SWIRE PACIFIC

Media Information

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Swire Pacific Limited Announces 2014 Annual Results

Swire Pacific Limited's consolidated profit attributable to shareholders for 2014 was HK$11,069 million, HK$2,222 million lower than in 2013. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$1,268 million or 15% to HK$9,739 million.

The increase in underlying profit reflects higher profits from the Property Division, the Cathay Pacific group and the Beverages and Trading & Industrial Divisions. There were lower profits from the HAECO group and the Marine Services Division.

Below is a summary of the 2014 annual results:

2014 Annual Results Summary

	2014 HK$M	2013 HK$M	Change %
Revenue	**61,301**	51,437	+19.2%
Profit attributable to the Company's shareholders	**11,069**	13,291	-16.7%
Underlying profit attributable to the Company's shareholders	**9,739**	8,471	+15.0%

	HK$	HK$	Change %
Earnings per share			
'A' share	**7.36**	8.83	-16.7%
'B' share	**1.47**	1.77	
Underlying earnings per share			
'A' share	**6.47**	5.63	+15.0%
'B' share	**1.29**	1.13	

	HK$	HK$	Change %
Full year dividends per share			
'A' share	**3.90**	3.50	+11.4%
'B' share	**0.78**	0.70	

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Swire Pacific Limited Group Public Affairs
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Divisional Highlights:

Property Division

- Underlying attributable profit was HK$5,841 million, an increase of 15% compared with 2013.
- Profits from property investment benefited from positive rental reversions at the office and retail properties in Hong Kong and higher rental income at TaiKoo Hui in Guangzhou and Taikoo Li Sanlitun in Beijing.
- There were higher profits from property trading, principally reflecting sales of units in the ARGENTA, MOUNT PARKER RESIDENCES and DUNBAR PLACE residential developments in Hong Kong.
- There were better performances from the hotel portfolio in Hong Kong and reduced losses from hotels in Mainland China.

Aviation Division

- Attributable profit from the Aviation Division was HK$1,822 million in 2014, compared with a profit of HK$1,627 million in 2013.
- The Cathay Pacific group's attributable profit was HK$1,418 million, an increase of 20% compared with 2013.
- Cathay Pacific's results benefited from reasonably firm passenger demand, an improvement in the air cargo market in the second half of the year and lower fuel prices in the fourth quarter (offset in part by fuel hedging losses).
- The HAECO group's attributable profit was HK$430 million, 8% lower than in 2013.
- HAECO Hong Kong's results continued to be affected by labour shortages, although the situation eased in the second half of the year.
- Hong Kong Aero Engine Services Limited's profit, including that derived from its interest in Singapore Aero Engine Services Pte. Limited, decreased due to fewer engines overhauled.
- Taikoo Engine Services (Xiamen) Company Limited recorded a significantly higher profit with more engines overhauled.
- In February 2014, the HAECO group acquired 100% of TIMCO Aviation Services, Inc., a USA based provider of aircraft technical services.

Beverages Division

- The Beverages Division recorded an attributable profit of HK$854 million in 2014.
- Excluding non-recurring profits in 2013 and 2014, attributable profit increased by 6%.
- This (underlying) increase principally reflected lower raw material costs in all territories and an improved sales mix in Mainland China.
- Overall sales volume increased by 3% to 1,044 million unit cases.
- The increase in sales volume was principally due to the assumption of new franchise territories in Colorado in the USA and modest volume growth in Mainland China.

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Marine Services Division

- The attributable profit of the Marine Services Division was HK$1,072 million, an 18% decrease from 2013.
- Profits from Swire Pacific Offshore (“SPO”) fell by 16% compared with 2013. Excluding non-recurring profits on sales of vessels, attributable profit decreased by 11%.
- SPO’s results were adversely affected by the difficult market conditions in the second half of the year caused by the significant decline in the oil price. This put pressure on charter hire rates and utilisation (in particular for the specialist fleet).
- SPO’s overall average fleet utilisation decreased by 2.3 percentage points to 86.6% while average daily charter hire rates increased by 15% to USD$30,100 reflecting the introduction of new higher specification vessels.

Trading & Industrial Division

- The attributable profit of the Trading & Industrial Division was HK$423 million, a 78% increase when compared to 2013.
- The increase principally reflects higher sales volume and non-recurring profits from Taikoo Motors, higher profits from Akzo Nobel Swire Paints and reduced losses from Campbell Swire.
- This was partly offset by lower profits from Swire Retail and higher start-up costs from Swire Pacific Cold Storage.
- In December 2014, Swire Foods acquired a 65% interest in Chongqing New Qinyuan Bakery Co. Ltd, a leading bakery chain in southwest China.

- End -

Visit Swire Pacific’s website at www.swirepacific.com

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SWIRE PACIFIC LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

2014 Final Results

2014 Final Results

	Note	2014 HK$M	2013 HK$M	Change %
Revenue		**61,301**	51,437	+19.2 %
Operating profit		**13,697**	16,686	-17.9 %
Profit attributable to the Company's shareholders		**11,069**	13,291	-16.7 %
Cash generated from operations		**16,250**	14,301	+13.6 %
Net cash outflow before financing		**(215)**	(211)	+1.9 %
Total equity (including non-controlling interests)		**262,130**	262,508	-0.1 %
Net debt		**58,624**	50,505	+16.1 %
		HK$	HK$	
Earnings per share	(a)			
'A' share		**7.36**	8.83	-16.7 %
'B' share		**1.47**	1.77	
Dividends per share				
'A' share		**3.90**	3.50	+11.4 %
'B' share		**0.78**	0.70	
Equity attributable to the Company's shareholders per share	(a)			
'A' share		**145.40**	146.41	-0.7 %
'B' share		**29.08**	29.28	

Underlying Profit and Equity		**HK$M**	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(b)	**9,739**	8,471	+15.0 %
		HK$	HK$	
Underlying earnings per share	(a)			
'A' share		**6.47**	5.63	+15.0 %
'B' share		**1.29**	1.13	
Underlying equity attributable to the Company's shareholders per share	(a),(b)			
'A' share		**150.23**	150.74	-0.3 %
'B' share		**30.05**	30.15	

Notes:

(a) Refer to note 7 in the financial statements for the weighted average number of shares.
(b) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 55.

Chairman's Statement

Our consolidated profit attributable to shareholders for 2014 was HK$11,069 million, HK$2,222 million lower than in 2013. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$1,268 million or 15% to HK$9,739 million.

This increase in underlying profit reflects higher profits from the Property Division, the Cathay Pacific group and the Beverages and Trading & Industrial Divisions. There were lower profits from the HAECO group and the Marine Services Division.

The Economic Background in 2014

The global economy recorded reasonable overall growth in 2014. After a weak start to the year, the USA exhibited good growth. Rising employment benefited the economy. Economic conditions in Europe continued to be weak, although the UK did better than the Eurozone. In Asia, there was a slowdown in the growth of China's economy. Consumer spending in Hong Kong was adversely affected by central government measures in Mainland China and by Occupy Central. The oil price declined significantly in the second half of the year. This reduced fuel costs for our airlines but caused our airlines to suffer significant hedging losses and put pressure on oil and gas companies, which adversely affected our Marine Services Division.

Operating Performance

The attributable underlying profit from the Property Division increased by 15% to HK$5,841 million. The increase in underlying profit principally reflects higher income from retail and office investment properties in Hong Kong and Mainland China and higher trading profits from the sale of luxury residential properties in Hong Kong. There were positive rental reversions at the investment property portfolio in Hong Kong and there was higher rental income from investment properties in Mainland China.

The Property Division's net investment property valuation gain in 2014, before deferred tax in Mainland China, was HK$3,134 million, compared to a net gain in 2013 of HK$6,946 million.

The Aviation Division recorded an attributable profit of HK$1,822 million in 2014, compared to a profit of HK$1,627 million in 2013.

The Cathay Pacific group contributed a profit of HK$1,418 million, an increase of 20% compared with 2013. The first half of 2014 was affected by high fuel prices, reduced passenger yield and continued weakness and over-capacity in the air cargo market. For the full year, passenger demand was reasonably firm, with high demand during the peak summer and Christmas periods. After a prolonged period of weakness, cargo demand started to improve in the summer of 2014 and was strong in the fourth quarter. The business benefited from lower fuel prices in the final three months of the year, but this was partially offset by fuel hedging losses. Significant unrealised hedging losses also caused a reduction in the consolidated net assets of Cathay Pacific. Our share of these hedging losses (amounting to HK$5,611 million) was reflected in our consolidated net assets.

The HAECO group's profit attributable to shareholders in 2014 was HK$430 million, a decrease of 8% compared with 2013. The group did more airframe work than in the prior year, principally due to the acquisition of TIMCO Aviation Services, Inc. (now known, with its intermediate holding company, as HAECO Americas) in February 2014. HAECO Americas recorded a loss in 2014 due to the costs of reducing the size of a seat manufacturing facility and the financing costs associated with the acquisition. Demand for the group's line services was stable. The group overhauled fewer engines compared with 2013, mainly due to the retirement of older aircraft types.

Chairman's Statement (continued)

The Beverages Division recorded an attributable profit of HK$854 million in 2014, an increase of 6% compared to 2013. Excluding non-recurring profits in 2013 and 2014, attributable profit was HK$776 million, a 6% increase from 2013. This increase principally reflected lower raw material costs in all territories and modest volume growth and an improved sales mix in Mainland China. Overall sales volume increased by 3% to 1,044 million unit cases, compared with an increase of 2% in 2013. The increase was principally due to the assumption of new franchise territories in Colorado in the USA.

The Marine Services Division reported an attributable profit of HK$1,072 million, a decrease of 18% compared to 2013. At SPO, results were adversely affected by the difficult market conditions in the second half of the year caused by the significant decline in the oil price. This put pressure on charter hire rates and utilisation (in particular for the specialist fleet).

Attributable profit from the Trading & Industrial Division in 2014 increased by 78% to HK$423 million. The increase principally reflects higher sales volume and non-recurring profits from Taikoo Motors, higher profits from Akzo Nobel Swire Paints and reduced losses from Campbell Swire. This was partly offset by lower profits from Swire Retail and higher start-up costs from Swire Pacific Cold Storage.

Finance

The Group continues to finance itself prudently. Gearing increased by 3 percentage points to 22%. Cash and undrawn committed facilities were HK$23,876 million at 31st December 2014, compared with HK$30,806 million at 31st December 2013.

In 2014, we raised HK$14,379 million of new finance. This principally comprised HK dollar, US dollar and Renminbi bank loans and the issue of three HK dollar denominated medium-term notes under the Group's medium-term note programmes.

Net debt at 31st December 2014 was HK$58,624 million, an increase of HK$8,119 million since 31st December 2013. The increase principally reflects investments in property projects and new vessels for SPO and investments in subsidiary and joint venture companies.

Economic Outlook

Prospects for the US economy are good as rising employment should result in further growth in consumption. If sustained, the lower oil price should also benefit the US economy. Economic growth in Europe is expected to continue to be weak. The outlook for the Asian region is reasonably good. The growth of the Mainland China economy has been slowing for some time, but is expected to remain robust by international standards. This will continue to benefit Hong Kong. The principal uncertainty facing developing markets is the timing and effect of interest rate rises in the USA.

Sustainable Development

Sustainable development continues to be a key strategic objective of the Group. It helps to create long-term value for shareholders by safeguarding natural resources, supporting the communities in which we operate, concentrating on health and safety and on our staff and their well-being (and that of others with whom we engage) and encouraging our suppliers to maintain sustainability standards similar to our own.

Chairman's Statement (continued)

Prospects
Demand for office space in Hong Kong is likely to remain subdued. Rents in the Central district of Hong Kong will remain under pressure. Pacific Place, however, has no major leases expiring in 2015. At Taikoo Place and Cityplaza, rents are expected to remain resilient owing to high occupancy. In Beijing and Guangzhou, office rents are expected to be under pressure as a substantial supply of new space becomes available.

Demand for luxury goods in Hong Kong has weakened, but overall retail sales in Hong Kong are expected to grow modestly in 2015. Demand for retail space at prime locations is expected to remain high. In Guangzhou and Beijing, demand for luxury goods has weakened but that for mid-price products is expected to grow satisfactorily. In Chengdu, the retail market is expected to grow steadily in 2015.

In Hong Kong, there is demand for luxury residential properties but there are not many transactions. Profits from property trading are still expected to be significant in 2015, with the completion of the sale of units at pre-sold and completed residential developments in Hong Kong and the completion of the sale of the pre-sold office tower at the Daci Temple project in Mainland China.

The improvement in the business of the Cathay Pacific group in 2014 has continued in the first quarter of this year and we are positive about the overall prospects for 2015. Demand in the cargo business continues to improve and is currently being helped by the congestion in sea ports on the West Coast of the United States. Our airlines continue to benefit from the lower net fuel price. The associated companies of Cathay Pacific are also benefiting from these positive factors. While there is growing competition in the passenger business, which makes it harder to maintain yield, overall demand remains strong and the outlook is positive. The Cathay Pacific group's financial position remains strong, which will enable it to continue its long-term strategic investment in the business and its commitment to reinforcing Hong Kong's position as one of the world's premier aviation hubs.

HAECO Hong Kong's airframe services capacity in 2015 is expected to increase as the training of new recruits progresses. Demand for HAECO Americas' airframe services is expected to weaken. Demand for Taikoo (Xiamen) Aircraft Engineering Company Limited ("HAECO Xiamen")'s airframe services is expected to improve. The engine overhaul business is expected to continue to be adversely affected by the retirement of older engine types.

Swire Beverages' results in 2015 are likely to be better than those in 2014 due to the inclusion of full-year results from the franchise territories in the USA assumed in 2014. In Mainland China, sales volume growth is expected, but rising staff costs are likely to put pressure on margins. The outlook for the Hong Kong business is good due to its established market position. The USA is expected to benefit from the assumption of the new franchise territories and from sales volume growth in the existing territories.

The offshore oil and gas industry is suffering from a low oil price and consequent pressure on the exploration and production budgets of oil companies. In the short term, the low oil price is expected to reduce exploration activities, which is likely to affect SPO's results adversely. However, SPO has confidence in the industry's long-term prospects. Past trends indicate that oil prices do not stay low indefinitely and that a recovery in the oil price is followed by a recovery in exploration.

Results from the Trading & Industrial Division are likely to be lower than in 2014, principally due to the absence of significant non-recurring profits from Taikoo Motors. The division will continue to be affected by the cost of new business development.

We believe that our strategy of seeking sustainable growth in shareholder value over the long-term in a broad range of businesses will continue to be successful.

Chairman's Statement (continued)

Dividends
The Directors have declared second interim dividends of HK$2.80 per 'A' share and HK$0.56 per 'B' share which, together with the first interim dividends of HK$1.10 per 'A' share and HK$0.22 per 'B' share paid in October 2014, amount to full year dividends of HK$3.90 per 'A' share and HK$0.78 per 'B' share, compared to full year dividends of HK$3.50 per 'A' share and HK$0.70 per 'B' share in respect of 2013. The second interim dividends will be paid on 8th May 2015 to shareholders registered at the close of business on the record date, being Friday, 17th April 2015. Shares of the Company will be traded ex-dividend from Wednesday, 15th April 2015.

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

By Order of the Board
SWIRE PACIFIC LIMITED
John Slosar
Chairman
Hong Kong, 19th March 2015

REVIEW OF OPERATIONS

PROPERTY DIVISION

OVERVIEW OF THE BUSINESS

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

Property Investment:

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 13.5 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.9 million square feet on completion. Of this, 7.0 million square feet has already been completed. In the USA, Swire Properties is the primary developer undertaking a mixed-use commercial development at Brickell City Centre in Miami, Florida. On completion after two phases of development, Brickell City Centre is expected to comprise approximately 4.0 million square feet (6.4 million square feet including car park and circulation areas). Swire Properties was responsible for the redevelopment of OPUS HONG KONG at 53 Stubbs Road, which is owned by Swire Pacific, and is responsible for the leasing and management of the property.

Hotel Investment:

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST, Hong Kong at 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 two hotels, The Opposite House at Taikoo Li Sanlitun in Beijing, which is wholly-owned by Swire Properties, and EAST at INDIGO, Beijing, in which Swire Properties owns a 50% interest. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental. In the UK, Swire Properties wholly-owns four hotels, in Cheltenham, Bristol, Brighton and Exeter. In the USA, Swire Properties owns a 75% interest in the Mandarin Oriental in Miami.

Property Trading:

Swire Properties' trading portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), two residential towers under development at the Brickell City Centre development in Miami, a completed office property (Pinnacle One) at the Daci Temple project in Chengdu and the remaining units at completed residential developments. These completed developments include the ARGENTA, AZURA, DUNBAR PLACE and MOUNT PARKER RESIDENCES developments in Hong Kong. There are also land banks in Miami and Fort Lauderdale in Florida in the USA.

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

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

Location	At 31st December 2014						At 31st December 2013
	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	-	3,836	3,836
Taikoo Place	5,451 *	12	-	63	-	5,526	5,257
Cityplaza	1,633	1,105	200	-	-	2,938	2,938
Others	410	608	47	87	-	1,152	1,163
- Hong Kong	9,680	2,436	743	593	-	13,452	13,194
Taikoo Li Sanlitun	-	1,296	169	-	-	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	-	3,841	3,841
INDIGO	298	470	179	-	-	947	947
Daci Temple	-	613	-	-	-	613	-
Others	-	91	-	-	-	91	91
- Mainland China	2,030	3,943	932	52	-	6,957	6,344
- USA	-	-	259	-	-	259	259
- UK	-	-	208	-	-	208	208
Total completed	11,710	6,379	2,142	645	-	20,876	20,005
Under and pending development							
- Hong Kong	1,766	-	-	-	92	1,858	1,722
- Mainland China	926	539	377	54	-	1,896	2,454
- USA	260	490	218	109	1,300	2,377	2,452
Total	14,662	7,408	2,737	808	1,392	27,007	26,633

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 table above does not reflect changes in gross floor area consequent upon the acquisition by Swire Properties of the Hong Kong Government's interest in Cornwall House, which is expected to be completed by 30th December 2016.

* Includes 894,000 square feet at two techno-centres (Warwick House and Cornwall House).

STRATEGY:

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

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

2014 PERFORMANCE

Property Division – Financial Highlights

	2014 HK$M	2013 HK$M
Revenue		
Gross rental income derived from		
Office	**5,707**	5,386
Retail	**4,260**	3,961
Residential	**353**	329
Other revenue *	**136**	110
Property investment	**10,456**	9,786
Property trading	**3,842**	2,207
Hotels	**1,089**	942
Total revenue	**15,387**	12,935
Operating profit/(loss) derived from		
Property investment	**7,870**	7,309
Valuation gains on investment properties	**1,942**	6,141
Property trading	**1,180**	1,035
Hotels	**(22)**	(65)
Total operating profit	**10,970**	14,420
Share of post-tax profits from joint venture and associated companies	**1,604**	948
Attributable profit	**9,495**	12,448
Swire Pacific share of attributable profit	**7,786**	10,207

* Other revenue is mainly estate management fees.

Property Division – Sustainable Development Highlights

	2014	2013
Energy intensity (kWh per sqm)	**139**	144
LTIR	**1.95**	2.29

Note: Energy intensity disclosed above relates to investment properties in Hong Kong and Mainland China. Energy intensity includes electricity consumed in the common areas of buildings and by building air conditioning systems. It generally excludes electricity consumed by tenants through their own connections to the electricity grid.

Property Division – Reconciliation of Attributable to Underlying Profit

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

	Note	**2014 HK$M**	2013 HK$M
Reported attributable profit		**9,495**	12,448
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(3,134)**	(6,946)
Deferred tax on investment properties	(b)	**710**	573
Realised profit on sale of investment properties	(c)	**29**	94
Depreciation of investment properties occupied by the Group	(d)	**23**	20
Non-controlling interests' share of revaluation movements less deferred tax		**1**	19
Underlying attributable profit		**7,124**	6,208
Swire Pacific share of underlying attributable profit		**5,841**	5,091

Notes:

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

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

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

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

PROPERTY INDUSTRY BACKGROUND

Office and Retail:

Hong Kong:

Office
Demand for office space was generally weak in 2014, particularly from financial institutions.

Retail
Demand for retail space in Hong Kong continued to be robust in 2014 although retail sales were affected by changes in the pattern of spending by tourists from Mainland China and by Occupy Central.

Mainland China:

Office
In Guangzhou, despite substantial new supply, rents were firm in 2014 on account of high occupancy. In Beijing, rents were firm in 2014. This reflected good demand for decentralised office space.

Retail
Overall, retail sales in Guangzhou and Beijing increased by 11% and 19% respectively. Sales of mid-priced products were strong and rents increased as limited space was available at prime locations. However, retailers of luxury goods were cautious about taking more space because of weak sales.

Property Sales Markets:
In Hong Kong, there is demand for luxury residential properties, but there are not many transactions.

In the USA, the residential property market in urban Miami was strong in 2014.

2014 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$7,786 million compared to HK$10,207 million in 2013. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$3,134 million and HK$6,946 million in 2014 and 2013 respectively. Underlying profit, which principally adjusts for changes in the valuation of investment properties, increased by HK$750 million to HK$5,841 million.

The increase in underlying profit principally reflects higher income from retail and office investment properties and higher trading profits from the sale of luxury residential properties in Hong Kong.

Gross rental income was HK$10,320 million in 2014, an increase of 7% compared with 2013. There were positive rental reversions at the office and retail properties in Hong Kong. In Mainland China, there was higher rental income at TaiKoo Hui and Taikoo Li Sanlitun.

Operating profit from property trading increased in 2014, principally because more units were sold at Hong Kong residential developments. Profits were also recognised on sales of units at Swire Properties' 50%-owned DUNBAR PLACE residential joint venture development.

There were better performances in 2014 from the hotels in Hong Kong and the UK. The hotels in Mainland China recorded reduced losses.

KEY CHANGES TO THE PROPERTY PORTFOLIO

In January 2014, Swire Properties acquired 50% of DCH Commercial Centre, an office building with a gross floor area of approximately 389,000 square feet in Quarry Bay, Hong Kong. The building was renamed Berkshire House in July 2014.

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

In February 2014, Swire Properties completed the purchase of a 20% interest in Taikoo Li Sanlitun from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, following the exercise of an option by GCA to sell its interest in Taikoo Li Sanlitun to Swire Properties. This transaction resulted in Taikoo Li Sanlitun becoming wholly-owned by Swire Properties.

In February 2014, Swire Properties entered into an agreement with the Hong Kong Government to acquire the latter's interest in Cornwall House in Taikoo Place, Hong Kong. The transaction is expected to be completed on or before 30th December 2016. The acquisition allows Swire Properties to proceed with the redevelopment of three existing techno-centres in Taikoo Place into two Grade-A office buildings.

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

In October 2014, Sino-Ocean Taikoo Li Chengdu, a shopping complex jointly developed with Sino-Ocean Land in Chengdu, Mainland China, started to open. The development consists of more than 1,226,000 square feet of gross floor area.

INVESTMENT PROPERTIES

Hong Kong

Office

Swire Properties' completed office portfolio comprises 9.7 million square feet of space in Hong Kong, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza in Taikoo Shing and 5.5 million square feet at Taikoo Place in Quarry Bay.

Swire Properties has office tenants in Hong Kong operating in different sectors. The top ten office tenants occupied approximately 23% of its office space in Hong Kong at 31st December 2014. Approximately 26% of its office space in Hong Kong is occupied by companies in the financial services sector.

Gross rental income from the Hong Kong office portfolio for 2014 increased by 5% from 2013, to HK$5,355 million. The Hong Kong office portfolio performed well in 2014. Rental income grew as a result of positive reversions. Occupancy at most of the office portfolio was high. At 31st December 2014, the office portfolio was 97% let.

Pacific Place

The offices at One, Two and Three Pacific Place performed reasonably well in 2014. The occupancy rate was 94% at 31st December 2014.

Cityplaza

Cityplaza One, Three and Four performed well in 2014. The occupancy rate was 100% at 31st December 2014.

Taikoo Place

There are seven office towers at Taikoo Place (including PCCW Tower, in which Swire Properties has a 50% interest). The occupancy rate (excluding One Island East) was 98% at 31st December 2014.

One Island East, Swire Properties' landmark property in Taikoo Place, had an occupancy rate of 98% at 31st December 2014.

The remaining Techno Centres in Taikoo Place performed strongly in 2014 despite the fact that their redevelopment will start at the end of 2016. At 31st December 2014, the occupancy rate at Cornwall House and Warwick House was 100%.

Others

The remaining space at 28 Hennessy Road was leased in 2014 and the occupancy rate was 100% at 31st December 2014.

The occupancy rate at Berkshire House in Quarry Bay at 31st December 2014 was 87%.

Retail

Swire Properties manages three retail malls in Hong Kong: The Mall at Pacific Place, comprising 0.7 million square feet; Cityplaza in Taikoo Shing, comprising 1.1 million square feet; and Citygate Outlets at Tung Chung, comprising 0.5 million square feet (on a 100% basis). The malls are wholly-owned by Swire Properties, except for Citygate Outlets, in which it has a 20% interest. There are other minor retail interests in Hong Kong.

The Hong Kong retail portfolio's gross rental income for 2014 increased by 3% compared with 2013, to HK$2,705 million. This reflected positive rental reversions. The Group's wholly-owned malls were effectively fully let throughout the year.

Retail sales at The Mall, Pacific Place fell by 6% in 2014, reflecting weaker spending by tourists from Mainland China and, in the last quarter, the effects of Occupy Central. Retail sales at Cityplaza were stable despite incidental disruption and shop closures during an enhancement project. Retail sales at Citygate Outlets were 5% higher in 2014 than in 2013.

Residential

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

TAIKOO PLACE APARTMENTS is expected to open in the third quarter of 2015. The development comprises 111 serviced apartments with a gross floor area of approximately 63,000 square feet.

Occupancy at Pacific Place Apartments was approximately 89% at 31st December 2014. There was good demand for fully furnished suites, particularly in the second half of 2014.

Five units at OPUS HONG KONG had been leased at 31st December 2014. Two units were sold during the year.

Investment Properties under Development

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

The commercial site (New Kowloon Inland Lot No. 6312) at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate gross floor area of approximately 555,000 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2017.

Somerset House in Taikoo Place has been demolished and will be redeveloped into a 50-storey office building with a gross floor area of approximately 1,020,000 square feet. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House into an office building) is being planned. The redevelopment will include a landscaped square of approximately 69,000 square feet.

Building design is in progress at the 8-10 Wong Chuk Hang Road site. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

Mainland China

Swire Properties owns and manages four developments in Mainland China.

Taikoo Li Sanlitun comprises two neighbouring sites in the Chaoyang district of Beijing, Taikoo Li Sanlitun South (with 0.8 million square feet of retail space) and Taikoo Li Sanlitun North (with 0.5 million square feet of retail space). Taikoo Li Sanlitun South concentrates on contemporary fashion and lifestyle brands. Tenants at Taikoo Li Sanlitun North are principally retailers of international and local designer fashion brands.

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

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

Daci Temple is a retail-led mixed-use development in the Jinjiang District of Chengdu, with a total area of 2.9 million square feet. It consists of a retail complex (named Sino-Ocean Taikoo Li Chengdu), a boutique hotel (named The Temple House) with 100 guest rooms and 42 serviced apartments and a Grade A office tower (named Pinnacle One). The development will be accessible from the Chengdu metro.

Retail

The Mainland China retail portfolio's gross rental income for 2014 increased by 15% compared with 2013, to HK$1,555 million.

The occupancy rate was 95% at Taikoo Li Sanlitun at 31st December 2014. Retail sales grew by 19%.

The occupancy rate at TaiKoo Hui was 99% at 31st December 2014. Retail sales at the shopping mall increased by 11% in 2014. Retailers of 39 new brands became tenants, 21 of them opening shops for the first time in Guangzhou.

Occupancy at the mall at INDIGO was 95% at 31st December 2014 and 93% of the shops were open. Retail sales increased by 66% in 2014.

Sino-Ocean Taikoo Li Chengdu started to open on 31st October 2014. Gucci, Hermes, Muji, Fangsuo, Ole and Zara shops have opened. At 31st December 2014, tenants had committed (including by way of letters of intent) to take 83% of the space at the development.

Office

The Mainland China office portfolio's gross rental income for 2014 increased by 23% compared with 2013, to HK$331 million.

The TaiKoo Hui and ONE INDIGO offices were 100% leased at 31st December 2014.

Investment Properties under Development

Foundation work has been completed at the Dazhongli site in Shanghai. Work on the basement and above ground construction of the two office towers, one of the hotels and the shopping mall is in progress. The development is expected to open in phases from 2016.

USA

Brickell City Centre is a mixed-use development in the Brickell financial district of Miami, Florida. It has a site area of 504,000 square feet.

Phase I of the development consists of a shopping centre, a hotel and serviced apartments (to be operated by EAST), two office buildings and two residential towers. At 31st December 2014, Swire Properties owned 100% of the office, hotel and residential portions and 86.5% of the retail portion of the development, with a 13.5% interest in the retail portion being owned by Bal Harbour Shops. Bal Harbour Shops has an option, exercisable from the fifth anniversary of the grand opening date of the retail portion of the development, to sell its interest to Swire Properties.

The residential towers are being developed for sale. Construction work on Phase I commenced in 2012, with completion scheduled by the end of 2015. A light rail system station within the site is being renovated as part of the development.

Phase II of the development is planned to consist of an 80-storey mixed-use tower comprising retail, office, hotel and residential space. The tower will utilise the site at 700 Brickell Avenue acquired by Swire Properties in July 2013. Development of this site will connect the Brickell City Centre development with Brickell Avenue.

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2014 (95% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$220,634 million compared to HK$216,239 million at 31st December 2013 and HK$218,988 million at 30th June 2014.

The change in the valuation of the investment property portfolio since 31st December 2013 principally reflects higher rental income at the retail malls in Hong Kong and Mainland China.

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

Hong Kong Lease Expiry Profile - at 31st December 2014

% of the total rental income attributable to the Group for the month ended 31st December 2014	2015	2016	2017 and beyond
Office	10.3	21.2	68.5
Retail	21.2	23.7	55.1

Audited financial information **Investment Properties**	**Group**			**Company**
	Completed **HK$M**	**Under Development** **HK$M**	**Total** **HK$M**	**Total** **HK$M**
At 1st January 2014	**195,533**	**20,706**	**216,239**	**4,100**
Translation differences	**(574)**	**(24)**	**(598)**	**-**
Additions	**404**	**3,932**	**4,336**	**17**
Disposals	**(853)**	**(1)**	**(854)**	**(853)**
Transfer to properties held for development	**-**	**(146)**	**(146)**	**-**
Transfer upon completion	**1,270**	**(1,270)**	**-**	**-**
Other net transfers to property, plant and equipment	**(270)**	**11**	**(259)**	**-**
Other net transfers	**19**	**1**	**20**	**-**
Fair value gains/(losses)	**1,484**	**412**	**1,896**	**(46)**
	197,013	**23,621**	**220,634**	**3,218**
Add: Initial leasing costs	**235**	**-**	**235**	**-**
At 31st December 2014	**197,248**	**23,621**	**220,869**	**3,218**
At 1st January 2013	192,991	12,282	205,273	4,396
Translation differences	676	5	681	-
Additions	216	4,692	4,908	-
Disposals	-	(96)	(96)	-
Transfer upon completion	1,238	(1,238)	-	-
Transfer to redevelopment	(5,494)	5,494	-	-
Other net transfers from property, plant and equipment	(37)	(335)	(372)	-
Fair value gains/(losses)	5,943	(98)	5,845	(296)
	195,533	20,706	216,239	4,100
Add: Initial leasing costs	285	-	285	-
At 31st December 2013	195,818	20,706	216,524	4,100

Geographical Analysis of Investment Properties	**Group**		**Company**	
	2014 **HK$M**	2013 HK$M	**2014** **HK$M**	2013 HK$M
Held in Hong Kong				
On medium-term leases (10 to 50 years)	**29,785**	29,349	**-**	-
On long-term leases (over 50 years)	**162,535**	160,795	**3,218**	4,100
	192,320	190,144	**3,218**	4,100
Held in Mainland China				
On medium-term leases (10 to 50 years)	**25,077**	24,439		
Held in USA				
Freehold	**3,237**	1,656		
	220,634	216,239		

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

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

HOTELS

In 2014, Swire Properties' hotels in Hong Kong performed well. Those in Mainland China were adversely affected by new hotels being opened and a drop in the number of international arrivals but still recorded reduced losses.

There are three managed hotels under development, The Temple House in Chengdu, EAST hotel in Miami and a hotel at Dazhongli in Shanghai. The Temple House is the hotel portion of the Daci Temple project and is expected to open in the first half of 2015. EAST, Miami is part of Phase I of the Brickell City Centre development. This hotel is expected to open in the second half of 2015.

The performance of the non-managed hotels in Hong Kong and the USA was stable in 2014. The Mandarin Oriental, Guangzhou, which opened in 2013, has established itself as a leading luxury hotel in Guangzhou. Occupancy and room rates increased in 2014.

CAPITAL EXPENDITURE AND COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

Capital expenditure in 2014 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, was HK$4,657 million (2013: HK$4,359 million). Outstanding capital commitments at 31st December 2014 were HK$17,497 million (31st December 2013: HK$20,291 million), including the Group's share of capital commitments of joint venture companies of HK$1,418 million. The Group is committed to funding HK$1,017 million of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2014 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, was HK$2,272 million (2013: HK$1,500 million). Outstanding capital commitments at 31st December 2014 were HK$4,646 million (2013: HK$6,313 million), including the Group's share of the capital commitments of joint venture companies of HK$4,051 million (2013: HK$5,577 million). The Group is committed to funding HK$1,617 million (31st December 2013: HK$1,083 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2014 on USA and other investment properties and hotels was HK$2,051 million (2013: HK$1,237 million). Outstanding capital commitments at 31st December 2014 were HK$1,997 million (2013: HK$2,850 million).

Profile of Capital Commitments for Investment Properties and Hotels

(HK$M)	Expenditure	Forecast year of expenditure				Commitments *
	2014	2015	2016	2017	2018 and later	**At 31st Dec 2014**
Hong Kong	**4,657**	1,564	4,122	4,030	7,781	**17,497**
Mainland China	**2,272**	1,955	1,620	244	827	**4,646**
USA and others	**2,051**	1,707	290	-	-	**1,997**
Total	**8,980**	5,226	6,032	4,274	8,608	**24,140**

* The capital commitments represent 100% of the Group's capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies. The Group is committed to funding HK$2,634 million of the capital commitments of joint venture companies.

Sustainable Development

Energy intensity decreased by 3% in 2014. Energy inefficient air-conditioning and lighting was replaced by more energy efficient air-conditioning and lighting.

Lost time injury rates decreased by 15% in 2014. There were fewer injuries in Hong Kong and Mainland China.

PROPERTY TRADING

Audited financial information

Property Trading Portfolio at Cost	Group	
	2014	2013
	HK$M	HK$M
Properties held for development		
Freehold land	**794**	706
Development cost	**126**	-
	920	706
Properties for sale		
Completed properties - development costs	**345**	1,441
Completed properties - freehold land	**1**	1
Completed properties - leasehold land	**171**	1,247
Properties under development - development costs	**4,005**	2,076
Freehold land under development for sale	**350**	175
Leasehold land under development for sale	**3,069**	3,042
	7,941	7,982

Hong Kong

Residential Developments in Mid-Levels West

Swire Properties is the developer of four sites in Mid-Levels West, a residential district on Hong Kong Island.

The AZURA development was completed in 2012. At 17th March 2015, 122 out of the 126 units had been sold. The profit from the sale of three units was recognised in 2014. Swire Properties has an 87.5% interest in this development.

The ARGENTA development was completed in 2013. At 17th March 2015, 27 out of the 30 units had been sold. The profit from the sale of 15 units was recognised in 2014. ARGENTA is wholly-owned by Swire Properties.

Presales of units at the AREZZO development commenced in September 2014 and 79 of the 127 units had been presold at 17th March 2015. Superstructure work was completed and the occupation permit was issued in January 2015. Handover to purchasers is expected in the second quarter of 2015. The profit from the presold units is expected to be recognised in 2015. AREZZO is wholly-owned by Swire Properties.

Superstructure work is in progress at 100 Caine Road (formerly known as 2 Castle Road) and the development is expected to be completed in 2016 and available for handover to purchasers in 2017. The development consists of a 50-storey tower of 197 residential units and 43 car parking spaces. The development is wholly-owned by Swire Properties.

MOUNT PARKER RESIDENCES, Quarry Bay

Swire Properties has an 80% interest in MOUNT PARKER RESIDENCES, a residential development in Quarry Bay. The development was completed in April 2014 and handover to purchasers commenced in May 2014. 86 of the 92 units had been sold at 17th March 2015. The profit from the sale of 82 units was recognised in 2014.

DUNBAR PLACE, Ho Man Tin

DUNBAR PLACE is a residential development in Ho Man Tin, Kowloon. Swire Properties has a 50% interest in the development. The development was completed in December 2013 and handover to purchasers commenced in January 2014. 52 of the 53 units had been sold at 17th March 2015. The profit from the sale of all of these units was recognised in 2014.

160 South Lantau Road, Cheung Sha

Two adjacent residential sites at Cheung Sha, on Lantau Island, are being developed into 28 detached houses. The development is expected to be completed and available for handover to purchasers in the second half of 2015.

Mainland China

Construction of the Grade A office tower at the Daci Temple project in Chengdu, named Pinnacle One, was completed in December 2014. Approximately 1,150,000 square feet (representing approximately 89% of the office's total gross floor area) and 350 car parking spaces were presold in August 2013. The tower is expected to be handed over and profits are expected to be recognised in 2015.

USA

The residential portion of Phase I of the Brickell City Centre development is being developed for trading purposes. There will be 780 units in two towers.

Swire Properties started to sell units in Reach (the north tower) in June 2014 and units in Rise (the west tower) in November 2014. 304 units in Reach and 65 units in Rise had been sold at 17th March 2015. 22 of the buyers had unexpired statutory rights of rescission. The development is expected to be completed and available for handover to purchasers from late 2015.

OUTLOOK

Office and Retail:

Hong Kong:

Office

Demand for office space, particularly from the financial sector, is likely to remain subdued. As a result, rents will be under pressure in the Central district of Hong Kong. Pacific Place, however, has no major leases expiring in 2015 and occupancy rates are expected to remain stable. At Taikoo Place and Cityplaza, rents are expected to remain resilient owing to high occupancy.

Retail

Demand for luxury goods in Hong Kong has weakened. But overall retail sales in Hong Kong are expected to grow modestly in 2015. Demand for retail space at prime locations and well-managed shopping malls is expected to remain high.

Mainland China:

Retail

In Guangzhou and Beijing, demand for luxury goods has weakened but that for mid-price products is expected to grow satisfactorily. Retailers are cautious about expanding. In Chengdu, the retail market is expected to grow steadily in 2015, reflecting demand from consumers for international and local branded goods.

Office

In Guangzhou and Beijing, office rents are expected to be under pressure in 2015 as a substantial supply of new office space becomes available.

Hotels:

The performance of the hotels in Hong Kong is expected to be stable in 2015. Trading conditions for the hotels in Mainland China are expected to remain difficult because of oversupply.

Property Trading:

Hong Kong:

In Hong Kong, there is demand for luxury residential properties but there are not many transactions. Profits from property trading are still expected to be significant in 2015, with the completion of the sale of pre-sold units in the AREZZO development, the sales of completed houses at the 160 South Lantau Road development and sales of remaining units at other completed residential developments.

Mainland China:

Profits are expected on completion of the sale of the presold office tower (Pinnacle One) at the Daci Temple project in Chengdu in Mainland China.

USA:

The residential property market in urban Miami was strong in 2014. While demand remains strong, there has been a marked increase in competitive supply since early 2015.

Guy Bradley

REVIEW OF OPERATIONS

AVIATION DIVISION

OVERVIEW OF THE BUSINESS

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

The Cathay Pacific group:
The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiary Dragonair, its 60%-owned subsidiary AHK Air Hong Kong Limited ("Air Hong Kong"), an associate interest in Air China and an interest in Air China Cargo Co., Ltd. ("Air China Cargo"). Cathay Pacific has interests in companies providing flight catering and ramp and cargo handling services, and owns and operates a cargo terminal at Hong Kong International Airport. It is listed on The Stock Exchange of Hong Kong Limited.

Cathay Pacific offers scheduled passenger and cargo services to 203 destinations in 50 countries and territories. At 31st December 2014, it operated 147 aircraft and had 79 new aircraft due for delivery up to 2024.

Dragonair is a regional airline registered and based in Hong Kong. It operates 41 aircraft on scheduled services to 52 destinations in Mainland China and elsewhere in Asia.

Cathay Pacific owns 20.13% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in Mainland China. At 31st December 2014, Air China operated 225 domestic and 97 international, including regional, routes. Cathay Pacific has a cargo joint venture with Air China, which operated 12 freighters at 31st December 2014 and carries cargo in the bellies of Air China's passenger aircraft.

Air Hong Kong, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express, the remaining 40% shareholder, to 12 Asian cities. At 31st December 2014, Air Hong Kong operated ten Airbus A300-600F freighters and three Boeing 747-400BCF converted freighters.

Cathay Pacific and its subsidiaries employ more than 32,900 people worldwide (around 25,400 of them in Hong Kong).

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

Engine overhaul work is performed by HAECO's joint venture company Hong Kong Aero Engine Services Limited ("HAESL"), by HAESL's joint venture company Singapore Aero Engine Services Pte. Limited ("SAESL"), by HAECO's subsidiary Taikoo Engine Services (Xiamen) Company Limited ("TEXL") and by HAECO Americas. 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 ("HAECO ITM"), an inventory technical management joint venture with Cathay Pacific in Hong Kong.

HAECO is listed on The Stock Exchange of Hong Kong Limited.

STRATEGY:

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

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

Aviation Division – 2014 Performance

Cathay Pacific and Dragonair

		2014	2013	Change
Available tonne kilometres ("ATK")	*Million*	**28,440**	26,259	+8.3%
Available seat kilometres ("ASK")	*Million*	**134,711**	127,215	+5.9%
Passenger revenue	*HK$M*	**75,734**	71,826	+5.4%
Revenue passenger kilometres ("RPK")	*Million*	**112,257**	104,571	+7.4%
Revenue passengers carried	*'000*	**31,570**	29,920	+5.5%
Passenger load factor	*%*	**83.3**	82.2	+1.1%pt
Passenger yield	*HK¢*	**67.3**	68.5	-1.8%
Cargo revenue – group	*HK$M*	**25,400**	23,663	+7.3%
Cargo revenue – Cathay Pacific and Dragonair	*HK$M*	**22,035**	20,293	+8.6%
Cargo and mail carried	*Tonnes'000*	**1,723**	1,539	+12.0%
Cargo and mail load factor	*%*	**64.3**	61.8	+2.5%pt
Cargo and mail yield	*HK$*	**2.19**	2.32	-5.6%
Cost per ATK (with fuel)	*HK$*	**3.50**	3.58	-2.2%
Cost per ATK (without fuel)	*HK$*	**2.12**	2.16	-1.9%
Aircraft utilisation	*Hours per day*	**12.2**	11.8	+3.4%
On-time performance	*%*	**70.1**	75.5	-5.4%pt
Average age of fleet	*Years*	**9.1**	9.3	-2.2%
Number of destinations at year end	*Destinations*	**210**	190	+10.5%
Fuel consumption – group	*Barrels (million)*	**41.7**	39.5	+5.6%

HAECO group		**2014**	2013	Change
Revenue	*HK$M*	**11,927**	7,387	+61%
Operating costs	*HK$M*	**11,424**	7,208	+58%
Airframe services manhours sold – HAECO Hong Kong	*Million*	**2.46**	2.56	-4%
Airframe services manhours sold – HAECO Americas	*Million*	**3.66**	N/A	N/A
Airframe services manhours sold – HAECO Xiamen	*Million*	**3.55**	3.68	-4%
Line services movements handled – HAECO Hong Kong	*Average per day*	**328**	329	-0.3%

Aviation Division – Financial Highlights

	2014 HK$M	2013 HK$M
HAECO group		
Revenue	**11,927**	7,387
Operating profit	**509**	266
Attributable profit	**430**	469
Share of post-tax profits from associated companies		
Cathay Pacific group	**1,418**	1,179
Attributable profit	**1,822**	1,627

Cathay Pacific group – Sustainable Development Highlights

	2014	2013
GHG emissions per ATK (Grammes of CO_2e)	**576**	589
LTIR	**3.67**	4.84

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

Accounting for the Cathay Pacific group

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

Cathay Pacific group

AIRLINE INDUSTRY BACKGROUND

In the first half of 2014 the airline industry was affected by high fuel prices, reduced passenger yield and continued weakness and over-capacity in the air cargo market. After a prolonged period of weakness, cargo demand started to improve in the summer of 2014. The industry benefited from lower fuel prices in the fourth quarter.

2014 RESULTS SUMMARY

The Cathay Pacific group's attributable profit on a 100% basis was HK$3,150 million in 2014, compared to a profit of HK$2,620 million in 2013.

Passenger revenue in 2014 was HK$75,734 million, an increase of 5% compared with 2013. Capacity increased by 6%, as a result of the introduction of new routes (to Doha, Manchester and Newark) and increased frequencies on some existing routes. 31.6 million passengers were carried, an increase of 6% compared to the previous year. The passenger load factor increased by 1.1 percentage points. Yield decreased by 2% to HK67.3 cents despite an improvement in the second half compared to the first half of the year. Passenger demand was strong in all classes of travel on long-haul routes. However, the increase in passenger numbers did not match the increase in capacity on North American routes. Strong competition put downward pressure on yield on regional routes.

The Cathay Pacific group's cargo revenue in 2014 was HK$25,400 million, an increase of 7% compared to 2013. Cargo capacity for Cathay Pacific and Dragonair increased by 10%. The cargo load factor increased by 2.5 percentage points to 64.3%. The tonnage carried in 2014 was 1.7 million tonnes, an increase of 12% in comparison with 2013. Over-capacity in the air cargo market put downward pressure on rates in the first half of the year. Yield for the full year for Cathay Pacific and Dragonair decreased by 6% to HK$2.19 despite improved cargo demand in the second half of the year.

Fuel is the Cathay Pacific group's most significant cost, accounting for 39% of its total operating costs. Disregarding the effect of fuel hedging, the group's fuel costs increased by HK$271 million or 1% in 2014 compared to 2013. The increase in fuel costs reflected a 6% increase in fuel consumption and a 5% decrease in the average into-plane fuel price. Fuel consumption increased because more flights were operated but the introduction of more fuel efficient aircraft and the retirement of less fuel efficient aircraft moderated the increase.

Cathay Pacific hedges some of its fuel costs in an effort to manage the risk associated with changing fuel prices. In 2014, a loss of HK$911 million was recognised in Cathay Pacific's profit and loss account from fuel hedging activities. The sharp reduction in fuel prices in the fourth quarter of 2014 also resulted in significant unrealised hedging losses. These unrealised losses are reflected in Swire Pacific's consolidated statement of financial position at 31st December 2014 under associated companies. Swire Pacific's share of Cathay Pacific's unrealised hedging losses amounted to HK$5,611 million.

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

Passenger Services

Passenger demand was strong in all classes of travel on long-haul routes. However, the increase in passenger numbers did not match the increase in capacity on North American routes. Strong competition put downward pressure on yield on regional routes.

Cathay Pacific introduced passenger services to Doha, Manchester and Newark in 2014. It will introduce passenger services to Zurich in March 2015, to Boston in May 2015 and to Dusseldorf in September 2015. Cathay Pacific reorganised its network in the Middle East in 2014. It stopped flights to Abu Dhabi and Jeddah but improved its schedules on other Middle Eastern routes. Cathay Pacific stopped flying to Karachi. The Los Angeles service was increased to four-times-daily from June 2014. The San Francisco service will be increased to 17-times-weekly in June 2015.

Dragonair started flying to Denpasar in Bali and Penang (replacing Cathay Pacific on the latter route), increased frequencies on a number of other routes and will introduce a daily service to Haneda in Tokyo in March 2015. Dragonair will stop flying to Manila in March 2015.

Cargo Services

Cathay Pacific and Dragonair

After a prolonged period of weakness, cargo demand started to improve in the summer of 2014 and was strong in the fourth quarter, which is the peak period for cargo. Cathay Pacific managed capacity in line with demand in the first half of 2014. It was able to operate an almost full freighter schedule for most of the second half. The new cargo terminal at Hong Kong International Airport worked effectively in its first full year of operation and made the Cathay Pacific group's cargo operations more efficient.

Cathay Pacific tagged Mexico City onto its Guadalajara cargo service in March 2014 and increased this service to five flights per week in October 2014. It introduced cargo services to Columbus in March 2014, to Calgary in October 2014, to Phnom Penh in November 2014 and to Kolkata in March 2015.

Air Hong Kong

Air Hong Kong achieved a modest increase in profit for 2014 compared with 2013. Capacity increased by 0.3% and the load factor increased by 0.6 percentage points.

Fleet Profile

At 31st December 2014, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 188, an increase of seven since 31st December 2013.

In 2014, Cathay Pacific took delivery of 14 new aircraft (nine Boeing 777-300ER aircraft and five Airbus A330-300 aircraft) and Dragonair took delivery of two Airbus A321-200 aircraft.

Six Boeing 747-400 passenger aircraft were retired in 2014. In 2013, Cathay Pacific agreed to sell its six Boeing 747-400F freighters back to The Boeing Company. One of them was delivered in November 2014. Two of the remaining freighters are parked and all five will have left the fleet by the end of 2016.

In 2015, Cathay Pacific expects to take delivery of nine new aircraft. Two of them were delivered in February 2015 and one of them was delivered in March 2015. Cathay Pacific plans to retire four Boeing 747-400 passenger aircraft in 2015. One of them was retired in January 2015 and three were retired in March 2015.

In 2014, Cathay Pacific decided to accelerate the retirement of 11 Airbus A340-300 aircraft. Four of these aircraft (one of which was retired in March 2015) will have been retired by the end of 2015. The remaining seven will have left the fleet by the end of 2017.

At 31st December 2014, the Cathay Pacific group had 79 new aircraft on order for delivery up to 2024.

Fleet profile*

Aircraft type	Number at 31st December 2014				Firm orders				Expiry of operating leases						Options
		Leased													
	Owned	Finance	Operating	Total	‘15	‘16	‘17 and beyond	Total	‘15	‘16	‘17	‘18	‘19	‘20 and beyond	
Aircraft operated by Cathay Pacific:															
A330-300	19	15	6	40	3[a]			3		1	3			2	
A340-300	8	3		11[b]											
A350-900						12[c]	10	22							
A350-1000							26	26							
747-400	6[d]		1	7					1						
747-400F	5			5[e/f]											
747-400BCF			1[g]	1								1			
747-400ERF		6		6											
747-8F	2	11		13		1[f]		1							
777-200	5			5											
777-200F															5[h]
777-300	8	4		12											
777-300ER	13	11	23	47	6[f/i]			6			2	2		19	
777-9X							21[f]	21							
Total	66	50	31	147	9	13	57	79	1	1	5	3		21	5
Aircraft operated by Dragonair:															
A320-200	5		10	15								2	1	7	
A321-200	2		6	8										6	
A330-300	10		8	18					1	1	5		1		
Total	17		24	41					1	1	5	2	2	13	
Aircraft operated by Air Hong Kong:															
A300-600F	2	6	1	9								1			
747-400BCF			3	3						1	2				
Total	2	6	4	12[j]						1	2	1			
Grand total	**85**	**56**	**59**	**200**	**9**	**13**	**57**	**79**	**2**	**3**	**12**	**6**	**2**	**34**	**5**

* Includes parked aircraft. The table does not reflect aircraft movements after 31st December 2014.

(a) One aircraft was delivered in February 2015.

(b) Cathay Pacific is accelerating the retirement of 11 Airbus A340-300 aircraft. Four of these aircraft (one of which was retired in March 2015) will have been retired by the end of 2015. The remainder will be retired by the end of 2017.

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

(d) One aircraft was retired in January 2015 and three aircraft were retired in March 2015.

(e) Two aircraft were parked in January 2014.

(f) In December 2013, Cathay Pacific agreed with The Boeing Company to purchase 21 new Boeing 777-9X aircraft (for delivery after 2020), three new Boeing 777-300ER aircraft and one new Boeing 747-8F freighter and to sell six existing Boeing 747-400F freighters. One of the Boeing 747-400F freighters was delivered to The Boeing Company in November 2014.

(g) Aircraft was parked in August 2013.

(h) Purchase options in respect of five Boeing 777-200F freighters.

(i) One aircraft was delivered in February 2015 and one aircraft was delivered in March 2015.

(j) Air Hong Kong also has one wet-leased Airbus A300-600F freighter. Accordingly, it operates a total of 13 aircraft.

Sustainable Development

Greenhouse gas emissions per unit of capacity (measured in available tonne kilometres) decreased by 2% in 2014 from 2013. This improvement reflects the introduction of more fuel efficient aircraft and the retirement of less fuel efficient aircraft.

The lost time injury rate fell by 24% in 2014, principally due to a reduction in the number of injuries to cabin crew.

Other Operations

Air China

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, the 2014 results include Air China's results for the 12 months ended 30th September 2014, adjusted for any significant events or transactions for the period from 1st October 2014 to 31st December 2014.

In the first half of 2014, Air China's results were adversely affected by a difficult operating environment and substantial foreign exchange losses caused by the depreciation of the Renminbi. As the year progressed, Air China's results improved as a result of lower fuel prices. Despite this improvement, the Cathay Pacific group recorded a decrease in profit from Air China in 2014.

Air China Cargo

Air China Cargo's financial results improved in 2014. This reflected the general improvement in the air cargo market from the summer of 2014 and improved operating efficiency resulting from the replacement of three Boeing 747-400BCF converted freighters by four Boeing 777-200F freighters in 2014.

Cathay Pacific Services Limited ("CPSL")

CPSL, a wholly-owned subsidiary of Cathay Pacific, operates the Cathay Pacific group's cargo terminal at Hong Kong International Airport.

2014 was the first year of full operations of CPSL. As a consequence, its financial results improved significantly in 2014.

Cathay Pacific Catering Services group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, operates the principal flight kitchen in Hong Kong.

Increased business volume and effective management of costs resulted in higher revenue and profit in 2014.

Hong Kong Airport Services Limited ("HAS")

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

The financial results for 2014 improved, reflecting stringent cost control and yield management.

Outlook

It was encouraging to see an overall improvement in the Cathay Pacific group's business in 2014. The improvement has continued in the first quarter of this year and we are positive about the overall prospects for 2015. Demand in the cargo business continues to improve and is currently being helped by the congestion in sea ports on the West Coast of the United States. Our airlines continue to benefit from the lower net fuel price. The associated companies of Cathay Pacific are also benefiting from these positive factors. While there is growing competition in the passenger business, which makes it harder to maintain yield, overall demand remains strong and the outlook is positive.

In 2014 efforts were continued to make Cathay Pacific and Dragonair better airlines for their customers. The fact that Cathay Pacific won the World's Best Airline award for the fourth time is clear recognition from air travellers worldwide of the work that has gone into providing superior products and services. The Cathay Pacific group's financial position remains strong, which will enable it to continue with its long-term strategic investment in the business and commitment to reinforcing Hong Kong's position as one of the world's premier aviation hubs.

Ivan Chu

Cathay Pacific Group - Fuel Price and Consumption

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fuel Price (before hedging)	US$ per barrel (jet fuel)	72.52	85.83	91.48	131.95	73.46	94.02	129.47	131.71	127.69	121.67
Fuel Price (after hedging)	US$ per barrel (jet fuel)	71.38	84.11	88.14	158.68	63.16	94.15	123.98	129.96	124.48	124.48
Fuel consumption	millions of barrels	27.62	30.48	35.82	38.28	35.29	38.66	40.36	40.13	39.50	41.70

Cathay Pacific and Dragonair - Passenger and Cargo Services Data

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Passenger load factor	%	78.7	79.5	79.8	78.8	80.5	83.4	80.4	80.1	82.2	83.3
Passenger yield	HK¢	48.9	52.9	60.4	63.5	51.1	61.2	66.5	67.3	68.5	67.3
Cargo load factor	%	67.0	68.6	66.7	65.9	70.8	75.7	67.2	64.2	61.8	64.3
Cargo yield	HK¢	219.0	225.0	226.0	254.0	186.0	233.0	242.0	242.0	232.0	219.0
ASK	millions	82,766	91,769	102,462	115,478	111,167	115,748	126,340	129,595	127,215	134,711
ATK	millions	17,751	19,684	23,077	24,410	22,249	24,461	26,383	26,250	26,259	28,440

Hong Kong Aircraft Engineering Company ("HAECO") group

HAECO group – Financial Highlights

	2014 HK$M	2013 HK$M	Change %
Revenue			
HAECO Hong Kong	**3,178**	3,169	+0%
HAECO Americas	**2,885**	N/A	N/A
HAECO Xiamen	**1,924**	1,860	+3%
TEXL	**3,538**	2,095	+69%
Others	**402**	263	+53%
Net operating profit	**439**	228	+93%
Profit attributable to the Company's shareholders			
HAECO Hong Kong	**103**	60	+72%
HAECO Americas	**(45)**	(35)	-29%
HAECO Xiamen	**89**	90	-1%
TEXL	**166**	39	+326%
Share of profit/(loss) of:			
HAESL and SAESL	**267**	465	-43%
Other subsidiary and joint venture companies	**(7)**	6	-217%
Total	**573**	625	-8%
Swire Pacific share	**430**	469	-8%

HAECO group – Sustainable Development Highlights

	2014	2013	Change %
Average training hours (per employee per year)	**53**	65	-18%
LTIR	**1.57**	1.68	-7%
Energy intensity (kWh per airframe services manhour)	**12.2**	11.9	+2%

Note: Energy intensity measures the electricity consumption for every airframe services manhour worked in Hong Kong.

HAECO group - Movement in Attributable Profit

	HK$M
2013 Profit	625
Revenue	
HAECO Hong Kong	9
HAECO Americas	2,885
HAECO Xiamen	64
TEXL	1,443
Others	139
Staff remuneration and benefits	(1,520)
Cost of direct materials and job expenses	(2,283)
Depreciation, amortisation and impairments	(151)
Others	(638)
2014 Profit	573

AVIATION MAINTENANCE AND REPAIR INDUSTRY BACKGROUND

The global aviation maintenance and repair market continued to change in 2014. New aircraft types which require less maintenance replaced older aircraft types, and original equipment manufacturers were aggressively entering the aftersales market.

2014 RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in 2014 on a 100% basis was HK$573 million, a decrease of 8% compared to the corresponding figure in 2013 of HK$625 million.

A total of 9.67 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in 2014. HAECO Americas contributed 3.66 million manhours. The positive effect of this first time contribution was partially offset by decreases in manhours sold of 4% at HAECO Hong Kong and at HAECO Xiamen. Demand for HAECO Hong Kong's line services was stable.

HAESL overhauled 147 engines in 2014, 24% fewer than in 2013 and as a result profits were lower. TEXL recorded a substantially higher profit in 2014, having overhauled 71 engines.

A loss was recorded from the group's other subsidiary and joint venture companies. This principally reflected a higher loss from HAECO Landing Gear Services.

HAECO Hong Kong

HAECO Hong Kong recorded a 72% increase in attributable profit in 2014 to HK$103 million.

Manhours sold for airframe services decreased from 2.56 million in 2013 to 2.46 million in 2014. More workers were employed but it takes time to train them. So capacity was still constrained, but the position eased in the second half of the year. Approximately 72% of the work was for airlines based outside Hong Kong.

Line services manhours sold increased by 2% despite a marginal decrease in the average number of aircraft movements handled.

Cost savings helped to improve the overall results of HAECO Hong Kong.

HAECO Americas

The acquisition of TIMCO Aviation Services, Inc. was completed in February 2014. Now known, with its intermediate holding company, as HAECO Americas, it recorded a loss of HK$45 million for the year. The loss principally reflected the costs of reducing the size of a seat manufacturing facility and the financing costs associated with the acquisition.

Demand for HAECO Americas' airframe services was strong. 3.66 million manhours were sold in the period following the acquisition, higher than those sold in the corresponding period of 2013. Four line services stations were opened in 2014. There are now stations at 19 airports in the United States. Demand for Pratt & Whitney JT8D engine overhaul work was steady in 2014. 50 engines were overhauled and four were sold.

HAECO Americas worked on 44 cabin integration programmes and shipped approximately 8,600 premium economy and economy seats. The financial results were adversely affected by the deferral of work and the costs of reducing the size of a seat manufacturing facility.

HAECO Xiamen

HAECO Xiamen recorded a 1% decrease in attributable profit in 2014 to HK$89 million.

Demand for airframe services was stable in the first half of 2014 but weakened in the second half. Manhours sold were 3.55 million in 2014, a decrease of 4% from 2013. Four passenger to freighter conversions were completed in 2014.

Revenue and profit from private jet work increased significantly in 2014.

HAESL and SAESL

HAESL recorded a 47% decrease in profit in 2014. Fewer engines were overhauled and less work was done per engine. This reflected the retirement of aircraft operating RB211-524 and Trent 500 engines and a reduction in the frequency of scheduled maintenance of Trent 700 engines. Engine output was 147, compared with 193 in 2013. SAESL recorded a 27% decrease in profit in 2014.

TEXL

Profits increased significantly at TEXL to HK$166 million, compared with a profit of HK$39 million in 2013.

In 2014, TEXL completed 34 quick turn repairs and 37 performance restorations of General Electric engines (compared with 40 quick turn repairs and 19 performance restorations in 2013) and did more work per engine.

In September 2014, GE Aviation acquired a 9.9% equity interest in TEXL.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for 257 aircraft in 2014, 11% more than in 2013.

HAECO Landing Gear Services resumed landing gear overhaul work for customers in April 2014. It reported a higher loss in 2014 than in 2013 because the 2013 results included income from a business interruption insurance policy.

HAECO Component Overhaul (Xiamen) started to operate in May 2014. It incurred a loss in 2014. This reflected staff training and pre-operating costs.

Sustainable Development

The group's average training hours per employee decreased by 18% to 53 hours in 2014. This was principally due to 2013 training courses not being repeated in 2014.

The group's lost time injury rate decreased by 7% from 2013 to 2014. There were fewer injuries at HAECO Hong Kong, HAESL and TEXL.

HAECO Hong Kong's energy intensity increased slightly in 2014.

Outlook

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.

As training of new recruits progresses, airframe maintenance capacity in Hong Kong will increase in 2015. Demand for line services in Hong Kong is expected to fall as a result of the loss of a portion of the work from a significant customer in 2014.

Demand for HAECO Americas' airframe maintenance services is expected to weaken. The performance of its cabin and seat business is expected to improve. Demand for HAECO Xiamen's airframe maintenance services is expected to improve, but less private jet work is expected.

HAESL's performance will continue to be adversely affected by the retirement of aircraft operating RB211-524 and Trent 500 engines and by a reduction in the frequency of scheduled maintenance of Trent 700 engines. TEXL is expected to continue to perform well.

The municipal government of Xiamen's proposal to develop a new airport at Xiang'an is being evaluated by the National Development and Reform Commission in Beijing. The timing of the development of the new airport and its impact on the operations of HAECO Xiamen and other HAECO group companies at the existing airport are not clear. Management maintains regular communication with the local authorities in order to understand the likely path of development.

Augustus Tang

HAECO group Key Operating Highlights (2005 – 2014)

YEAR		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Airframe services manhours sold - HAECO Hong Kong	million	1.64	1.85	2.53	2.65	2.39	2.74	3.00	2.96	2.56	2.46
Airframe services manhours sold - HAECO Americas	million	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.66
Airframe services manhours sold - HAECO Xiamen	million	2.47	3.58	3.87	4.07	2.98	2.52	3.42	3.42	3.68	3.55
Line services movements handled - HAECO Hong Kong	Average per day	253	250	266	274	249	278	306	320	329	328

REVIEW OF OPERATIONS

BEVERAGES DIVISION

OVERVIEW OF THE BUSINESS

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

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

Swire Beverages manufactures 57 beverage brands and distributes them to a franchise population of over 450 million people.

FRANCHISE TERRITORIES

	Population (millions)	**GDP per capita (US$)**	**Sales volume (million unit cases) 2014**	Sales volume (million unit cases) 2004	**Per capita consumption (8 oz servings) 2014**	Per capita consumption (8 oz servings) 2004
Mainland China						
Guangdong	78.0	12,470	200	88	62	40
Zhejiang	50.6	11,814	145	71	69	37
Anhui	60.7	5,623	82	13	33	5
Jiangsu	55.0	11,118	106	46	46	20
Fujian	38.0	10,283	92	29	58	19
Shaanxi	37.7	7,574	58	20	37	13
Henan	94.2	5,981	133	20	34	5
Hong Kong	7.2	38,966	65	46	216	164
Taiwan	23.4	21,575	55	46	57	48
USA	10.7	46,678	108	77	269	319

Note 1: A unit case comprises 24 8 oz servings.
Note 2: USA per capita consumption in 2014 includes annualised consumption figures for the new territories assumed during the year. Per capita consumption (on an annualised basis) in the new territories is lower than in the existing territories.

STRATEGY:

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

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

Beverages Division – 2014 Performance

		Percentage Change				
		Mainland China	Hong Kong	Taiwan	USA	Swire Beverages
Quality	Production Quality Index	+0.2%	+5.5%	+1.0%	-1.4%	n/a
Customers	Active Outlets	+0.6%	+1.3%	+2.2%	+81.5%	+2.8%
Revenue Management	Sales Volume	+1.1%	+0.1%	-1.0%	+25.5%	+3.0%
	Revenue *	-0.2%	+1.3%	+1.2%	+3.7%	+1.9%
Cost Management	Gross Margin *	+7.9%	+3.9%	+2.3%	+0.6%	+7.5%
	Operating Profit	+7.1%	-0.1%	+4.2%	+11.2%	+6.4%
Sustainability	Water Use Ratio	+1.2%	+2.1%	+0.8%	0.0%	+0.6%
	Energy Use Ratio	+7.7%	0.0%	+5.1%	+12.5%	+3.2%
Safety	LTIR	-35.9%	+15.3%	-45.3%	+0.7%	-18.8%

* Per unit case

2014 PERFORMANCE

Beverages Division – Financial Highlights

	2014 HK$M	2013 HK$M
Revenue	**16,383**	15,054
Operating profit	**1,095**	864
Share of post-tax profits from joint venture and associated companies	**291**	397
Attributable profit	**854**	802

Beverages Division – Sustainable Development Highlights

	2014	2013
Water use ratio	**1.77**	1.76
Energy use ratio	**0.32**	0.31
LTIR	**0.69**	0.85

Beverages Division – Segment Information

	Revenue		Attributable Profit / (Loss)	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Mainland China	**7,856**	7,614	**395**	415
Hong Kong	**2,164**	2,145	**185**	177
Taiwan	**1,415**	1,418	**23**	22
USA	**4,948**	3,877	**208**	217
Central costs	**-**	-	**43**	(29)
Swire Beverages	**16,383**	15,054	**854**	802

Accounting for the Beverages Division

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

For reference, the total revenue from the joint venture interests in three franchises in Mainland China was HK$9,187 million (2013: HK$9,325 million). The revenue of Coca-Cola Bottlers Manufacturing Holdings Limited, excluding sales to the seven Mainland China franchises, was HK$5,073 million (2013: HK$5,488 million).

BEVERAGE INDUSTRY BACKGROUND

In Mainland China, the volume of non-alcoholic ready-to-drink beverages grew by 7% in 2014. The volume of sparkling beverages grew by 1%, packaged water by 10% and bulk water by 10%. Juice and tea volumes declined by 1%.

The Hong Kong beverage market grew by 1% in 2014. Still beverage volume grew by 2%. Sparkling beverage volume declined slightly (by 0.2%).

The Taiwan ready-to-drink beverage market grew by 4% in 2014.

The volume of sparkling beverages sold in the USA declined by 2% in 2014. The volume of energy drinks and water sold increased by 5% and 8% respectively.

2014 RESULTS SUMMARY

Swire Beverages made an attributable profit of HK$854 million in 2014, a 6% increase from 2013. Excluding non-recurring gains on disposal of available-for-sale investments in 2014 and on remeasurement of an associate in 2013 (which were accounted for under central costs and Mainland China respectively) attributable profit increased by 6% to HK$776 million in 2014.

The increase in attributable profit principally reflected lower prices of key raw materials in all territories and modest volume growth and an improved sales mix in Mainland China.

Overall sales volume increased by 3% to 1,044 million unit cases, compared with an increase of 2% in 2013. Volume grew in Mainland China and the USA, was unchanged in Hong Kong and declined in Taiwan.

Mainland China

Attributable profit from Mainland China was HK$395 million, a 5% decrease from 2013. Excluding a non-recurring profit on remeasurement of an associate in 2013, attributable profit from Mainland China increased by 14%. This (underlying) increase in attributable profit reflected favourable raw material costs and an improved sales mix.

Total sales volume increased modestly (by 1%) compared with 2013. This reflected prolonged cool and wet weather in the east coast territories during the summer. Sparkling sales volume grew by 3% and water sales volume grew by 5%. The volume of juice sales fell by 10%.

Margins improved by 8% per unit case. Raw material costs (mainly sweetener and resin) were substantially lower than in 2013, which resulted in a significant increase in gross margins. Careful cost control also contributed to the better attributable profit.

Two new production lines were commissioned in 2014.

Hong Kong

Attributable profit from Hong Kong in 2014 was HK$185 million, a 5% increase from 2013.

Total sales volume was unchanged in 2014. Revenue per unit case increased by 1%, due to price increases in November 2013. A 1% decrease in raw material costs contributed to an increase in gross margins. The beneficial effect of increased gross margins was partially offset by higher production, delivery and warehouse costs (which rose in line with general inflation) and by higher staff costs.

Taiwan

Attributable profit from Taiwan was HK$23 million, a 5% increase from 2013.

Sales volume in 2014 decreased by 1% but revenue was unchanged due to a favourable sales mix. Sales volume declined mainly because of lower sales of sparkling beverages. Gross margins improved due to lower raw material costs, which in turn resulted in the improved attributable profit.

USA

Attributable profit from the USA was HK$208 million, a 4% decrease from 2013.

Sales volume in the USA increased by 26% in 2014 as a result of the assumption of new franchise territories in Denver and Colorado Springs in May 2014. Attributable profit from the new territories was HK$25 million. The new territories increased the franchise population by 4.5 million and contributed sales volume of 22 million unit cases in 2014.

Sparkling sales volume increased by 28%. Still sales volume increased by 20%, principally due to a significant increase in sales of water.

Revenue per unit case increased by 4%, due to price increases. Cost of goods per unit case increased by 6%. Higher selling prices and increased volume together contributed to higher gross margins.

Operating expenses were higher than those in 2013 due to higher staff costs and additional expenses associated with the assumption of the new franchise territories.

Sustainable Development

Swire Beverages aims to save water by reusing more treated waste water and rinse water, by using water for cleaning more efficiently and by replacing and repairing water pipes.

The energy use ratio (which measures the amount of energy used to produce each unit of production) increased by 3% compared with 2013. Swire Beverages used more energy because it operated more blowing and preform bottle lines. It aims to save energy by improving lighting, by replacing and repairing the insulation of pipes and by detecting and dealing with leakages of compressed air.

Lost time injury rates decreased in 2014 by 19% compared with 2013. There were significant improvements at bottling plants in Mainland China and Taiwan.

OUTLOOK

The outlook for Mainland China in 2015 is good. Sparkling sales are expected to continue to benefit from the introduction of new flavours and packaging and from investment in cold drink equipment and production capacity. Raw material prices are expected to be benign. Increases in other costs, in particular staff costs, will put pressure on margins.

The Hong Kong business expects to maintain its strong market position and to expand its product range. Raw material prices are expected to be slightly higher than in 2014, mainly due to increases in the prices of packaging materials and purchased products. Lack of capacity and space at the Shatin facility and shortage of labour are problems.

In Taiwan, the outlook is mixed. Food safety concerns are expected to affect sales of sparkling beverages and juice adversely. However, the introduction of a third variant of Real Leaf tea and the revitalisation of the Nestea brand are expected to strengthen tea sales.

In the USA, the beverage market is expected to expand moderately in 2015. TCCC is expected to give strong marketing support to sparkling beverages. Sales of energy drinks and water are expected to continue to grow, assisted by the introduction of additional flavours.

The USA business is expected to benefit from the first full year's contribution from the franchised territories assumed in 2014.

Patrick Healy

Sales Volume (million unit cases)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mainland China	348	415	500	600	700	719	788	783	807	816
USA	79	84	86	86	82	82	81	84	85	108
Taiwan	44	41	46	58	61	62	61	58	56	55
Hong Kong	48	50	55	57	61	60	65	65	65	65
	519	590	687	801	904	923	995	990	1,013	1,044

Capital Expenditure by Operation (HK$M)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mainland China	265	343	464	924	758	1,060	577	831	374	841
USA	89	121	126	147	154	141	334	248	127	560
Taiwan	40	34	50	50	44	48	31	34	42	53
Hong Kong	45	59	64	51	56	76	51	97	68	57
	439	557	704	1,172	1,012	1,325	993	1,210	611	1,511

Breakdown of Total Volume by Channel

	Mainland China 2014	Hong Kong 2014	Taiwan 2014	USA 2014	Total 2014
Modern Trade	23%	37%	44%	63%	29%
General Trade	25%	11%	2%	4%	20%
Other Channels	52%	52%	54%	33%	51%
	100%	100%	100%	100%	100%

Breakdown of Total Volume by Category

	2014	2013
Sparkling	60%	59%
Juice	15%	17%
Tea	2%	3%
Other still (excluding water)	4%	3%
Water	19%	18%
	100%	100%

MARINE SERVICES DIVISION

OVERVIEW OF THE BUSINESS

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

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

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

SPO:

SPO's Fleet:
At 31st December 2014, SPO had 88 offshore support vessels. It is building larger, highly specialised vessels capable of operating in deeper waters, where long-term demand for offshore services is expected to be greatest.

The fleet consists of anchor handling tug supply vessels ("AHTSs"), platform supply vessels ("PSVs") and construction and specialist vessels ("CSVs"). The CSVs consist of inspection, maintenance and repair vessels, seismic survey vessels, wind farm installation vessels ("WIVs") and accommodation barges.

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

SPO – Fleet Size Growth

		Additions	Disposals	Year-end	Vessels expected to be received in:		
Vessel class	**2013**	**2014**			**2015**	**2016**	**2017**
Anchor Handling Tug Supply Vessels	43	-	3	40	-	-	-
Large Anchor Handling Tug Supply Vessels	18	5	-	23	1	-	-
Platform Supply Vessels	8	1	-	9	4	2	3
Large Platform Supply Vessels	4	3	-	7	1	1	3
Construction and Specialist Vessels	9	-	-	9	-	-	-
	82	**9**	**3**	**88**	**6**	**3**	**6**

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

SPO's Geographical Distribution:

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

SPO's Competitors and Clients:

Competitors: The industry has approximately 1,300 offshore support vessel owners. The largest operators are:	Principal Clients:
- Tidewater Marine - Bourbon - Edison Chouest - Seacor Holdings - CNOOC - GulfMark Offshore - Maersk Supply Service - Hornbeck Offshore - Farstad Shipping - Topaz Marine	- Oil majors (ENI, ExxonMobil, Shell, Total, BP, Chevron) - National oil companies (Petronas, Petrobras, PTTEP, PetroSA, Dubai Petroleum Establishment) - Independent exploration companies (Anadarko, Apache, HESS, Noble Energy, Marathon, Daewoo, OMV, Murphy) - Construction and subsea companies (Leighton Contractors, McDermott, Schlumberger, Subsea 7, Heerema Marine Contractors, SBM Offshore Contractors, Saipem) - Offshore wind power providers (DONG Energy, Van Oord Offshore) - Seismic and survey companies (WesternGeco, CGG)

HUD:

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

- Engineering – HUD provides 24-hour ship repair from a floating dock and engineering services for infrastructure and onshore projects.
- Salvage and Towage – Hongkong Salvage & Towage ("HKST") is the largest towage operator in Hong Kong, operating 13 tugs and providing 24-hour service in Hong Kong. HKST manages six container vessels which are on long-term contracts to transport refuse for the Hong Kong Government.

STRATEGY:

The principal strategic objective of the Marine Services Division is to maintain and strengthen SPO's position as a leader in the offshore energy supply industry. The strategies employed in order to achieve this objective are these:

- A commitment to operational excellence, to maintaining and enhancing high standards of service to clients and to placing major emphasis on safety and training.
- Selective investment in the provision of complementary marine services with a view to increasing the range of services offered to clients and the opportunities to utilise assets and resources.
- Operating commercial joint ventures with local partners where necessary or appropriate.
- Diversifying into the servicing of offshore wind farm developments.

2014 PERFORMANCE

Marine Services Division – Financial Highlights

	2014 HK$M	2013 HK$M
Swire Pacific Offshore group		
Revenue	**7,234**	6,292
Operating profit	**1,320**	1,504
Attributable profit	**1,041**	1,243
Share of post-tax profits from joint venture companies		
HUD group	**31**	64
Attributable profit	**1,072**	1,307

Marine Services Division – Sustainable Development Highlights

	2014	2013
Swire Pacific Offshore group		
LTIR	**0.14**	0.18
HUD group		
LTIR	**1.86**	2.94

Marine Services Division – Fleet Size

	2014	2013
Fleet size (number of vessels)		
Swire Pacific Offshore group	**88**	82
HUD group (HKST)	**19**	20
Total	**107**	102

Swire Pacific Offshore group

OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Oil prices declined substantially in the second half of 2014, adversely affecting the offshore exploration market. Oil majors and national oil companies are reviewing their exploration and production budgets. Projects are being delayed as their proponents consider cutting costs. An oversupply of tonnage has also contributed to downward pressure on rates and utilisation. Despite market conditions, clients continue to demand modern and sophisticated offshore supply vessels able to support operations in harsh environments. As a separate matter, local cabotage rules increasingly promote locally flagged and owned tonnage.

2014 RESULTS SUMMARY

SPO reported an attributable profit of HK$1,041 million in 2014, a decrease of 16% compared to 2013. Excluding non-recurring profits of HK$88 million in 2013 and HK$12 million in 2014, which include profits on disposal of four vessels in 2013 and three vessels in 2014, attributable profit decreased by 11%.

Revenue increased by 15% to HK$7,234 million, mainly as a result of new vessels entering the core fleet. Including the costs of operating new vessels, total operating costs increased by HK$925 million (or 19%) to HK$5,786 million.

The decline in attributable profit in 2014 principally reflects difficult market conditions in the second half of the year. The substantial decrease in the oil price put pressure on charter hire rates and utilisation (in particular for the specialist fleet).

Charter Hire

Charter hire revenue increased by 18% to HK$6,199 million in 2014. New vessels delivered in 2014 and a full year's revenue from vessels delivered in 2013 contributed an increase in charter hire revenue of HK$744 million.

Despite the difficult market conditions, SPO had a fleet utilisation rate of 86.6% in 2014 (a decline of 2.3 percentage points from 2013). Average charter hire rates rose by 15% to USD30,100 per day.

Core Fleet

The utilisation rate of SPO's AHTSs and PSVs decreased by 2.0 percentage points to 87.3%. Charter hire rates for the core fleet increased by 15% to USD22,900 per day.

Specialist Fleet

The utilisation rate of SPO's CSVs decreased by 4.5 percentage points to 80.6%. Charter hire rates for the CSVs increased by 5% to USD96,900 per day. The increase was due to a higher specification vessel entering the fleet.

The decline in the utilisation rate of the CSVs reflected the expiry of long term contracts for a seismic support vessel and an IMR vessel. In addition, one of the WIVs was off-hire from December 2014 to January 2015 for an upgrade to its jacking system. The vessel started work on a decommissioning contract in the North Sea in February 2015.

Non-charter Hire

Non-charter hire income was unchanged at HK$1,035 million. This includes revenue earned by SPO's logistics and other marine services business and the receipt of liquidated damages in respect of vessel delivery delays.

Sustainable Development

Lost time injury rates decreased by 22% to 0.14 in 2014, reflecting training and a general emphasis on safe working practices. Spending on training increased by 33% in 2014 over the prior year. SPO runs the Swire marine training centre and has a department dedicated to addressing crew training needs.

FLEET EXPANSION

Total capital expenditure on new vessels and other fixed assets in 2014 was HK$3,286 million, compared to HK$4,359 million in 2013. During the year, SPO exercised options to purchase an additional four PSVs, which are expected to be delivered in 2016 and 2017.

One large AHTS which was due to be delivered in 2014 has been delayed until 2015, when five additional PSVs are also expected to be delivered. Three and six more PSVs are expected to be delivered in 2016 and 2017 respectively. The construction of four large PSVs in a Brazilian shipyard has been delayed.

At 31st December 2014, SPO had total capital expenditure commitments of HK$5,177 million (31st December 2013: HK$7,198 million). SPO continues to invest in highly specified tonnage to meet client requirements and to ensure the right balance of vessels in the fleet.

OUTLOOK

The offshore industry is suffering from a low oil price and the pressure exerted on the exploration and production budgets of major oil companies. The low oil price is expected to reduce offshore exploration activity in the short run, which is likely to affect SPO's results.

Despite current challenges, SPO has confidence in the industry's long-term prospects. Past trends indicate that oil prices do not stay low indefinitely and that recoveries in the oil price are followed by recoveries in exploration.

SPO will continue to expand its capacity in order to provide a balanced fleet of reliable, highly-specified and fuel efficient vessels. With highly experienced seafarers and a commitment to operational excellence, SPO is a preferred offshore vessel operator. It is therefore in a strong position to increase market share and competitiveness.

SPO - Profile of Capital Commitments (HK$M)

	Expenditure	Forecast year of expenditure				Commitments
	2014	2015	2016	2017	2018	**at 31st Dec 2014**
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**2,978**	2,114	1,134	1,081	-	**4,329**
Construction and Specialist Vessels	**234**	173	3	3	-	**179**
Other fixed assets	**74**	208	136	92	233	**669**
Total	**3,286**	2,495	1,273	1,176	233	**5,177**

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

Year category	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018
0-5	19	28	33	33	27	29	27	30	29	35	35	30	30	24
6-10	10	10	10	15	18	19	29	25	26	25	28	26	30	29
11-15	-	-	-	3	8	10	10	15	18	16	19	29	23	24
16-20	2	1	1	-	-	2	2	5	6	10	10	10	15	18
21-25	23	14	11	3	2	1	-	-	-	-	-	-	3	6
26-30	2	9	8	14	14	14	5	1	-	-	-	-	-	-
31-35	-	-	-	1	1	1	4	4	2	1	1	1	-	-
36-40	-	-	-	-	-	-	-	-	1	1	1	-	-	-
Total	56	62	63	69	70	76	77	80	82	88	94	96	101	101
Average age	14.0	12.4	11.0	10.4	10.8	11.1	9.2	8.5	8.0	7.9	8.4	8.8	9.0	10.1

** Includes two vessels chartered from external parties.*

2. SPO – Charter Hire Revenue by Vessel Class

Vessel Class	**2014 HK$M**	**2014 %**	2013 HK$M	2013 %
Anchor Handling Tug Supply Vessels	**1,657**	**27%**	1,686	32%
Large Anchor Handling Tug Supply Vessels	**1,598**	**26%**	1,027	19%
Platform Supply Vessels	**639**	**10%**	578	11%
Large Platform Supply Vessels	**358**	**6%**	350	7%
Construction and Specialist Vessels	**1,947**	**31%**	1,616	31%
Total	**6,199**	**100%**	5,257	100%

3. SPO – LTIR (2005 – 2014)

YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
SPO LTIR	0.09	0.06	0.11	0.27	0.14	0.14	0.15	0.16	0.18	0.14
ISOA LTIR (2014 data not available)	0.14	0.14	0.29	0.23	0.10	0.11	0.12	0.11	0.07	N.A.

4. SPO – Average Utilisation Rates (2005 – 2014)

YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average utilisation rate	91%	94%	92%	91%	89%	80%	86%	90%	89%	87%

Hongkong United Dockyards group

INDUSTRY BACKGROUND

The shipping industry was weak in 2014, which adversely affected both the marine engineering and the harbour towage markets. Larger vessels and cost pressures on liner operators resulted in fewer tug moves in Hong Kong. Terminal congestion caused vessels to avoid coming to Hong Kong.

Demand for engineering services for port equipment, infrastructure projects and logistics was good.

2014 RESULTS SUMMARY

The attributable profit of the HUD group for 2014 was HK$31 million compared to HK$64 million in 2013.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2014 of HK$70 million, compared with a loss of HK$39 million in 2013. Market conditions for marine engineering were unfavourable. Non-marine engineering work was slow to develop.

HKST's profit (before tax and interest and on a 100% basis) was HK$152 million in 2014, compared with HK$192 million in 2013. Tug moves and revenue were lower. This reflected the loss of a large customer and the weak industry background.

The disposal of one 4,000 BHP tug in September 2014 contributed a profit of HK$16 million. The total fleet size at 31st December 2014 was 19 vessels, including six container vessels.

The lost time injury rate in 2014 was 37% lower than in 2013.

OUTLOOK

Market conditions for marine engineering are expected to continue to be unfavourable. The HUD group will tender for non- marine engineering work from the Hong Kong government in an effort to improve revenues. The outlook for HKST is challenging.

J B Rae-Smith

REVIEW OF OPERATIONS

TRADING & INDUSTRIAL DIVISION

OVERVIEW OF THE BUSINESS

The Trading & Industrial Division has interests in the following companies:

Swire Retail group:

(i) Swire Resources group:

Swire Resources retails and distributes footwear, apparel and related accessories. At 31st December 2014, it operated 184 retail outlets in Hong Kong and Macau and 65 retail outlets in Mainland China. Of these, 146 are single brand outlets and 103 are multi-brand outlets, the latter operating under the Marathon Sports, GigaSports, Catalog, d2r and Actif names.

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

(ii) Swire Brands group:

Swire Brands makes investments in brand-owning companies. It has an associate interest in a joint venture with Columbia, which distributes and retails Columbia products in Mainland China. In June 2014, Swire Brands acquired a 9.4% minority interest in Rebecca Minkoff, which sells apparel, handbags and accessories.

Taikoo Motors group:

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

Swire Foods group:

(i) Taikoo Sugar:

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

(ii) Campbell Swire:

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

(iii) Swire Foods:

Swire Foods acquired a 65% interest in Chongqing New Qinyuan Bakery Co. Ltd ("Qinyuan Bakery") in December 2014. The business is a leading bakery chain in southwest China, with over 460 stores in Chongqing, Guiyang and Chengdu.

Swire Pacific Cold Storage group:

Swire Pacific Cold Storage owns a 60% equity interest in a company which has operated cold storage facilities in Guangzhou since 2008 and wholly owns cold storage facilities in Shanghai and Hebei, which started operating in 2014. It owns land in Nanjing and Ningbo on which cold storage facilities are being built, with completion expected in 2015.

Akzo Nobel Swire Paints:

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

Swire Sustainable Business group:

(i) Swire Sustainability Fund:

The Swire Sustainability Fund invests in early-stage companies developing technologies (in the renewable energy, water treatment and reusable and environmentally–friendly packaging sectors) of relevance to the Group's sustainability aims. It owns an associate interest in Green Biologics and minority equity interests in NanoSpun Technologies and Avantium. Green Biologics is a biotechnology company which is developing renewable chemical and biofuel technology. NanoSpun Technologies is a company which is developing a water treatment process using nanotechnology. Avantium is a biotechnology company that develops and commercialises bioplastics and chemicals.

(ii) Swire Waste Management:

Swire Waste Management is a 50:50 joint venture with a subsidiary of Waste Management Inc. The joint venture, which commenced business in 2011, seeks waste management contracts in Hong Kong. It is contracted to provide waste management services to seven outlying islands.

STRATEGY:

The strategic objective of the Trading & Industrial Division is to expand the trading and industrial businesses which it operates and to seek new business opportunities in related fields where advantage can be taken of existing skills, assets or relationships. The strategies employed in order to achieve this objective are these:

- Strengthening the capability of Swire Resources in branded footwear, apparel and related accessories, particularly in the Greater China region, by expanding the range and quality of those branded goods and by increasing the number of retail outlets operated by Swire Resources.
- Investing selectively in brand-owning companies through Swire Brands.
- Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to brands represented.
- Using Taikoo Motors' existing capability in order to expand into other motor-related businesses and markets in Asia.
- Increasing the volume and broadening the range of products sold by Swire Foods.
- Further expanding the network of the cold storage business in Mainland China in order to improve operating efficiency and customer service and thereby to acquire new customers.
- Expanding and strengthening the distribution network and sales channels of Akzo Nobel Swire Paints in Mainland China.
- Increasing the number of waste management contracts awarded to Swire Waste Management.

2014 PERFORMANCE

Trading & Industrial Division - Financial Highlights

	2014 HK$M	2013 HK$M
Revenue		
Swire Retail group	**3,020**	3,896
Taikoo Motors group	**6,706**	5,322
Swire Foods group	**795**	726
Swire Pacific Cold Storage group	**3**	-
	10,524	9,944
Operating profits/(losses)		
Swire Retail group	**58**	211
Taikoo Motors group	**270**	90
Swire Foods group	**24**	13
Swire Pacific Cold Storage group	**(79)**	(39)
Swire Sustainable Business group	**1**	-
Other subsidiary companies and central costs	**(25)**	(15)
	249	260
Attributable profits/(losses)		
Swire Retail group	**82**	139
Taikoo Motors group	**213**	57
Swire Foods group	**15**	7
Campbell Swire	**(14)**	(125)
Swire Pacific Cold Storage group	**(73)**	(31)
Akzo Nobel Swire Paints	**230**	206
Swire Sustainable Business group	**(5)**	(1)
Other subsidiary companies and central costs	**(25)**	(15)
Attributable profit	**423**	237

Trading & Industrial Division – Sustainable Development Highlights

	2014	2013
Average training hours (per employee per year)	**15.7**	15.6
Staff turnover	**65%**	74%
LTIR	**1.35**	0.99

INDUSTRY BACKGROUND

Retailing in Mainland China and Hong Kong – Hong Kong retail sales grew modestly in 2014, but were adversely affected by Occupy Central in the fourth quarter. The growth in retail sales in Mainland China slowed in 2014. More international brands have entered both markets. This has resulted in greater competition.

Car sales in Taiwan, Hong Kong, Mainland China and Malaysia – Car registrations in Taiwan increased by 12% to 419,834 units in 2014. Car registrations in Hong Kong increased by 3% to 41,597 units in 2014. Car registrations in Mainland China increased by 10% to approximately 19.7 million units in 2014. Car registrations in Malaysia increased by 2% to 588,341 units in 2014.

Sugar sales in Mainland China and Hong Kong – The total amount of sugar sold in Mainland China fell by 1% to 30,424 million pounds in 2014. Sugar sales in Hong Kong in 2014 were unchanged.

Food sales in Mainland China – The packaged food market in Mainland China is estimated to have grown by 9% in 2014. Consumers want high quality products, healthy and increasingly organic products and convenience products. Internet sales of food are growing.

Cold storage in Mainland China – Demand for frozen food is increasing. This is increasing demand for cold storage facilities.

Paint market in Mainland China and Hong Kong – Total sales of decorative paints in Mainland China increased by 3% to 2,789 million litres in 2014. In Hong Kong, decorative paint sales increased by 3% to 11 million litres in 2014, reflecting a small increase in residential property transactions.

Waste management market in Hong Kong – The municipal solid waste generated per capita in Hong Kong has increased by 80% in the past 30 years. The Hong Kong Government is committed to developing further waste disposal and treatment facilities.

2014 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2014 increased by 78% to HK$423 million. The increase principally reflects better results from Taikoo Motors and Akzo Nobel Swire Paints and reduced losses from Campbell Swire. These improvements were partly offset by weaker results from the Swire Retail group and costs associated with developing the Swire Pacific cold storage business.

Swire Retail group

Attributable profit decreased by 41% in 2014 to HK$82 million. The decrease principally reflected the replacement of Swire Resources' Columbia distributorship by an interest, with Columbia, in an associated company from 1st January 2014.

Revenue in Hong Kong and Macau was 12% higher than in 2013. Retail sales benefited from demand from visitors from Mainland China. Gross margins improved due to less discounting. Operating costs, in particular occupancy and staff costs, increased. The group managed 184 retail outlets in Hong Kong and Macau at the end of 2014, four more than at the end of 2013.

Revenue decreased by 88% in Mainland China. Disregarding the Columbia business, revenue was 8% higher than in 2013. Gross margins declined due to discounting of Rockport products (the distribution of which ceased at the end of the year). Lower inventory provisions for slow moving stock and lower advertising costs were partly offset by higher occupancy and staff costs. The number of retail outlets operated in Mainland China (excluding those occupied by the Columbia business) decreased by six to 65 at the end of 2014. 12 Rockport stores were closed.

The performance of the new Columbia China associated company was satisfactory.

Taikoo Motors group

Attributable profit in 2014 was HK$213 million, compared to HK$57 million in 2013. The increase principally reflected higher sales volume and the release of provisions for dealer incentives in Taiwan.

Revenue increased by 26% in 2014, mainly due to an increase in the number of vehicles sold. In total, 25,679 cars, commercial vehicles and motorcycles were sold in 2014, 35% more than in 2013. Gross margins improved, mainly due to the release of provisions for dealer incentives before termination of the Volkswagen and Škoda importerships in Taiwan at the end of the year and a better sales mix. These beneficial effects on gross margins were partly offset by the cost of developing new dealerships in Mainland China and Malaysia.

Taiwan

Sales of passenger cars and light commercial vehicles increased by 27% compared with 2013, to 15,224 units. Sales of commercial vehicles increased by 30%. Sales of motorcycles and scooters increased by 48%. 632 vehicles were assembled. A similar number were assembled in 2013.

Hong Kong

234 Fiat and Alfa Romeo passenger cars and light commercial vehicles were sold in 2014, a decrease of 29% compared with 2013. The group started to sell Jeep passenger cars in January 2014; 148 units were sold in 2014. 568 commercial vehicles were sold, an increase of 79% compared with 2013.

Mainland China

414 Volkswagen passenger cars were sold in Shanghai and Fuzhou.

Malaysia

299 Volkswagen passenger cars were sold in Malaysia.

Swire Foods group

Swire Foods (including Taikoo Sugar)

Swire Foods (including Taikoo Sugar) reported an attributable profit of HK$15 million in 2014, compared with a profit of HK$7 million in 2013.

Swire Foods acquired a 65% interest in Qinyuan Bakery in December 2014 for HK$749 million. The remaining equity will be acquired in 2017 if certain conditions are met. Attributable profit in 2014 (following the acquisition) was HK$7 million.

Volumes of sugar sold in Hong Kong and Mainland China decreased by 8% and increased by 19% respectively. The costs associated with developing new businesses increased.

Campbell Swire

An attributable loss of HK$14 million was recorded in 2014, compared with a loss of HK$125 million in 2013.

Sales volume of soup and broth products increased by 2% in 2014. The joint venture closed its production facilities and outsourced production to Swire Beverages during the year.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss of HK$73 million in 2014 compared to a loss of HK$31 million in 2013. The 2014 loss principally reflected the cost of developing new cold stores in Shanghai, Hebei, Nanjing and Ningbo. These costs were partly offset by an attributable profit of HK$10 million from the 60% interest in Guangdong Swire Cold Chain Logistics Co. Ltd., where performance was in line with expectations.

The Shanghai and Hebei facilities were completed in the second half of 2014 and started to operate. The Nanjing and Ningbo facilities are expected to be completed later in 2015.

Swire Pacific Cold Storage acquired land in Chengdu in September 2014. A sixth cold storage facility will be built on this land. It is expected to start operating in 2016.

The capital commitments of the Swire Pacific Cold Storage group at 31st December 2014 were HK$1,284 million.

Akzo Nobel Swire Paints

The attributable profit for 2014 was HK$230 million, compared to HK$206 million in 2013.

Sales volume in Mainland China grew by 9% from 2013. Gross margins were in line with those of 2013. Akzo Nobel Swire Paints distributed paint in approaching 600 cities in Mainland China at the end of 2014, a similar number to 2013.

In Hong Kong, attributable profit increased by 69% to HK$6 million in 2014. Sales volume grew by 3%. Operating expenses were lower.

Swire Sustainability Fund

Swire Sustainability Fund's attributable loss for 2014 was HK$7 million. This reflected the group's attributable loss from Green Biologics, which became an associated company in December 2014. The fund's other investments are accounted for at cost.

Swire Waste Management

The attributable profit of Swire Waste Management for 2014 was HK$2 million, compared to a loss of HK$1 million in 2013. The operating profit from a waste management contract was partly offset by administrative costs and tender costs for new projects.

Sustainable Development

Average training hours per employee in 2014 increased by 1% to 15.7 compared with 2013.

Staff turnover rates in 2014 decreased by 9 percentage points to 65% compared with 2013. This principally reflected lower staff turnover at Taikoo Motors.

Lost time injury rates increased by 36% to 1.35 in 2014. This reflected an increase in the number of minor injuries, in particular at Swire Resources.

OUTLOOK

Swire Resources will continue to seek more distributorships of international brands in Hong Kong and Mainland China. The costs of developing the multibrand stores in Mainland China are expected to increase. The retail market in Hong Kong will remain highly competitive. Increased staff and occupancy costs are likely to put pressure on profit margins. Swire Brands will continue to seek attractive investment opportunities.

Taikoo Motors expects sales of vehicles to decrease in 2015 as a result of the termination of the Volkswagen and Škoda importerships in Taiwan at the end of 2014. Taikoo Motors will continue to develop its Volkswagen, Škoda and other dealerships and its other motor-related businesses. The costs of developing and expanding showrooms and workshops are expected to increase. Taikoo Motors started selling Mercedes-Benz passenger cars in Kaohsiung, Taiwan in 2015.

The 2015 profits of Swire Foods are expected to grow as a result of the inclusion of a full year's results of Qinyuan Bakery. The construction of a new factory in Chongqing is expected to be completed later in 2015. A joint venture with Mövenpick will start to distribute coffee in Mainland China later in 2015.

Taikoo Sugar expects moderate sales growth in 2015. Its 34% owned sugar refinery in Guangdong is expected to start operating in late 2015.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network and sales channels in Mainland China. Construction of a fourth plant (in Chengdu) has started. It is expected to start operating in 2016.

The overall results of the Trading & Industrial Division are expected to be adversely affected by the cost of new business development.

J B Rae-Smith

FINANCIAL REVIEW

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

Underlying profit	Note	**2014 HK$M**	2013 HK$M
Profit attributable to the Company's shareholders per financial statements		**11,069**	13,291
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(3,088)**	(6,650)
Deferred tax on investment properties	(b)	**710**	573
Realised profit on sale of investment properties	(c)	**598**	94
Depreciation of investment properties occupied by the Group	(d)	**23**	20
Non-controlling interests' share of adjustments		**427**	1,143
Underlying profit attributable to the Company's shareholders		**9,739**	8,471
Other significant items:			
Profit on sale of investment properties		**(529)**	(21)
Profit on sale of property, plant and equipment and other investments		**(93)**	(197)
Net impairment of property, plant and equipment, leasehold land and intangible assets		**254**	161
Adjusted underlying profit		**9,371**	8,414
Underlying equity			
Equity attributable to the Company's shareholders per financial statements		**218,775**	220,297
Deferred tax on investment properties		**4,290**	3,713
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**1,930**	1,840
Revaluation of investment properties occupied by the Group		**957**	890
Cumulative depreciation of investment properties occupied by the Group		**86**	67
Underlying equity attributable to the Company's shareholders		**226,038**	226,807
Underlying non-controlling interests		**45,005**	43,694
Underlying equity		**271,043**	270,501

Notes:

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

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

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

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

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

Consolidated Statement of Profit or Loss
For the year ended 31st December 2014

	Note	2014 HK$M	2013 HK$M
Revenue	2	**61,301**	51,437
Cost of sales		**(38,313)**	(30,763)
Gross profit		**22,988**	20,674
Distribution costs		**(6,154)**	(5,802)
Administrative expenses		**(4,771)**	(4,081)
Other operating expenses		**(333)**	(287)
Other net gains		**71**	337
Change in fair value of investment properties		**1,896**	5,845
Operating profit	3	**13,697**	16,686
Finance charges		**(2,287)**	(2,159)
Finance income		**262**	160
Net finance charges	4	**(2,025)**	(1,999)
Share of profits less losses of joint venture companies		**2,253**	1,682
Share of profits less losses of associated companies		**1,678**	1,521
Profit before taxation		**15,603**	17,890
Taxation	5	**(2,218)**	(1,852)
Profit for the year		**13,385**	16,038
Profit for the year attributable to:			
The Company's shareholders		**11,069**	13,291
Non-controlling interests		**2,316**	2,747
		13,385	16,038
Dividends			
First Interim - paid		**1,655**	1,505
Second Interim - declared/paid		**4,213**	3,761
	6	**5,868**	5,266
		HK$	HK$
Earnings per share from profit attributable to			
the Company's shareholders (basic and diluted)	7		
'A' share		**7.36**	8.83
'B' share		**1.47**	1.77

Consolidated Statement of Other Comprehensive Income
For the year ended 31st December 2014

	2014 HK$M	2013 HK$M
Profit for the year	**13,385**	16,038
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group		
gains recognised during the year	**8**	357
deferred tax	**(2)**	(15)
Defined benefit plans		
remeasurement (losses)/gains recognised during the year	**(499)**	569
deferred tax	**109**	(139)
Share of other comprehensive income of joint venture and associated companies	**(146)**	491
	(530)	1,263
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
gains recognised during the year	**48**	4
transferred to net finance charges	**(95)**	(109)
transferred to operating profit	**9**	(4)
transferred to initial cost of non-financial assets	**93**	4
deferred tax	**6**	10
Net fair value changes on available-for-sale assets		
(losses)/gains recognised during the year	**(53)**	252
gains transferred to operating profit	**(91)**	-
Share of other comprehensive income of joint venture and associated companies	**(6,016)**	2,090
Net translation differences on foreign operations	**(782)**	675
	(6,881)	2,922
Other comprehensive income for the year, net of tax	**(7,411)**	4,185
Total comprehensive income for the year	**5,974**	20,223
Total comprehensive income attributable to:		
The Company's shareholders	**3,888**	17,115
Non-controlling interests	**2,086**	3,108
	5,974	20,223

Consolidated Statement of Financial Position at 31st December 2014

	Note	2014 HK$M	2013 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**43,601**	39,457
Investment properties		**220,869**	216,524
Leasehold land and land use rights		**1,170**	1,164
Intangible assets		**7,442**	4,634
Properties held for development		**920**	706
Joint venture companies		**23,703**	21,805
Associated companies		**26,039**	30,699
Available-for-sale assets		**771**	713
Long-term other receivables		**58**	21
Derivative financial instruments		**508**	590
Deferred tax assets		**652**	567
Retirement benefit assets		**122**	429
		325,855	317,309
Current assets			
Properties for sale		**7,941**	7,982
Stocks and work in progress		**3,860**	3,234
Trade and other receivables	8	**9,552**	9,187
Derivative financial instruments		**12**	25
Bank balances and short-term deposits		**10,115**	11,288
		31,480	31,716
Current liabilities			
Trade and other payables	9	**16,739**	16,439
Taxation payable		**661**	456
Derivative financial instruments		**34**	97
Short-term loans		**1,123**	1,547
Long-term loans and bonds due within one year		**4,820**	7,130
		23,377	25,669
Net current assets		**8,103**	6,047
Total assets less current liabilities		**333,958**	323,356
Non-current liabilities			
Perpetual capital securities		**2,327**	2,326
Long-term loans and bonds		**60,518**	50,841
Derivative financial instruments		**40**	112
Other payables	9	**1,194**	620
Deferred tax liabilities		**6,938**	6,357
Deferred income		**57**	47
Retirement benefit liabilities		**754**	545
		71,828	60,848
NET ASSETS		**262,130**	262,508
EQUITY			
Share capital	10	**1,294**	903
Reserves	11	**217,481**	219,394
Equity attributable to the Company's shareholders		**218,775**	220,297
Non-controlling interests		**43,355**	42,211
TOTAL EQUITY		**262,130**	262,508

Consolidated Statement of Cash Flows
For the year ended 31st December 2014

	2014 HK$M	2013 HK$M
Operating activities		
Cash generated from operations	**16,250**	14,301
Interest paid	**(2,582)**	(2,203)
Interest received	**266**	234
Tax paid	**(1,358)**	(1,831)
	12,576	10,501
Dividends received from joint venture and associated companies and available-for-sale assets	**1,898**	1,356
Net cash generated from operating activities	**14,474**	11,857
Investing activities		
Purchase of property, plant and equipment	**(6,181)**	(6,385)
Additions of investment properties	**(4,362)**	(5,108)
Purchase of intangible assets	**(41)**	(44)
Proceeds from disposals of property, plant and equipment	**242**	214
Proceeds from disposals of investment properties	**834**	48
Proceeds from disposal of a joint venture company	**32**	-
Proceeds from disposal of available-for-sale assets	**82**	-
Purchase of shares in new subsidiary companies	**(3,530)**	12
Purchase of shares in joint venture companies	**(43)**	(63)
Purchase of shares in associated companies	**(208)**	(62)
Purchase of new businesses	**(117)**	-
Purchase of available-for-sale assets	**(245)**	(56)
Loans to joint venture companies	**(2,063)**	(888)
Repayment of loans by joint venture companies	**716**	504
Net loans from associated companies	**25**	119
Decrease/(increase) in deposits maturing after more than three months	**235**	(303)
Initial leasing costs incurred	**(65)**	(56)
Net cash used in investing activities	**(14,689)**	(12,068)
Net cash outflow before financing	**(215)**	(211)
Financing activities		
Loans drawn and refinancing	**19,714**	17,900
Repayment of loans and bonds	**(12,697)**	(6,743)
	7,017	11,157
Capital contributions from non-controlling interests	**4**	20
Proceeds from disposal of shares in a subsidiary company	**79**	-
Purchase of shares in an existing subsidiary company	**(1,256)**	-
Dividends paid to the Company's shareholders	**(5,417)**	(5,266)
Dividends paid to non-controlling interests	**(1,008)**	(857)
Net cash (used in)/generated from financing activities	**(581)**	5,054
(Decrease)/increase in cash and cash equivalents	**(796)**	4,843
Cash and cash equivalents at 1st January	**10,950**	6,053
Currency adjustment	**(141)**	54
Cash and cash equivalents at 31st December	**10,013**	10,950
Represented by:		
Bank balances and short-term deposits maturing within three months	**10,013**	10,950

1. Segment Information

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

Year ended 31st December 2014

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax charge HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	10,366	90	7,870	(1,278)	92	308	-	(944)	6,048	4,938	(172)
Change in fair value of investment properties	-	-	1,942	-	-	956	-	(474)	2,424	1,987	-
Property trading	3,842	-	1,180	-	5	226	-	(211)	1,200	836	(7)
Hotels	1,089	-	(22)	(46)	-	(46)	160	(16)	30	25	(189)
	15,297	**90**	**10,970**	**(1,324)**	**97**	**1,444**	**160**	**(1,645)**	**9,702**	**7,786**	**(368)**
Aviation											
Cathay Pacific group	-	-	-	-	-	-	1,418	-	1,418	1,418	-
HAECO group	11,927	-	509	(100)	30	314	-	(94)	659	430	(615)
Others	-	-	(52)	-	-	6	(6)	-	(52)	(26)	(52)
	11,927	**-**	**457**	**(100)**	**30**	**320**	**1,412**	**(94)**	**2,025**	**1,822**	**(667)**
Beverages											
Mainland China	7,856	-	470	(56)	35	214	77	(181)	559	395	(290)
Hong Kong	2,163	1	220	-	-	-	-	(16)	204	185	(75)
Taiwan	1,415	-	35	(6)	-	-	-	(6)	23	23	(52)
USA	4,948	-	327	(10)	-	-	-	(109)	208	208	(187)
Central costs	-	-	43	-	-	-	-	-	43	43	-
	16,382	**1**	**1,095**	**(72)**	**35**	**214**	**77**	**(312)**	**1,037**	**854**	**(604)**
Marine Services											
Swire Pacific Offshore group	7,234	-	1,320	(284)	57	-	1	(42)	1,052	1,041	(1,078)
HUD group	-	-	-	-	-	31	-	-	31	31	-
	7,234	**-**	**1,320**	**(284)**	**57**	**31**	**1**	**(42)**	**1,083**	**1,072**	**(1,078)**
Trading & Industrial											
Swire Retail group	3,020	-	58	(1)	23	5	36	(39)	82	82	(30)
Taikoo Motors group	6,706	-	270	(3)	2	-	-	(56)	213	213	(55)
Swire Foods group	701	94	24	-	2	-	-	(8)	18	15	(5)
Campbell Swire	-	-	-	-	-	(14)	-	-	(14)	(14)	-
Swire Pacific Cold Storage group	3	-	(79)	(4)	1	10	-	(1)	(73)	(73)	(14)
Akzo Nobel Swire Paints	-	-	-	-	-	241	-	(11)	230	230	-
Swire Sustainable Business group	-	-	1	-	-	2	(8)	-	(5)	(5)	-
Other activities	-	-	(25)	1	(1)	-	-	-	(25)	(25)	-
	10,430	**94**	**249**	**(7)**	**27**	**244**	**28**	**(115)**	**426**	**423**	**(104)**
Head Office											
Net income/(expenses)	31	25	(348)	(1,645)	1,161	-	-	(10)	(842)	(842)	(3)
Change in fair value of investment properties	-	-	(46)	-	-	-	-	-	(46)	(46)	-
	31	**25**	**(394)**	**(1,645)**	**1,161**	**-**	**-**	**(10)**	**(888)**	**(888)**	**(3)**
Inter-segment elimination	-	**(210)**	-	**1,145**	**(1,145)**	-	-	-	-	-	-
Total	**61,301**	**-**	**13,697**	**(2,287)**	**262**	**2,253**	**1,678**	**(2,218)**	**13,385**	**11,069**	**(2,824)**

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

1. Segment Information (continued)

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

Year ended 31st December 2013

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/ credit HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	9,707	79	7,309	(1,468)	76	208	(2)	(681)	5,442	4,443	(192)
Change in fair value of investment properties	-	-	6,141	-	-	683	(4)	(447)	6,373	5,211	-
Property trading	2,207	-	1,035	-	7	(46)	-	(185)	811	591	(27)
Hotels	942	-	(65)	(62)	-	(36)	145	(30)	(48)	(38)	(179)
	12,856	**79**	**14,420**	**(1,530)**	**83**	**809**	**139**	**(1,343)**	**12,578**	**10,207**	**(398)**
Aviation											
Cathay Pacific group	-	-	-	-	-	-	1,179	-	1,179	1,179	-
HAECO group	7,387	-	266	(59)	21	501	-	(33)	696	469	(446)
Others	-	-	(52)	-	-	6	(2)	-	(48)	(21)	(52)
	7,387	**-**	**214**	**(59)**	**21**	**507**	**1,177**	**(33)**	**1,827**	**1,627**	**(498)**
Beverages											
Mainland China	7,614	-	364	(62)	22	190	207	(144)	577	415	(288)
Hong Kong	2,144	1	209	-	-	-	-	(13)	196	177	(75)
Taiwan	1,418	-	36	(7)	-	-	-	(7)	22	22	(56)
USA	3,877	-	284	-	-	-	-	(67)	217	217	(162)
Central costs	-	-	(29)	-	-	-	-	-	(29)	(29)	-
	15,053	**1**	**864**	**(69)**	**22**	**190**	**207**	**(231)**	**983**	**802**	**(581)**
Marine Services											
Swire Pacific Offshore group	6,292	-	1,504	(163)	8	1	(2)	(98)	1,250	1,243	(914)
HUD group	-	-	-	-	-	64	-	-	64	64	-
	6,292	**-**	**1,504**	**(163)**	**8**	**65**	**(2)**	**(98)**	**1,314**	**1,307**	**(914)**
Trading & Industrial											
Swire Retail group	3,896	-	211	-	13	4	-	(101)	127	139	(30)
Taikoo Motors group	5,322	-	90	(4)	2	-	-	(31)	57	57	(60)
Swire Foods group	618	108	13	-	-	-	-	(6)	7	7	(2)
Campbell Swire	-	-	-	(8)	-	(117)	-	-	(125)	(125)	-
Swire Pacific Cold Storage group	-	-	(39)	(1)	1	9	-	(1)	(31)	(31)	(3)
Akzo Nobel Swire Paints	-	-	-	-	-	216	-	(10)	206	206	-
Other activities	-	-	(15)	-	-	(1)	-	-	(16)	(16)	-
	9,836	**108**	**260**	**(13)**	**16**	**111**	**-**	**(149)**	**225**	**237**	**(95)**
Head Office											
Net income/(expenses)	13	22	(280)	(1,391)	1,076	-	-	2	(593)	(593)	(3)
Change in fair value of investment properties	-	-	(296)	-	-	-	-	-	(296)	(296)	-
	13	**22**	**(576)**	**(1,391)**	**1,076**	**-**	**-**	**2**	**(889)**	**(889)**	**(3)**
Inter-segment elimination	-	(210)	-	1,066	(1,066)	-	-	-	-	-	-
Total	51,437	-	16,686	(2,159)	160	1,682	1,521	(1,852)	16,038	13,291	(2,489)

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

1. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2014	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	222,590	16,046	28	2,092	240,756	4,452
Property trading and development	9,417	891	-	612	10,920	176
Hotels	6,301	1,270	507	170	8,248	554
	238,308	**18,207**	**535**	**2,874**	**259,924**	**5,182**
Aviation						
Cathay Pacific group	-	-	23,774	-	23,774	-
HAECO group	11,460	1,240	-	2,331	15,031	678
Others	4,624	2,818	(7)	-	7,435	-
	16,084	**4,058**	**23,767**	**2,331**	**46,240**	**678**
Beverages						
Swire Beverages	**9,072**	**615**	**1,407**	**949**	**12,043**	**914**
Marine Services						
Swire Pacific Offshore group	24,928	-	6	1,152	26,086	3,184
HUD group	-	(54)	-	-	(54)	-
	24,928	**(54)**	**6**	**1,152**	**26,032**	**3,184**
Trading & Industrial						
Swire Retail group	855	27	98	312	1,292	23
Taikoo Motors group	1,634	-	-	1,218	2,852	206
Swire Foods group	994	10	-	353	1,357	5
Campbell Swire	-	7	-	-	7	-
Swire Pacific Cold Storage group	1,161	264	-	105	1,530	660
Akzo Nobel Swire Paints	-	550	-	-	550	-
Swire Sustainable Business group	121	-	226	-	347	-
Other activities	211	19	-	-	230	-
	4,976	**877**	**324**	**1,988**	**8,165**	**894**
Head Office	**4,061**	**-**	**-**	**870**	**4,931**	**22**
	297,429	**23,703**	**26,039**	**10,164**	**357,335**	**10,874**

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

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

1. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2014	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	5,739	6,329	10,094	20,649	42,811	36,133
Property trading and development	1,815	283	4,260	1,796	8,154	681
Hotels	277	-	-	545	822	1,353
	7,831	**6,612**	**14,354**	**22,990**	**51,787**	**38,167**
Aviation						
HAECO group	**2,404**	**310**	**-**	**4,930**	**7,644**	**4,151**
Beverages						
Swire Beverages	**4,617**	**429**	**1,160**	**-**	**6,206**	**867**
Marine Services						
Swire Pacific Offshore group	**1,317**	**26**	**10,183**	**653**	**12,179**	**23**
Trading & Industrial						
Swire Retail group	785	58	(267)	-	576	-
Taikoo Motors group	842	34	134	-	1,010	-
Swire Foods group	264	6	-	-	270	147
Swire Pacific Cold Storage group	191	1	258	-	450	-
Other activities	28	18	2	-	48	-
	2,110	**117**	**127**	**-**	**2,354**	**147**
Head Office	**539**	**105**	**(25,824)**	**40,215**	**15,035**	**-**
	18,818	**7,599**	**-**	**68,788**	**95,205**	**43,355**

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

1. Segment Information (continued)

(a) Information about reportable segments (continued)

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

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

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

(b) Information about geographical areas

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

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

	Revenue		Non-current assets (Note)	
	2014	2013	**2014**	2013
	HK$M	HK$M	**HK$M**	HK$M
Hong Kong	**21,928**	19,109	**204,917**	202,362
Asia (excluding Hong Kong)	**24,713**	22,232	**36,957**	35,309
United States of America	**7,648**	4,083	**8,531**	3,045
Others	**465**	290	**530**	570
Ship owning and operating activities	**6,547**	5,723	**23,125**	21,220
	61,301	51,437	**274,060**	262,506

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

2. Revenue

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

	2014	2013
	HK$M	HK$M
Gross rental income from investment properties	**10,256**	9,606
Property trading	**3,842**	2,207
Hotels	**1,089**	942
Aircraft and engine maintenance services	**10,733**	6,972
Sales of goods	**27,541**	24,904
Charter hire	**6,199**	5,257
Rendering of other services	**1,641**	1,549
Total	**61,301**	51,437

3. Operating Profit

	2014 HK$M	2013 HK$M
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment	**2,566**	2,294
Amortisation of leasehold land and land use rights	**33**	32
Amortisation of intangible assets	**136**	69
Amortisation of initial leasing costs	**89**	94
Loss on sale of investment properties	**39**	-
Loss/(profit) on sale of property, plant and equipment	**19**	(95)
And after crediting:		
Dividend income on available-for-sale assets	**5**	1
Profit on sale of available-for-sale assets	**78**	-

4. Net Finance Charges

	2014		2013	
	HK$M	HK$M	HK$M	HK$M
Interest charged:				
Bank loans and overdrafts		**(753)**		(747)
Other loans, bonds and perpetual capital securities:				
Wholly repayable within five years	**(1,025)**		(811)	
Not wholly repayable within five years	**(864)**		(828)	
		(1,889)		(1,639)
Fair value gains on derivative instruments:				
Interest rate swaps: cash flow hedges, transferred from other comprehensive income		**95**		109
Amortised loan fees - loans at amortised cost		**(107)**		(89)
Fair value loss on put options over non-controlling interests in subsidiary companies		**(29)**		(149)
Other financing costs		**(117)**		(98)
Capitalised on:				
Investment properties	**185**		63	
Properties for sale	**221**		256	
Hotel and other properties	**7**		8	
Vessels	**100**		127	
		513		454
		(2,287)		(2,159)
Interest income:				
Short-term deposits and bank balances	**149**		70	
Fair value gain on put options over non-controlling interests in subsidiary companies	**1**		9	
Other loans	**112**		81	
		262		160
Net finance charges		**(2,025)**		(1,999)

5. Taxation

	2014	2013
	HK$M	HK$M
Current taxation:		
Hong Kong profits tax	**(1,020)**	(974)
Overseas taxation	**(530)**	(544)
(Under)/over-provisions in prior years	**(13)**	117
	(1,563)	(1,401)
Deferred taxation:		
Changes in fair value of investment properties	**(265)**	(208)
Origination and reversal of temporary differences	**(390)**	(243)
	(655)	(451)
	(2,218)	(1,852)

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

6. Dividends

	Company	
	2014	2013
	HK$M	HK$M
First interim dividend paid on 7th October 2014 of HK$1.10 per 'A' share and HK$0.22 per 'B' share (2013: HK$1.00 and HK$0.20)	**1,655**	1,505
Second interim dividend declared on 19th March 2015 of HK$2.80 per 'A' share and HK$0.56 per 'B' share (2013 actual dividend paid: HK$2.50 and HK$0.50)	**4,213**	3,761
	5,868	5,266

The second interim dividend is not accounted for in 2014 because it had not been declared at the year end date. The actual amount payable in respect of 2014 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2015.

The Directors have declared second interim dividends of HK$2.80 per ‘A’ share and HK$0.56 per ‘B’ share which, together with the first interim dividends of HK$1.10 per ‘A’ share and HK$0.22 per ‘B’ share paid in October 2014, amount to full year dividends of HK$3.90 per ‘A’ share and HK$0.78 per ‘B’ share, compared to full year dividends of HK$3.50 per ‘A’ share and HK$0.70 per ‘B’ share in respect of 2013. The second interim dividends will be paid on 8th May 2015 to shareholders registered at the close of business on the record date, being Friday, 17th April 2015. Shares of the Company will be traded ex-dividend from Wednesday, 15th April 2015.

The register of members will be closed on Friday, 17th April 2015, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16th April 2015.

6. Dividends (continued)

To facilitate the processing of proxy voting for the annual general meeting to be held on 21st May 2015, the register of members will be closed from 18th May 2015 to 21st May 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 15th May 2015.

7. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$11,069 million (2013: HK$13,291 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2014 and 2013 in the proportion five to one.

8. Trade and Other Receivables

	2014	2013
	HK$M	HK$M
Trade debtors	**3,719**	3,845
Amounts due from immediate holding company	**2**	-
Amounts due from joint venture companies	**142**	168
Amounts due from associated companies	**457**	624
Interest-bearing advance to an associated company	**123**	-
Prepayments and accrued income	**2,314**	2,211
Other receivables	**2,795**	2,339
	9,552	9,187

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

	2014	2013
	HK$M	HK$M
Up to three months	**3,523**	3,666
Between three and six months	**132**	103
Over six months	**64**	76
	3,719	3,845

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

9. Trade and Other Payables

	2014	2013
	HK$M	HK$M
Trade creditors	**3,812**	3,418
Amounts due to immediate holding company	**191**	213
Amounts due to joint venture companies	**179**	167
Amounts due to associated companies	**238**	264
Interest-bearing advances from joint venture companies	**402**	528
Interest-bearing advance from an associated company	**128**	-
Advances from non-controlling interests	**125**	445
Rental deposits from tenants	**2,303**	2,124
Put option over non-controlling interest in Taikoo Li Sunlitun	**-**	1,256
Put option over non-controlling interest in Brickell City Centre	**470**	367
Put options over non-controlling interests in subsidiary companies	**127**	216
Contingent consideration	**388**	-
Accrued capital expenditure	**734**	988
Other accruals	**5,117**	4,728
Other payables	**3,719**	2,345
	17,933	17,059
Amounts due after one year included under non-current liabilities	**(1,194)**	(620)
	16,739	16,439

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

	2014	2013
	HK$M	HK$M
Up to three months	**3,606**	3,218
Between three and six months	**139**	126
Over six months	**67**	74
	3,812	3,418

10. Share Capital

	Company		
	'A' shares of HK$0.60 each[(b)]	'B' shares of HK$0.12 each[(b)]	Total HK$M
Authorised:[(a)]			
At 31st December 2013	1,140,000,000	3,600,000,000	1,116
At 31st December 2014	-	-	-

	'A' shares	'B' shares	Total HK$M
Issued and fully paid:			
At 1st January 2014	905,578,500	2,995,220,000	903
Transition to no-par value regime on 3rd March 2014 (note 11)[(c)]	-	-	391
At 31st December 2014	905,578,500	2,995,220,000	1,294

On 3rd March 2014, the Hong Kong Companies Ordinance (Cap. 662) (the “New CO”) came into effect. This had the following results:

(a) The Company’s authorised share capital ceased to exist (by virtue of section 98(4) of the New CO).

(b) The Company’s shares ceased to have nominal or par value (by virtue of section 135 of the New CO).

(c) The amounts standing to the credit of the Company’s share premium account and capital redemption reserve became part of the Company’s share capital (by virtue of paragraph 37 of Schedule 11 to the New CO).

Except for voting rights, which are equal, the entitlements of ‘A’ and ‘B’ shareholders are in the proportion of five to one. This was unaffected by the Company’s shares ceasing to have nominal or par value as referred to in (b) above. Paragraph 40 of Schedule 11 to the New CO preserved the rights attaching to the Company’s ‘A’ shares and ‘B’ shares as if they still had their nominal values.

11. Reserves

	Revenue reserve	Share premium	Capital redemption reserve	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Group								
At 1st January 2014	209,682	342	49	1,967	884	1,517	4,953	219,394
Profit for the year	11,069	-	-	-	-	-	-	11,069
Other comprehensive income								
Defined benefit plans								
- remeasurement gains recognised during the year	(417)	-	-	-	-	-	-	(417)
- deferred tax	96	-	-	-	-	-	-	96
Cash flow hedges								
- recognised during the year	-	-	-	-	-	35	-	35
- transferred to net finance charges	-	-	-	-	-	(95)	-	(95)
- transferred to operating profit	-	-	-	-	-	6	-	6
- transferred to initial cost of non-financial assets	-	-	-	-	-	93	-	93
- deferred tax	-	-	-	-	-	9	-	9
Net fair value changes on available-for-sale assets								
- net losses recognised during the year	-	-	-	-	(53)	-	-	(53)
- net gains transferred to operating profit	-	-	-	-	(91)	-	-	(91)
Revaluation of property previously occupied by the Group								
- gains recognised during the year	-	-	-	7	-	-	-	7
- deferred tax	-	-	-	(2)	-	-	-	(2)
Share of other comprehensive income of joint venture and associated companies	(140)	-	-	-	32	(5,659)	(367)	(6,134)
Net translation differences on foreign operations	-	-	-	-	-	-	(635)	(635)
Total comprehensive income for the year	10,608	-	-	5	(112)	(5,611)	(1,002)	3,888
Change in composition of the Group	7	-	-	-	-	-	-	7
Transition to no-par value regime on 3rd March 2014 (note 10)	-	(342)	(49)	-	-	-	-	(391)
2013 second interim dividend (note 6)	(3,761)	-	-	-	-	-	-	(3,761)
2014 first interim dividend (note 6)	(1,656)	-	-	-	-	-	-	(1,656)
At 31st December 2014	214,880	-	-	1,972	772	(4,094)	3,951	217,481

11. Reserves (continued)

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

12. Changes in Accounting Standards

(a) The following relevant new and revised standards and interpretation were required to be adopted by the Group effective from 1st January 2014:

HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) 21	Levies

The Group early adopted the amendment to HKAS 36 in 2013.

The amendment to HKAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendment has had no significant impact on the Group's financial statements.

The amendment to HKAS 39 provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendment has had no significant impact on the Group's financial statements.

HK(IFRIC) 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to a levy and when a liability should be recognised. The interpretation has had no significant impact on the Group's financial statements.

(b) The following amendment is effective but not relevant to the Group's operations:

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

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

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKAS 19 (Amendment)	Defined Benefit Plans – Employee Contributions[1]
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 9	Financial Instruments[4]

[1] To be applied by the Group from 1st January 2015
[2] To be applied by the Group from 1st January 2016
[3] To be applied by the Group from 1st January 2017
[4] To be applied by the Group from 1st January 2018

Sources of Finance

At 31st December 2014, committed loan facilities and debt securities amounted to HK$81,778 million, of which HK$13,761 million (17%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$9,634 million. Sources of funds at 31st December 2014 comprised:

	Available	Drawn	Undrawn expiring within one year	Undrawn expiring beyond one year
	HK$M	HK$M	HK$M	HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	**37,084**	**37,084**	**-**	**-**
Bank loans, overdrafts and other loans	**42,367**	**28,606**	**1,986**	**11,775**
Perpetual capital securities	**2,327**	**2,327**	**-**	**-**
Total committed facilities	**81,778**	**68,017**	**1,986**	**11,775**
Uncommitted facilities				
Bank loans, overdrafts and other loans	**10,749**	**1,115**	**9,634**	**-**
Total	**92,527**	**69,132**	**11,620**	**11,775**

At 31st December 2014, 63% of the Group's gross borrowings were on a fixed rate basis and 37% were on a floating rate basis (2013: 66% and 34%).

Corporate Governance

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

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

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

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

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

Annual Report
The 2014 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Group website www.swirepacific.com. Printed copies will be available to shareholders on 14th April 2015.

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