6)	-	-	-	(19)	69	69	69	
Swire Foods group	765	36	(13)	(9)	1	(1)	-	3	(19)	(19)	(19)	
Swire Pacific Cold Storage	-	-	73	-	-	-	-	37	110	110	110	
Swire Environmental Services	-	-	(283)	-	-	2	(37)	-	(318)	(318)	(318)	
Central costs	-	-	(11)	-	-	-	-	(1)	(12)	(12)	(12)	
	<b>5,081</b>	<b>36</b>	<b>(66)</b>	<b>(32)</b>	<b>5</b>	<b>4</b>	<b>(37)</b>	<b>12</b>	<b>(114)</b>	<b>(114)</b>	<b>(114)</b>	
<b>Head Office</b>												
Net income/(expenses)	3	16	(114)	(638)	191	-	-	4	(557)	(557)	(557)	
<b>Inter-segment elimination</b>												
Total	<b>42,870</b>	<b>-</b>	<b>10,866</b>	<b>(1,289)</b>	<b>184</b>	<b>994</b>	<b>684</b>	<b>(1,639)</b>	<b>9,800</b>	<b>7,939</b>	<b>15,846</b>	

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

\* This represents the write-back of a provision made in 2018 in relation to sale of Swire Pacific Cold Storage.



## 1. Segment Information (continued)

(a) Analysis of Consolidated Statement of Profit or Loss (continued)

	External revenue	Inter-segment revenue	Operating profit/(loss)	Finance charges	Finance income	Share of profits less losses of joint venture companies	Share of profits less losses of associated companies	Tax (charge)/credit	Profit/(loss) for the period	Profit/(loss) attributable to the Company's shareholders	Underlying profit/(loss) attributable to the Company's shareholders
Six months ended 30th June 2018	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<b>Property</b>											
Property investment	6,001	58	5,696	(514)	51	388	-	(629)	4,992	4,075	5,099
Change in fair value of investment properties	-	-	15,473	-	-	678	-	26	16,177	13,260	-
Property trading	530	-	73	(20)	-	(4)	-	(17)	32	18	18
Hotels	720	-	(1)	(20)	-	(72)	74	(5)	(24)	(19)	(19)
	<b>7,251</b>	<b>58</b>	<b>21,241</b>	<b>(554)</b>	<b>51</b>	<b>990</b>	<b>74</b>	<b>(625)</b>	<b>21,177</b>	<b>17,334</b>	<b>5,098</b>
<b>Aviation</b>											
Cathay Pacific group	-	-	-	-	-	-	(118)	-	(118)	(118)	(118)
HAECO group	7,325	-	553	(59)	6	222	-	(115)	607	351	351
Others	-	-	(28)	-	-	3	(5)	-	(30)	(16)	(16)
	<b>7,325</b>	<b>-</b>	<b>525</b>	<b>(59)</b>	<b>6</b>	<b>225</b>	<b>(123)</b>	<b>(115)</b>	<b>459</b>	<b>217</b>	<b>217</b>
<b>Beverages</b>											
Mainland China	10,871	-	646	(75)	17	37	68	(250)	443	377	377
Hong Kong	1,096	1	112	-	-	-	-	(13)	99	99	99
Taiwan	740	-	173	(2)	-	-	-	(6)	165	165	165
USA	7,830	-	378	(58)	-	-	-	(60)	260	260	260
Central costs	-	-	(21)	-	-	-	-	-	(21)	(21)	(21)
	<b>20,537</b>	<b>1</b>	<b>1,288</b>	<b>(135)</b>	<b>17</b>	<b>37</b>	<b>68</b>	<b>(329)</b>	<b>946</b>	<b>880</b>	<b>880</b>
<b>Marine Services</b>											
Swire Pacific Offshore group*	1,527	-	(4,330)	(171)	1	-	1	(60)	(4,559)	(4,563)	(4,563)
HUD group	-	-	-	-	-	13	-	-	13	13	13
	<b>1,527</b>	<b>-</b>	<b>(4,330)</b>	<b>(171)</b>	<b>1</b>	<b>13</b>	<b>1</b>	<b>(60)</b>	<b>(4,546)</b>	<b>(4,550)</b>	<b>(4,550)</b>
<b>Trading &amp; Industrial</b>											
Swire Retail	1,699	-	69	(1)	5	2	34	(11)	98	98	98
Taikoo Motors	2,969	-	99	-	1	-	-	(17)	83	83	83
Swire Foods group	871	34	34	-	1	(8)	-	(9)	18	18	18
Swire Pacific Cold Storage	82	-	(57)	(12)	-	(3)	-	(1)	(73)	(73)	(73)
Akzo Nobel Swire Paints	-	-	5	-	-	79	-	(4)	80	80	80
Swire Environmental Services	-	-	(9)	-	7	3	(40)	-	(39)	(39)	(39)
Central costs	-	-	(13)	-	-	-	-	-	(13)	(13)	(13)
	<b>5,621</b>	<b>34</b>	<b>128</b>	<b>(13)</b>	<b>14</b>	<b>73</b>	<b>(6)</b>	<b>(42)</b>	<b>154</b>	<b>154</b>	<b>154</b>
<b>Head Office</b>											
Net income/(expenses)	4	12	(157)	(732)	353	-	-	2	(534)	(534)	(534)
<b>Inter-segment elimination</b>											
Total	<b>42,265</b>	<b>(105)</b>	<b>18,695</b>	<b>(1,314)</b>	<b>92</b>	<b>1,338</b>	<b>14</b>	<b>(1,169)</b>	<b>17,656</b>	<b>13,501</b>	<b>1,265</b>

Notes: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.

Interest charged by the Head Office to the business segments is based on market interest rates and the Group's cost of debt.

\* Swire Pacific Offshore group's impairment charges included under operating profit/loss and tax charge were HK\$3,861 million and HK\$39 million respectively.

## 1. Segment Information (continued)

(a) Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2018	External	Inter-seg-	Operating	Finance	Finance	Share of profits	Share of profits	Tax	Profit/(loss)	Profit/(loss)	Underlying	
	revenue	ment	profit/(loss)	charges	income	less losses of	less losses of	(charge)/credit	for the year	attributable to	profit/(loss)	
	HK\$M	revenue	HK\$M	HK\$M	HK\$M	joint venture	associated	HK\$M	HK\$M	HK\$M	the Company's	attributable to
		HK\$M	HK\$M	HK\$M	HK\$M	companies	companies	HK\$M	HK\$M	HK\$M	shareholders	the Company's
						HK\$M	HK\$M				shareholders	shareholders
											HK\$M	HK\$M
<b>Property</b>												
Property investment	12,139	115	9,861	(913)	112	772	-	(1,049)	8,783	7,152	8,284	
Change in fair value of investment properties	-	-	19,378	-	-	1,063	-	(654)	19,787	16,238	-	
Property trading	1,061	-	65	(40)	1	107	-	(24)	109	81	81	
Hotels	1,404	-	(25)	(42)	-	(117)	153	(10)	(41)	(34)	(34)	
	<b>14,604</b>	<b>115</b>	<b>29,279</b>	<b>(995)</b>	<b>113</b>	<b>1,825</b>	<b>153</b>	<b>(1,737)</b>	<b>28,638</b>	<b>23,437</b>	<b>8,331</b>	
<b>Aviation</b>												
Cathay Pacific group	-	-	-	-	-	-	1,056	-	1,056	1,056	1,056	
HAECO group	14,892	-	1,140	(115)	23	451	-	(233)	1,266	760	760	
Others	-	-	(54)	-	-	3	(11)	-	(62)	(35)	(35)	
	<b>14,892</b>	<b>-</b>	<b>1,086</b>	<b>(115)</b>	<b>23</b>	<b>454</b>	<b>1,045</b>	<b>(233)</b>	<b>2,260</b>	<b>1,781</b>	<b>1,781</b>	
<b>Beverages</b>												
Mainland China	21,358	-	1,059	(137)	35	48	103	(357)	751	634	634	
Hong Kong	2,342	1	255	-	-	-	-	(25)	230	230	230	
Taiwan	1,551	-	224	(2)	-	-	-	(11)	211	211	211	
USA	15,938	-	819	(121)	2	-	-	(77)	623	623	623	
Central costs	-	-	(68)	-	-	-	-	-	(68)	(68)	(68)	
	<b>41,189</b>	<b>1</b>	<b>2,289</b>	<b>(260)</b>	<b>37</b>	<b>48</b>	<b>103</b>	<b>(470)</b>	<b>1,747</b>	<b>1,630</b>	<b>1,630</b>	
<b>Marine Services</b>												
Swire Pacific Offshore group *	3,018	1	(4,787)	(264)	4	-	2	(31)	(5,076)	(5,070)	(5,070)	
HUD group	-	-	-	-	-	37	-	-	37	37	37	
	<b>3,018</b>	<b>1</b>	<b>(4,787)</b>	<b>(264)</b>	<b>4</b>	<b>37</b>	<b>2</b>	<b>(31)</b>	<b>(5,039)</b>	<b>(5,033)</b>	<b>(5,033)</b>	
<b>Trading &amp; Industrial</b>												
Swire Retail	3,338	-	69	(1)	8	1	57	(32)	102	102	102	
Taikoo Motors	5,810	-	155	(1)	1	-	-	(32)	123	123	123	
Swire Foods group	1,666	82	(30)	-	3	(52)	-	(12)	(91)	(91)	(91)	
Swire Pacific Cold Storage#	82	-	24	(14)	-	(4)	-	(51)	(45)	(45)	(45)	
Akzo Nobel Swire Paints#	-	-	3,086	-	-	143	-	(335)	2,894	2,894	2,894	
Swire Environmental Services	-	-	(24)	-	-	6	(36)	-	(54)	(54)	(54)	
Central costs	-	-	(25)	-	-	-	-	-	(25)	(25)	(25)	
	<b>10,896</b>	<b>82</b>	<b>3,255</b>	<b>(16)</b>	<b>12</b>	<b>94</b>	<b>21</b>	<b>(462)</b>	<b>2,904</b>	<b>2,904</b>	<b>2,904</b>	
<b>Head Office</b>												
Net income/(expenses)	7	32	(234)	(1,409)	546	-	-	7	(1,090)	(1,090)	(1,090)	
<b>Inter-segment elimination</b>												
Total	<b>84,606</b>	<b>-</b>	<b>30,888</b>	<b>(2,525)</b>	<b>201</b>	<b>2,458</b>	<b>1,324</b>	<b>(2,926)</b>	<b>29,420</b>	<b>23,629</b>	<b>8,523</b>	

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

\* Swire Pacific Offshore group's impairment charge included under operating profit/loss was HK\$3,872 million.

# Profits on disposals of Swire Pacific Cold Storage group and Akzo Nobel Swire Paints of the Trading & Industrial Division are included under operating profit/loss of the respective companies.

## 1. Segment Information (continued)

(b) Analysis of Total Assets of the Group

At 30th June 2019

	Segment assets HK\$M	Joint venture companies* HK\$M	Associated companies* HK\$M	Bank deposits HK\$M	Total assets HK\$M
<b>Property</b>					
Property investment	282,062	24,750	-	14,474	321,286
Property trading and development	3,915	1,614	-	155	5,684
Hotels	5,896	1,271	425	165	7,757
	<b>291,873</b>	<b>27,635</b>	<b>425</b>	<b>14,794</b>	<b>334,727</b>
<b>Aviation</b>					
Cathay Pacific group	-	-	28,607	-	28,607
HAECO group	13,482	1,769	-	1,702	16,953
Others	4,380	2,819	-	-	7,199
	<b>17,862</b>	<b>4,588</b>	<b>28,607</b>	<b>1,702</b>	<b>52,759</b>
<b>Beverages</b>					
Swire Coca-Cola	<b>27,880</b>	<b>987</b>	<b>1,598</b>	<b>2,238</b>	<b>32,703</b>
<b>Marine Services</b>					
Swire Pacific Offshore group	13,823	-	13	305	14,141
HUD group	-	(7)	-	-	(7)
	<b>13,823</b>	<b>(7)</b>	<b>13</b>	<b>305</b>	<b>14,134</b>
<b>Trading &amp; Industrial</b>					
Swire Retail	1,543	39	-	197	1,779
Taikoo Motors	2,089	-	-	153	2,242
Swire Foods group	1,629	7	-	205	1,841
Swire Environmental Services	-	32	-	-	32
Other activities	23	-	-	179	202
	<b>5,284</b>	<b>78</b>	<b>-</b>	<b>734</b>	<b>6,096</b>
<b>Head Office</b>	<b>448</b>	<b>-</b>	<b>-</b>	<b>1,194</b>	<b>1,642</b>
	<b>357,170</b>	<b>33,281</b>	<b>30,643</b>	<b>20,967</b>	<b>442,061</b>

\* The assets of joint venture and associated companies included the loans due from these companies.

## 1. Segment Information (continued)

## (b) Analysis of Total Assets of the Group (continued)

At 31st December 2018

	Segment assets HK\$M	Joint venture companies* HK\$M	Associated companies* HK\$M	Bank deposits HK\$M	Total assets HK\$M
<b>Property</b>					
Property investment	292,779	26,133	-	1,820	320,732
Property trading and development	3,034	1,411	-	118	4,563
Hotels	5,975	1,247	413	156	7,791
	<b>301,788</b>	<b>28,791</b>	<b>413</b>	<b>2,094</b>	<b>333,086</b>
<b>Aviation</b>					
Cathay Pacific group	-	-	29,225	-	29,225
HAECO group	10,755	1,738	-	2,167	14,660
Others	4,407	2,820	-	-	7,227
	<b>15,162</b>	<b>4,558</b>	<b>29,225</b>	<b>2,167</b>	<b>51,112</b>
<b>Beverages</b>					
Swire Coca-Cola#	<b>25,609</b>	<b>955</b>	<b>1,552</b>	<b>2,397</b>	<b>30,513</b>
<b>Marine Services</b>					
Swire Pacific Offshore group	13,953	-	56	199	14,208
HUD group	-	(31)	-	-	(31)
	<b>13,953</b>	<b>(31)</b>	<b>56</b>	<b>199</b>	<b>14,177</b>
<b>Trading &amp; Industrial</b>					
Swire Retail	696	34	137	326	1,193
Taikoo Motors	1,658	-	-	275	1,933
Swire Foods group	1,454	3	-	247	1,704
Swire Environmental Services	39	30	317	-	386
Other activities	522	-	-	59	581
	<b>4,369</b>	<b>67</b>	<b>454</b>	<b>907</b>	<b>5,797</b>
<b>Head Office</b>					
	<b>372</b>	<b>-</b>	<b>-</b>	<b>1,348</b>	<b>1,720</b>
	<b>361,253</b>	<b>34,340</b>	<b>31,700</b>	<b>9,112</b>	<b>436,405</b>

\* The assets of joint venture and associated companies included the loans due from these companies.

# Change of corporate name to Swire Coca-Cola in 2019 (formerly Swire Beverages).

## 1. Segment Information (continued)

(c) Analysis of Total Liabilities and Non-controlling Interests of the Group

At 30th June 2019

	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	Inter-segment borrowings/ (advances) HK\$M	External borrowings HK\$M	Lease liabilities HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
<b>Property</b>							
Property investment	7,530	9,749	(867)	27,087	548	44,047	51,491
Property trading and development	309	43	636	1,827	-	2,815	571
Hotels	211	-	231	1,002	-	1,444	1,162
	<b>8,050</b>	<b>9,792</b>	<b>-</b>	<b>29,916</b>	<b>548</b>	<b>48,306</b>	<b>53,224</b>
<b>Aviation</b>							
HAECO group	2,686	427	1,015	2,212	2,577	8,917	2,000
<b>Beverages</b>							
Swire Coca-Cola	11,566	924	4,377	2,364	658	19,889	363
<b>Marine Services</b>							
Swire Pacific Offshore group	921	20	4,971	-	75	5,987	4
<b>Trading &amp; Industrial</b>							
Swire Retail	763	49	(37)	-	910	1,685	-
Taikoo Motors	532	19	-	-	506	1,057	-
Swire Foods group	339	2	(58)	-	265	548	-
Other activities	59	62	59	-	-	180	-
	<b>1,693</b>	<b>132</b>	<b>(36)</b>	<b>-</b>	<b>1,681</b>	<b>3,470</b>	<b>-</b>
<b>Head Office</b>	<b>650</b>	<b>19</b>	<b>(10,327)</b>	<b>35,105</b>	<b>-</b>	<b>25,447</b>	<b>-</b>
	<b>25,566</b>	<b>11,314</b>	<b>-</b>	<b>69,597</b>	<b>5,539</b>	<b>112,016</b>	<b>55,591</b>

## 1. Segment Information (continued)

(c) Analysis of Total Liabilities and Non-controlling Interests of the Group (continued)

At 31st December 2018

	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	Inter-segment borrowings/ (advances) HK\$M	External borrowings HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
<b>Property</b>						
Property investment	10,736	9,050	(186)	29,461	49,061	50,457
Property trading and development	257	45	144	1,414	1,860	562
Hotels	241	-	42	1,124	1,407	1,171
	<b>11,234</b>	<b>9,095</b>	<b>-</b>	<b>31,999</b>	<b>52,328</b>	<b>52,190</b>
<b>Aviation</b>						
HAECO group	3,099	397	-	3,248	6,744	2,042
<b>Beverages</b>						
Swire Coca-Cola#	10,810	649	4,280	2,350	18,089	448
<b>Marine Services</b>						
Swire Pacific Offshore group	920	44	4,521	-	5,485	11
<b>Trading &amp; Industrial</b>						
Swire Retail	855	54	(53)	-	856	-
Taikoo Motors	615	17	-	-	632	-
Swire Foods group	427	10	(58)	-	379	-
Other activities	279	381	60	-	720	-
	<b>2,176</b>	<b>462</b>	<b>(51)</b>	<b>-</b>	<b>2,587</b>	<b>-</b>
<b>Head Office</b>	<b>602</b>	<b>23</b>	<b>(8,750)</b>	<b>34,182</b>	<b>26,057</b>	<b>-</b>
	<b>28,841</b>	<b>10,670</b>	<b>-</b>	<b>71,779</b>	<b>111,290</b>	<b>54,691</b>

# Change of corporate name to Swire Coca-Cola in 2019 (formerly Swire Beverages).

## 1. Segment Information (continued)

(d) Analysis of External Revenue of the Group – Timing of revenue recognition

	Six months ended 30th June 2019				Six months ended 30th June 2018			
	At a point in time HK\$M	Over time HK\$M	Rental income HK\$M	Total HK\$M	At a point in time HK\$M	Over time HK\$M	Rental income HK\$M	Total HK\$M
<b>Property</b>								
Property investment	1	65	6,294	6,360	1	62	5,938	6,001
Property trading	392	-	-	392	530	-	-	530
Hotels	332	374	-	706	335	385	-	720
	<b>725</b>	<b>439</b>	<b>6,294</b>	<b>7,458</b>	<b>866</b>	<b>447</b>	<b>5,938</b>	<b>7,251</b>
<b>Aviation</b>								
HAECO group	450	7,423	-	7,873	520	6,805	-	7,325
<b>Beverages</b>								
Mainland China	11,042	-	-	11,042	10,871	-	-	10,871
Hong Kong	1,094	-	-	1,094	1,096	-	-	1,096
Taiwan	781	-	-	781	740	-	-	740
USA	8,251	-	-	8,251	7,830	-	-	7,830
	<b>21,168</b>	<b>-</b>	<b>-</b>	<b>21,168</b>	<b>20,537</b>	<b>-</b>	<b>-</b>	<b>20,537</b>
<b>Marine Services</b>								
Swire Pacific Offshore group	28	905	354	1,287	156	990	381	1,527
<b>Trading &amp; Industrial</b>								
Swire Retail	1,779	-	-	1,779	1,699	-	-	1,699
Taikoo Motors	2,533	4	-	2,537	2,965	4	-	2,969
Swire Foods group	765	-	-	765	871	-	-	871
Swire Pacific Cold Storage	-	-	-	-	82	-	-	82
	<b>5,077</b>	<b>4</b>	<b>-</b>	<b>5,081</b>	<b>5,617</b>	<b>4</b>	<b>-</b>	<b>5,621</b>
<b>Head Office</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>4</b>
Total	<b>27,448</b>	<b>8,774</b>	<b>6,648</b>	<b>42,870</b>	<b>27,696</b>	<b>8,250</b>	<b>6,319</b>	<b>42,265</b>

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 Board.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

## 2. Basis of Preparation

- (a) The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of The Listing Rules of The Stock Exchange of Hong Kong Limited.

The unaudited condensed interim financial statements are set out on pages 41 to 45 and also include the "Financial Information Reviewed by Auditors" under Financial Review on page 34 and Financing on pages 35 to 39.

The financial information relating to the year ended 31st December 2018 that is included in this document as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the Ordinance)) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2018 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. An auditor's report has been prepared on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies and methods of computation and presentation used in the preparation of the condensed interim financial statements are consistent with those described in the 2018 annual financial statements except for those noted in 2(b) below.

- (b) The following new and revised standards and a new interpretation were required to be adopted by the Group effective from 1st January 2019:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures

None of these new and revised standards and new interpretation had a significant effect on the Group's financial statements or accounting policies, except the following set out below:

### **HKFRS 16 Leases**

HKFRS 16 replaces HKAS 17 "Leases" and related interpretations where the distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised in the statement of financial position for all leases by lessees. HKFRS 16 also amends the definition of investment property under HKAS 40 to include property held by a lessee as right-of-use assets to earn rentals or for capital appreciation or both and requires the Group to account for such right-of-use assets at their fair value. The standard does not significantly change the accounting of lessors.

The Group has adopted HKFRS 16 retrospectively from 1st January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules for lessees are therefore recognised in the opening statement of financial position on 1st January 2019.



## 2. Basis of Preparation (continued)

Adjustment recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the lessees at 1st January 2019. The weighted average incremental borrowing rate of the lessees applied to the lease liabilities on 1st January 2019 was 3.95%.

A reconciliation between (i) commitments under operating leases for future periods at 31st December 2018 and (ii) lease liabilities recognised at 1st January 2019 under HKFRS 16 is provided below:

	2019
	HK\$M
Operating lease commitments disclosed at 31st December 2018	<u>6,322</u>
Discounted using the lessee's incremental borrowing rate at the date of initial application (i.e. 1st January 2019)	5,645
Less: short-term leases recognised on a straight-line basis as expenses	(85)
Less: low-value assets leases recognised on a straight-line basis as expenses	(46)
Others	145
<b>Lease liabilities recognised at 1st January 2019</b>	<u><u>5,659</u></u>
Of which:	
Current lease liabilities	806
Non-current lease liabilities	4,853
	<u><u>5,659</u></u>

The associated right-of-use assets for leases were measured on a modified retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to the leases recognised in the financial statements at 31st December 2018.

The change in accounting policy affected the following items in the statement of financial position at 1st January 2019:

	As originally stated	Adjustments on adoption of HKFRS 16	As restated
	HK\$M	HK\$M	HK\$M
<u>Assets</u>			
Property, plant and equipment	39,644	(4,315)	35,329
Investment properties	271,515	336	271,851
Leasehold land and land use rights	1,415	(1,415)	-
Right-of-use assets	-	10,676	10,676
Joint venture companies	18,870	58	18,928
Associated companies	31,533	(1,056)	30,477
Trade and other receivables	9,945	(8)	9,937

**2. Basis of Preparation (continued)**

<u>Liabilities</u>	As originally stated HK\$M	Adjustments on adoption of HKFRS 16 HK\$M	As restated HK\$M
Trade and other payables	25,102	(70)	25,032
Long term loans and bonds	68,552	(4)	68,548
Lease liabilities	-	5,659	5,659
 <u>Equity</u>			
Reserves	269,130	(1,279)	267,851
Non-controlling interests	54,691	(30)	54,661

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate for a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months at 1st January 2019 as short-term leases
- exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application, and
- use of hindsight in determining lease terms where the contracts contain options to extend or terminate the leases.

- (c) The Group has not early adopted any new standards and interpretations that are not yet effective for the current accounting period.
- (d) The preparation of the condensed interim financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the Group's consolidated financial statements are detailed in the 2018 annual financial statements.

**3. Financial Risk Management**

Financial risk factors

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2018 annual financial statements. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

#### 4. Revenue

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

	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
Gross rental income from investment properties	6,294	5,939	12,002
Property trading	392	530	1,061
Hotels	706	720	1,404
Aircraft and engine maintenance services	6,942	6,511	13,131
Sales of goods	26,661	26,534	52,878
Charter hire*	1,180	1,293	2,640
Rendering of other services	695	738	1,490
	<b>42,870</b>	<b>42,265</b>	<b>84,606</b>

\* Charter hire revenue included revenue from leasing of vessels amounting to HK\$354 million for the six months ended 30th June 2019 (30th June 2018: HK\$381 million; year ended 31st December 2018: HK\$797 million). The remaining revenue was related to ship management services for the provision of crews.

#### 5. Other Net Gains/(Losses)

	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
Remeasurement gains on interests in joint venture companies which became subsidiary companies	-	-	14
Profit on disposal of subsidiary companies	1,372	1,198	1,309
Profit on disposal of joint venture companies	-	-	3,177
Bargain purchase gain on acquisition of a subsidiary company	-	-	28
Final purchase consideration adjustment on acquisition of assets in the USA relating to Beverages Division	-	-	107
(Loss)/profit on sale of investment properties	(11)	60	53
(Loss)/profit on sale of property, plant and equipment	(5)	133	57
Net foreign exchange gains/(losses)	28	(19)	35
Fair value (losses)/gains on cross-currency swaps transferred from cash flow hedge reserve	(9)	30	12
Fair value gains/(losses) on forward foreign exchange contracts transferred from cash flow hedge reserve	(8)	(13)	3
Fair value gains on forward foreign exchange contracts not qualifying as hedges	-	1	2
Net impairment charges recognised on			
Property, plant and equipment	(1)	(3,771)	(3,792)
Intangible assets	-	(86)	(86)
Investment in and goodwill in respect of an associated company	(281)	-	(98)
Dividend income on equity investments at fair value through other comprehensive income	-	-	8
Others	107	314	629
Total	<b>1,192</b>	<b>(2,153)</b>	<b>1,458</b>

## 6. Expenses by Nature

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

	Six months ended		Year ended
	30th June	31st December	31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
Direct operating expenses of investment properties	1,135	1,134	2,389
Cost of stocks sold	17,930	18,279	36,282
Write-down of stocks and work in progress	75	70	229
(Reversal of)/impairment charges recognised			
on trade receivables	(10)	(9)	10
Depreciation of property, plant and equipment (note 12)	1,725	1,786	3,559
Depreciation of right-of-use assets	536	-	-
Amortisation of			
Leasehold land and land use rights	-	26	53
Intangible assets (note 14)	109	93	190
Initial leasing costs on investment properties	17	22	39
Others	5	6	10
Staff costs	8,796	8,376	16,639
Operating lease rentals			
Properties	-	625	1,200
Vessels	-	13	28
Plant and equipment	-	32	53
Other lease expenses*	95	-	-
Others	6,614	6,437	13,873
Total cost of sales, distribution costs, administrative expenses and other operating expenses	37,027	36,890	74,554

\* These expenses relate to short-term leases, leases of low-value assets or leases with variable payments. They are directly charged to operating expenses and are not included in the measurement of lease liabilities under HKFRS 16.

## 7. Net Finance Charges

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 38 for details of the Group's net finance charges.

**8. Taxation**

	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
Current taxation			
Hong Kong profits tax	466	637	1,042
Overseas taxation	646	649	1,272
(Over)/under-provisions in prior years	(26)	16	(16)
	<b>1,086</b>	<b>1,302</b>	<b>2,298</b>
Deferred taxation (note 24)			
Change in fair value of investment properties	311	128	501
Origination and reversal of temporary differences	242	(261)	127
	<b>553</b>	<b>(133)</b>	<b>628</b>
	<b>1,639</b>	<b>1,169</b>	<b>2,926</b>

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at rates applicable in the jurisdictions in which the Group is assessable to tax.

The Group's share of joint venture companies' tax charges for the six months ended 30th June 2019 of HK\$318 million (30th June 2018: HK\$262 million; year ended 31st December 2018: HK\$525 million) and share of associated companies' tax charges for the six months ended 30th June 2019 of HK\$205 million (30th June 2018: HK\$137 million; year ended 31st December 2018: HK\$275 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

**9. Underlying Profit Attributable to the Company's Shareholders**

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 34 for details of the Group's underlying profit attributable to the Company's shareholders.

**10. Dividends**

	Six months ended		Year ended
	30th June		31st December
	2019	2018	2018
	HK\$M	HK\$M	HK\$M
First interim dividend declared on 8th August 2019 of HK\$1.35 per 'A' share and HK\$0.27 per 'B' share (2018 first interim dividend paid: HK\$1.20 and HK\$0.24)	2,027	1,802	1,802
Second interim dividend paid on 10th May 2019 of HK\$1.80 per 'A' share and HK\$0.36 per 'B' share	-	-	2,703
	<b>2,027</b>	<b>1,802</b>	<b>4,505</b>

The Directors have declared first interim dividends of HK\$1.35 (2018: HK\$1.20) per 'A' share and HK\$0.27 (2018: HK\$0.24) per 'B' share for the year ending 31st December 2019. The first interim dividends, which total HK\$2,027 million (2018: HK\$1,802 million), will be paid on 4th October 2019 to shareholders registered at the close of business on the record date, being Friday, 6th September 2019. Shares of the Company will be traded ex-dividend as from Wednesday, 4th September 2019.

The register of members will be closed on Friday, 6th September 2019, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first 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, 5th September 2019.

**11. Earnings Per Share (Basic and Diluted)**

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2019 of HK\$7,939 million (30th June 2018: HK\$13,501 million; 31st December 2018: HK\$23,629 million) by the daily weighted average number of 905,206,000 'A' shares and 2,981,870,000 'B' shares in issue during the period (30th June 2018: 905,206,000 'A' shares and 2,981,875,000 'B' shares and 31st December 2018: 905,206,000 'A' shares and 2,981,872,466 'B' shares) in the proportion five to one.

**12. Property, Plant and Equipment and Leasehold Land and Land Use Rights**

	Property, plant and equipment HK\$M	Leasehold land and land use rights HK\$M	Total HK\$M
<b>Cost</b>			
At 1st January 2019, as reported	71,007	1,787	72,794
Reclassification to right-of-use assets	(4,484)	(1,787)	(6,271)
Reclassification to investment properties (note 13)	(76)	-	(76)
At 1st January 2019, as restated	66,447	-	66,447
Translation differences	(225)	-	(225)
Additions	1,582	-	1,582
Disposals	(572)	-	(572)
Net transfers to investment properties (note 13)	(53)	-	(53)
Other net transfers	(7)	-	(7)
At 30th June 2019	<b>67,172</b>	-	<b>67,172</b>
<b>Accumulated depreciation/amortisation and impairment</b>			
At 1st January 2019, as reported	31,363	372	31,735
Reclassification to right-of-use assets	(245)	(372)	(617)
At 1st January 2019, as restated	31,118	-	31,118
Translation differences	(103)	-	(103)
Charge for the period (note 6)	1,725	-	1,725
Impairment charges	1	-	1
Disposals	(362)	-	(362)
Net transfers to investment properties (note 13)	(10)	-	(10)
At 30th June 2019	<b>32,369</b>	-	<b>32,369</b>
<b>Net book value</b>			
At 30th June 2019	<b>34,803</b>	-	<b>34,803</b>
At 1st January 2019	39,644	1,415	41,059

Property, plant and equipment and leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**13. Investment Properties**

	<u>HK\$M</u>
At 1st January 2019	
as originally stated	271,256
reclassification from property, plant and equipment (note 12)	76
adjustment on adoption of HKFRS 16	260
as restated	<u>271,592</u>
Translation differences	(181)
Additions	717
Disposals	(105)
Net transfers from property, plant and equipment (note 12)	43
Net transfers from leasehold land held for own use under right-of-use assets	791
Transfer to properties under development and for sale	(1,039)
Net fair value gains	3,831
At 30th June 2019	<u>275,649</u>
Add: Initial leasing costs	259
At 30th June 2019	<u><b>275,908</b></u>
At 1st January 2019 (including initial leasing costs)	<u>271,515</u>

**14. Intangible Assets**

	Goodwill	Computer software	Service, franchise and operating rights	Customer relationships	Others	Total
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<b>Cost</b>						
At 1st January 2019	8,287	770	4,980	960	249	15,246
Translation differences	(17)	(3)	(22)	(4)	(1)	(47)
Other transfers	-	1	-	-	-	1
Additions	-	48	577	-	-	625
Disposals	-	(3)	-	-	-	(3)
At 30th June 2019	<u>8,270</u>	<u>813</u>	<u>5,535</u>	<u>956</u>	<u>248</u>	<u>15,822</u>
<b>Accumulated amortisation and impairment</b>						
At 1st January 2019	1,224	520	248	278	58	2,328
Translation differences	(4)	(2)	(1)	(1)	-	(8)
Amortisation for the period (note 6)	-	38	27	33	11	109
Disposals	-	(3)	-	-	-	(3)
At 30th June 2019	<u>1,220</u>	<u>553</u>	<u>274</u>	<u>310</u>	<u>69</u>	<u>2,426</u>
<b>Net book value</b>						
At 30th June 2019	<u>7,050</u>	<u>260</u>	<u>5,261</u>	<u>646</u>	<u>179</u>	<u>13,396</u>
At 1st January 2019	<u>7,063</u>	<u>250</u>	<u>4,732</u>	<u>682</u>	<u>191</u>	<u>12,918</u>

**15. Right-Of-Use Assets**

The recognised right-of-use assets relate to the following types of assets:

	30th June 2019 HK\$M
Leasehold land held for own use	3,687
Land use rights in Mainland China	1,387
Property	4,258
Plant and equipment	608
Vessels	20
<b>Total</b>	<b>9,960</b>

The Group obtains rights to control the use of various land and buildings, equipment and vessels for periods of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 49 years.

Additions to right-of-use assets during the six months ended 30th June 2019 were HK\$391 million.

During the six months ended 30 June 2019, total cash outflow for leases was included in the statement of cash flows in (a) interest paid under "operating activities" of HK\$104 million, (b) payment for short-term and low-value assets leases and variable lease payments of HK\$95 million under "operating activities", and (c) principal elements of lease payments of HK\$488 million under "financing activities".

**16. Interests in Joint Venture Companies**

	30th June 2019 HK\$M	31st December 2018 HK\$M
Share of net assets, unlisted	17,830	18,141
Goodwill	727	729
	<b>18,557</b>	<b>18,870</b>
Loans due from joint venture companies less provisions		
Interest-free	13,607	13,934
Interest-bearing	1,117	1,536
	<b>14,724</b>	<b>15,470</b>

**17. Interests in Associated Companies**

	30th June 2019 HK\$M	31st December 2018 HK\$M
Share of net assets		
Listed in Hong Kong	27,850	28,468
Unlisted	2,025	2,308
	<b>29,875</b>	<b>30,776</b>
Goodwill	757	757
	<b>30,632</b>	<b>31,533</b>
Interest-bearing loans due from associated companies	11	167

The market value of the shares in the listed associated company, Cathay Pacific, at 30th June 2019 was HK\$20,676 million (31st December 2018: HK\$19,720 million).



## 18. Fair Value Measurement of Financial Instruments

a. Financial instruments that are measured at fair value are included in the following fair value hierarchy:

	Level 1 HK\$M	Level 2 HK\$M	Level 3 HK\$M	Total carrying amount HK\$M
<b>Assets as per consolidated statement of financial position</b>				
At 30th June 2019				
Equity investments at fair value through comprehensive income				
- Listed investments	184	-	-	184
- Unlisted investments	-	-	46	46
Derivative financial assets (note 19)	-	303	-	303
<b>Total</b>	<b>184</b>	<b>303</b>	<b>46</b>	<b>533</b>
At 31st December 2018				
Equity investments at fair value through comprehensive income				
- Listed investments	185	-	-	185
- Unlisted investments	-	-	59	59
Derivative financial assets (note 19)	-	189	-	189
<b>Total</b>	<b>185</b>	<b>189</b>	<b>59</b>	<b>433</b>
<b>Liabilities as per consolidated statement of financial position</b>				
At 30th June 2019				
Derivative financial liabilities (note 19)	-	114	-	114
Put option over non-controlling interest in Brickell City Centre (note 22)	-	-	593	593
Put option over a non-controlling interest in a subsidiary company (note 22)	-	-	108	108
Contingent consideration (note 22)	-	-	1,191	1,191
<b>Total</b>	<b>-</b>	<b>114</b>	<b>1,892</b>	<b>2,006</b>
At 31st December 2018				
Derivative financial liabilities (note 19)	-	198	-	198
Put option over non-controlling interest in Brickell City Centre (note 22)	-	-	601	601
Put option over a non-controlling interest in a subsidiary company (note 22)	-	-	99	99
Contingent consideration (note 22)	-	-	1,170	1,170
<b>Total</b>	<b>-</b>	<b>198</b>	<b>1,870</b>	<b>2,068</b>

Notes:

The levels in the hierarchy represent the following:

Level 1 – Financial instruments measured at fair value using quoted prices in active markets.

Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.

Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

**18. Fair Value Measurement of Financial Instruments (continued)**

The following table presents the changes in level 3 financial instruments for the period ended 30th June 2019:

	Put options over non-controlling interests	Unlisted investments	Contingent consideration
	HK\$M	HK\$M	HK\$M
At 1st January 2019	700	59	1,170
Translation differences	(2)	1	(3)
Additions	-	2	-
Change in fair value recognised in profit or loss during the period	12	-	74
Change in fair value through other comprehensive income	-	(16)	-
Payments	(9)	-	(50)
At 30th June 2019	701	46	1,191
Total losses for the period included in profit or loss in respect of financial instruments held at 30th June 2019	(12)	-	(74)
Change in unrealised losses for the period included in profit or loss in respect of financial instruments held at 30th June 2019	(12)	-	(74)

There has been no change in valuation techniques for level 2 and level 3 fair value hierarchy assets and liabilities.

The fair value of derivatives used for hedging in level 2 has been determined based on quotes from market makers or discounted cash flow techniques and is supported by observable inputs. The most significant observable inputs are market interest rates, exchange rates and yields and commodity prices.

The fair value estimate of the put option over a non-controlling interest in the retail portion of Brickell City Centre classified as level 3 is determined using a discounted cash flow valuation technique and contains a number of unobservable inputs, including the expected fair value of the investment property at the expected exercise date, the expected exercise date itself and the discount rate used. Changing the unobservable inputs as a consequence of selecting reasonable alternative assumptions would change the valuation of the put option.

The fair value of the put option over a non-controlling interest in a subsidiary company, unlisted investments and contingent consideration classified as level 3 are determined using a discounted cash flow valuation technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing the unobservable inputs as a consequence of selecting reasonable alternative assumptions would not significantly change the valuation of the put option, the unlisted investments or the contingent consideration.

The Group's finance departments perform the valuations of financial instruments required for reporting purposes, including level 3 fair values. The valuations are reviewed and approved by divisional finance directors.

b. Fair values of financial assets and liabilities carried at other than fair value:

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30th June 2019 and 31st December 2018 except for the following financial liabilities, for which their carrying amounts and fair value are disclosed below:

	At 30th June 2019		At 31st December 2018	
	Carrying amount HK\$M	Fair value HK\$M	Carrying amount HK\$M	Fair value HK\$M
Long-term loans and bonds due after one year	57,592	59,186	60,251	60,354

## 19. Derivative Financial Instruments

The Group uses derivative financial instruments solely for management of an underlying risk. The Group minimises its exposure to market risk since gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. It is the Group's policy not to enter into derivative transactions for speculative purposes.

	30th June		31st December	
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	HK\$M	HK\$M	HK\$M	HK\$M
Cross-currency swaps				
Cash flow hedges	295	12	158	94
Not qualifying as hedges	-	31	-	24
Interest rate swaps - cash flow hedges	2	32	24	6
Forward foreign exchange contracts				
Cash flow hedges	5	8	6	14
Not qualifying as hedges	1	-	1	-
Commodity swaps				
Not qualifying as hedges	-	4	-	15
Put options exercisable by joint venture partners in respect of the sale of their interests to Beverages Division	-	27	-	45
<b>Total</b>	<b>303</b>	<b>114</b>	<b>189</b>	<b>198</b>
Analysed as:				
Current	146	12	109	28
Non-current	157	102	80	170
	<b>303</b>	<b>114</b>	<b>189</b>	<b>198</b>

## 20. Trade and Other Receivables

	30th June	31st December
	2019	2018
	HK\$M	HK\$M
Trade debtors	5,174	4,469
Amounts due from immediate holding company	2	1
Amounts due from joint venture companies	21	17
Amounts due from associated companies	300	229
Mortgage loan receivable - Non-current portion	36	37
Prepayments and accrued income	2,579	2,014
Other receivables	2,247	3,245
	<b>10,359</b>	<b>10,012</b>
Amounts due after one year included under non-current assets	(68)	(67)
	<b>10,291</b>	<b>9,945</b>

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

	30th June	31st December
	2019	2018
	HK\$M	HK\$M
Under three months	4,712	4,112
Between three and six months	378	255
Over six months	84	102
	<b>5,174</b>	<b>4,469</b>

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 the credit risk associated with receivables.

**21. Assets Classified as Held for Sale**

At 30th June 2019, assets classified as held for sale relate to a sale and purchase agreement entered into by Swire Properties Limited (SPL) with a third party in May 2019 for the sale of its entire 50% interest in a joint venture company which holds 625 King's Road, a 26-storey office building in North Point, Hong Kong. The interest in the joint venture company was classified as held for sale at 30th June 2019.

At 31st December 2018, assets classified as held for sale mainly related to a sale and purchase agreement entered into by a subsidiary of SPL with a third party for the sale of SPL's interests in office buildings at 14 Taikoo Wan Road and 12 Taikoo Wan Road, Hong Kong. The consideration for the sale was HK\$15,000 million, subject to adjustments, and resulted in a profit on sale of subsidiaries being recorded in April 2019 when the transaction was completed. Assets classified as held for sale at 31st December 2018 also included several wholly owned subsidiaries of SPL holding investment properties in Hong Kong in respect of which a sale and purchase agreement was entered into in August 2018. The total consideration for the sale of HK\$2,037 million resulted in a profit on sale of subsidiaries being recorded in January 2019 when the transaction was completed.

**22. Trade and Other Payables**

	30th June 2019 HK\$M	31st December 2018 HK\$M
Trade creditors	4,639	3,969
Amounts due to immediate holding company	182	245
Amounts due to joint venture companies	36	30
Amounts due to associated companies	415	309
Interest-bearing advances from joint venture companies	37	53
Interest-bearing advance from an associated company	292	293
Advances from non-controlling interests	35	35
Rental deposits from tenants	2,910	2,751
Put option over non-controlling interests	701	700
Deposit received on the sale of joint venture and subsidiary companies	237	3,238
Contingent consideration	1,191	1,170
Accrued capital expenditure	1,211	1,343
Other accruals	7,793	8,169
Other payables	4,328	4,476
	<b>24,007</b>	<b>26,781</b>
Amounts due after one year included under non-current liabilities	<b>(1,142)</b>	<b>(1,679)</b>
	<b>22,865</b>	<b>25,102</b>

**22. Trade and Other Payables (continued)**

The analysis of the age of trade creditors is as follows:

	<b>30th June</b>	31st December
	<b>2019</b>	2018
	<b>HK\$M</b>	HK\$M
Under three months	<b>4,471</b>	3,841
Between three and six months	<b>119</b>	70
Over six months	<b>49</b>	58
	<b>4,639</b>	3,969

**23. Lease Liabilities**

	<b>30th June</b>
	<b>2019</b>
	<b>HK\$M</b>
Maturity Profile:	
Within 1 year	<b>623</b>
1-2 years	<b>667</b>
2-5 years	<b>1,119</b>
After 5 years	<b>3,130</b>
Total	<b>5,539</b>

**24. Deferred Taxation**

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

	<b>HK\$M</b>
At 1st January 2019	9,580
Translation differences	(46)
Charged to statement of profit or loss (note 8)	553
Charged to other comprehensive income	39
Other transfer	(4)
At 30th June 2019	<b>10,122</b>
Represented by:	
Deferred tax assets	(437)
Deferred tax liabilities	10,559
	<b>10,122</b>

**25. Share Capital**

	<b>Company</b>		
	<b>'A' shares</b>	<b>'B' shares</b>	<b>Total</b>
	<b>HK\$M</b>		
<b>Issued and fully paid:</b>			
At 30th June 2019 and 31st December 2018	905,206,000	2,981,870,000	1,294

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the period.

## 26. Reserves

	Revenue reserve HK\$M	Property revaluation reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2019						
as originally stated	266,842	2,205	(116)	-	199	269,130
adjustment on adoption of HKFRS 16	(1,279)	-	-	-	-	(1,279)
as restated	265,563	2,205	(116)	-	199	267,851
<b>Profit for the period</b>	7,939	-	-	-	-	7,939
<b>Other comprehensive income</b>						
Revaluation of property previously occupied by the Group						
- gains recognised during the period	-	210	-	-	-	210
- deferred tax	-	(2)	-	-	-	(2)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	(16)	-	-	(16)
Defined benefit plans						
- remeasurement losses recognised during the period	(11)	-	-	-	-	(11)
- deferred tax	1	-	-	-	-	1
Cash flow hedges						
- gains recognised during the period	-	-	-	224	-	224
- transferred to net finance charges	-	-	-	(40)	-	(40)
- transferred to operating profit	-	-	-	16	-	16
- deferred tax	-	-	-	(34)	-	(34)
Share of other comprehensive income of joint venture and associated companies	(7)	-	11	227	(99)	132
Net translation differences on foreign operations	-	-	-	-	(234)	(234)
<b>Total comprehensive income for the period</b>	<b>7,922</b>	<b>208</b>	<b>(5)</b>	<b>393</b>	<b>(333)</b>	<b>8,185</b>
Acquisition of non-controlling interests	(173)	-	-	-	-	(173)
2018 second interim dividend	(2,703)	-	-	-	-	(2,703)
<b>At 30th June 2019</b>	<b>270,609</b>	<b>2,413</b>	<b>(121)</b>	<b>393</b>	<b>(134)</b>	<b>273,160</b>

- (a) The Group's revenue reserve at 30th June 2019 includes HK\$2,027 million representing the declared first interim dividend for the year (31st December 2018: HK\$2,703 million representing the second interim dividend for 2018).
- (b) At 30th June 2019, the Group's cash flow hedge reserve includes HK\$36 million (net of tax) relating to the currency basis element of the Group's derivatives which is recognised as a cost of hedging (31st December 2018: HK\$62 million).

**27. Non-controlling Interests**

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

	<u>HK\$M</u>
<b>At 1st January 2019</b>	
as originally stated	54,691
adjustment on adoption of HKFRS 16	(30)
as restated	<u>54,661</u>
Share of profits less losses for the period	1,861
Share of cash flow hedges	
- gains recognised during the period	30
- transferred to net finance charges	(3)
- deferred tax	(4)
Share of revaluation gains on property previously occupied by the Group	46
Share of other comprehensive income of joint venture and associated companies	(12)
Share of translation differences on foreign operations	(40)
<b>Share of total comprehensive income for the period</b>	<b>1,878</b>
Dividends paid and payable	(895)
Change in composition of the Group	(53)
<b>At 30th June 2019</b>	<b><u>55,591</u></b>

**28. Capital Commitments**

	30th June 2019 HK\$M	31st December 2018 HK\$M
The Group's outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	772	524
Authorised by Directors but not contracted for	1,390	1,567
Investment properties		
Contracted for	5,647	1,192
Authorised by Directors but not contracted for	9,453	14,586
	<u>17,262</u>	<u>17,869</u>
The Group's share of capital commitments of joint venture companies at the end of the period*		
Contracted for	630	497
Authorised by Directors but not contracted for	1,046	1,423
	<u>1,676</u>	<u>1,920</u>

\* of which the Group is committed to funding HK\$363 million (31st December 2018: HK\$464 million).

## 29. Contingencies

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK\$2,339 million (31st December 2018: HK\$2,285 million). Bank guarantees given in lieu of utility deposits totalled HK\$170 million at the end of the period (31st December 2018: HK\$174 million).

(b) Cathay Pacific Airways

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

The proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the relevant accounting policy.

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on Cathay Pacific. However, the European Commission's finding against Cathay Pacific and the imposition of this fine was annulled by the General Court in December 2015 and the fine of Euros 57.12 million was refunded to Cathay Pacific in February 2016. The European Commission issued a new decision against Cathay Pacific and the other airlines involved in the case in March 2017. A fine of Euros 57.12 million was imposed on Cathay Pacific, which was paid by Cathay Pacific in June 2017. Cathay Pacific filed an appeal against this latest decision, to which the Commission filed a defence. In December 2017, Cathay Pacific filed a reply to this defence. On 9th March 2018, the European Commission filed a rejoinder to Cathay Pacific's reply. The appeal hearing in the General Court took place on 5th July 2019. There is no fixed date for the General Court to issue its decision and it may be a matter of some months before it does so.

Cathay Pacific is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including the United Kingdom, Germany, the Netherlands, Norway and Korea alleging violations of applicable competition laws arising from Cathay Pacific's alleged conduct relating to its air cargo operations. Cathay Pacific is represented by legal counsel and is defending these actions.

## 30. Related Party Transactions

There are agreements for services (Services Agreements), in respect of which John Swire & Sons (H.K.) Limited (JSSHK) provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements, which commenced on 1st January 2017 for a period of three years, have been renewed for a further three years expiring on 31st December 2022. For the six months ended 30th June 2019, service fees payable amounted to HK\$158 million (2018: HK\$154 million). Expenses of HK\$157 million (2018: HK\$148 million) were reimbursed at cost; in addition, HK\$195 million (2018: HK\$181 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (Tenancy Framework Agreement) between JSSHK, the Company and Swire Properties Limited dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was renewed on 1st October 2018 for a further term of three years commencing on 1st January 2019. For the six months ended 30th June 2019, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK\$56 million (2018: HK\$51 million).



### 30. Related Party Transactions (continued)

The above transactions under the Services Agreement and the JSSHK Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

The following is a summary of significant transactions between the Group and related parties (including transactions under the JSSHK Tenancy Framework Agreement), which were carried out in the normal course of the Group's business, in addition to those transactions disclosed elsewhere in the financial statements.

		For the six months ended 30th June							
		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
		2019	2018	2019	2018	2019	2018	2019	2018
Note		HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
	Revenue from								
	Sales of beverage drinks	20	41	12	13	-	-	-	-
	Aircraft and engine maintenance	11	18	1,681	1,516	-	-	-	-
	Rendering of services	-	-	3	2	8	6	-	2
	Purchases of beverage drinks	2	4	1,649	1,666	-	-	-	-
	Purchases of other goods	2	2	47	14	-	-	-	-
	Purchases of services	33	22	3	2	2	4	-	-
	Rental revenue	-	1	2	2	-	-	56	51
	Interest income	37	39	1	8	-	-	-	-
	Interest charges	2	5	6	5	-	-	-	-

Notes:

- (a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.
- (b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- (c) Loans advanced to joint venture and associated companies are disclosed in notes 16 and 17. Amounts due from and to joint venture and associated companies are disclosed in notes 20 and 22.

### 31. Events After The Reporting Period

In May 2019, SPL entered into an agreement for the sale of the entire 50% interest in a joint venture company which holds 625 King's Road, a 26 storey office building in Hong Kong. On a 100% basis the consideration for the sale was HK\$2,375 million, subject to adjustments, and resulted in a profit on sale of approximately HK\$992 million being recorded in July 2019 when the transaction was completed.

In July 2019, Cathay Pacific completed the acquisition of 100% of the share capital of Hong Kong Express Airways Limited (Hong Kong Express), Hong Kong's only low cost carrier. Hong Kong Express currently operates a fleet of 24 modern Airbus A320, A320-neo and A321 aircraft (all held under leases) and provides scheduled air services to 27 destinations in Asia. The total consideration of HK\$4.93 billion, which comprises cash of HK\$2.25 billion and a novated loan note of HK\$2.68 billion, is subject to completion adjustments as previously announced by Cathay Pacific. Completion accounts are being prepared.

## SUPPLEMENTARY INFORMATION

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### CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code (the CG Code) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) throughout the accounting period covered by the interim 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) set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the interim 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 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

### SHARE CAPITAL

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the period.

### DIRECTORS' PARTICULARS

Changes in the particulars of the Directors are set out as follows:

1. LEE Wai Mun Rose retired as a Board member and Deputy Chairman of the Executive Committee of The Community Chest of Hong Kong (the Chest) and was appointed as Vice Patron of the Chest with effect from 27th June 2019.
2. MA Xuezheng (Mary) was appointed as an Independent Non-Executive Director of the Company with effect from 1st August 2019.

**DIRECTORS' INTERESTS**

At 30th June 2019, the register maintained under Section 352 of the Securities and Futures Ordinance (SFO) showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Properties Limited and Cathay Pacific Airways Limited:

	<u>Capacity</u>			Total no. of shares	Percentage of voting shares (comprised in the class) (%)	Note
	<u>Beneficial interest</u>					
	Personal	Family	Trust interest			
<b>Swire Pacific Limited</b>						
<u>'A' shares</u>						
P K Etchells	-	12,000	-	12,000	0.0013	
T G Freshwater	41,000	-	-	41,000	0.0045	
G R H Orr	9,000	-	-	9,000	0.0010	
<u>'B' shares</u>						
M Cubbon	100,000	-	-	100,000	0.0034	
C Lee	1,330,000	-	21,605,000	22,935,000	0.7691	1
M B Swire	-	-	56,085	56,085	0.0019	2
S C Swire	-	-	56,085	56,085	0.0019	2
<hr/>						
	<u>Capacity</u>			Total no. of shares	Percentage of issued share capital (comprised in the class) (%)	Note
	<u>Beneficial interest</u>					
	Personal	Family	Trust interest			
<b>John Swire &amp; Sons Limited</b>						
<u>Ordinary Shares of £1</u>						
M B Swire	2,671,599	130,000	17,546,068	20,347,667	20.35	2
S C Swire	1,948,381	-	21,135,992	23,084,373	23.08	2
<u>8% Cum. Preference Shares of £1</u>						
M B Swire	3,946,580	-	13,656,040	17,602,620	19.56	2
S C Swire	2,279,414	-	17,135,991	19,415,405	21.57	2

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

	Capacity			Total no. of shares	Percentage of voting shares (%)	Note
	Beneficial interest		Trust interest			
	Personal	Family				
<b>Cathay Pacific Airways Limited</b>						
<u>Ordinary Shares</u>						
M M S Low	1,000	-	-	1,000	0.00003	

## Notes:

- All the shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
- M B Swire and S C Swire are trustees and/or potential beneficiaries of trusts which held 6,222,732 ordinary shares and 9,812,656 ordinary shares respectively and 3,443,638 preference shares and 6,923,589 preference shares respectively in John Swire & Sons Limited and 56,085 'B' shares in Swire Pacific Limited included under "Trust interest" and do not have any beneficial interest in those shares.

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

**SUBSTANTIAL SHAREHOLDERS' AND OTHER INTERESTS**

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2019 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	Percentage of voting shares (comprised in the class)		Percentage of voting shares (comprised in the class)		Note
	'A' shares (%)	'B' shares (%)	'A' shares (%)	'B' shares (%)	
John Swire & Sons Limited	411,458,720	45.45	2,081,111,782	69.79	1

Note:

1. John Swire & Sons Limited (Swire) was deemed to be interested in a total of 411,458,720 'A' shares and 2,081,111,782 'B' shares of the Company at 30th June 2019, comprising:
  - (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;
  - (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
  - (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
  - (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 322,603,700 'A' shares and 117,747,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 8,040,000 'A' shares and 328,343,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 27,716,500 'A' shares held by Waltham Limited.

At 30th June 2019, the Swire group was interested in 55.12% of the equity of the Company and controlled 64.12% of the voting rights attached to shares in the Company.

#### **Interim Report**

The 2019 Interim 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](http://www.swirepacific.com) on or before 2nd September 2019. Printed copies will be sent to shareholders who have elected to receive printed copies on 3rd September 2019.

#### **Directors**

The Directors of the Company at the date of this announcement are:

Executive Directors: M.B. Swire (Chairman), I.K.L. Chu, D.P. Cogman, M.M.S. Low;

Non-Executive Directors: M. Cubbon, S.C. Swire; and

Independent Non-Executive Directors: P.K. Etchells, T.G. Freshwater, C. Lee, R.W.M. Lee, M.X.Z. Ma and G.R.H. Orr.

By Order of the Board

**Swire Pacific Limited**

Merlin Swire

*Chairman*

Hong Kong, 8th August 2019

Website: [www.swirepacific.com](http://www.swirepacific.com)

## GLOSSARY

### Terms

#### Financial

**Underlying profit** Reported profit adjusted principally for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the USA, and for 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.

#### **Recurring profit or loss**

Recurring profit or loss is the attributable profit or loss adjusted for significant credits and charges of a non-recurring nature, including gain and losses on the sale of businesses and investment properties and non-cash impairments.

#### **Recurring underlying profit or loss**

Recurring underlying profit or loss is the Recurring profit or loss adjusted principally for changes in the valuation of investment properties and the associated deferred tax impact.

**EBIT** Earnings before interest and tax.

**EBITDA** Earnings before interest, tax, depreciation and amortisation.

**Equity attributable to the Company's shareholders** Equity before non-controlling interests.

**Gross borrowings** Total of loans, bonds and overdrafts.

**Net debt** Total of loans, bonds and overdrafts net of cash, bank deposits and bank balances.

#### Aviation

**Available seat kilometres (ASK)** Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

**Available tonne kilometres (ATK)** Overall capacity, measured in tonnes available for the carriage of airline passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

**Revenue passenger kilometres (RPK)** Number of passengers carried on each sector multiplied by the sector distance.

**On-time performance** Departure within 15 minutes of scheduled departure time.

**Ratios****Financial**

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

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

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

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

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

**Aviation**

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

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

$$\text{Cost per ATK} = \frac{\text{Total operating expenses}}{\text{ATK}}$$

## FINANCIAL CALENDAR AND INFORMATION FOR INVESTORS

### Financial Calendar 2019

Interim Report available to shareholders	3rd September
'A' and 'B' shares trade ex-dividend	4th September
Share registers closed for first interim dividends entitlement	6th September
Payment of 2019 first interim dividends	4th October
Annual results announcement	March 2020
Second interim dividends payable	May 2020
Annual General Meeting	May 2020

### Registered Office

Swire Pacific Limited  
33rd Floor, One Pacific Place  
88 Queensway  
Hong Kong

### Registrars

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Website: [www.computershare.com](http://www.computershare.com)

### Depository

The Bank of New York Mellon  
BNY Mellon Shareowner Services  
P.O. Box 505000  
Louisville, KY 40233-5000  
USA

Website: [www.mybnymdr.com](http://www.mybnymdr.com)  
E-mail: [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com)  
Tel: Calls within USA – toll free: 1-888-BNY-ADRS  
International callers: 1-201-680-6825

### Stock Codes

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

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

### Auditors

PricewaterhouseCoopers

### Investor Relations

E-mail: [ir@swirepacific.com](mailto:ir@swirepacific.com)

### Public Affairs

E-mail: [publicaffairs@swirepacific.com](mailto:publicaffairs@swirepacific.com)  
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### Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to [ir@swirepacific.com](mailto:ir@swirepacific.com)

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## Disclaimer

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