Media Information

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Swire Pacific Limited Announces 2019 Annual Results

After an encouraging first half, in which Swire Pacific delivered a continued recovery in earnings and a solid set of results, 2019 proved ultimately to be a challenging year. Social unrest in Hong Kong and global trade tensions (particularly in the second half) had direct and indirect effects on demand in a number of our businesses.

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

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

Below is a summary of the 2019 annual results:

2019 Annual Results Summary

	2019 **HK$M**	2018 HK$M	Change %
Revenue	**85,652**	84,606	+1%
Profit attributable to the Company's shareholders	**9,007**	23,629	-62%
Underlying profit attributable to the Company's shareholders	**17,797**	8,523	+109%

	HK$	HK$	Change %
Earnings per share			
'A' share	**6.00**	15.74	-62%
'B' share	**1.20**	3.15	
Underlying earnings per share			
'A' share	**11.85**	5.68	+109%
'B' share	**2.37**	1.14	

	HK$	HK$	Change %
Full year dividends per share			
'A' share	**3.00**	3.00	-
'B' share	**0.60**	0.60	

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Group Public Affairs
33/F One Pacific Place 88 Queensway Hong Kong GPO Box 1 HK Tel (852) 2840 8093 Fax (852) 2526 9365

Divisional Highlights:

Property Division

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

Aviation Division

- The Aviation Division recorded a profit of HK$1,550 million in 2019, compared to HK$1,781 million in 2018.

Cathay Pacific Group

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

HAECO Group

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

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33/F One Pacific Place 88 Queensway Hong Kong GPO Box 1 HK Tel (852) 2840 8093 Fax (852) 2526 9365

Beverages Division

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

Marine Services Division

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

Trading & Industrial Division

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

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

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33/F One Pacific Place 88 Queensway Hong Kong GPO Box 1 HK Tel (852) 2840 8093 Fax (852) 2526 9365

SWIRE PACIFIC

Media Information

About Swire Pacific Limited
Swire Pacific Limited (HKEX: 00019/00087) is a publicly quoted company in Hong Kong, with diversified interests in five operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial. The company's operations are predominantly based in the Greater China region, where Swire has been established for over 150 years. It is also the major shareholder in two Hong Kong listed companies: Swire Properties and Cathay Pacific Airways.

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

For media enquiries, please contact:
Ms Anita Lim
Manager Group Public Affairs, Swire Pacific Limited
Tel: (852) 2840 8077 / (852) 6494 2894
Email: anitalim@jsshk.com

SWIRE PACIFIC

SWIRE PACIFIC LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

2019 Final Results

2019 Final Results

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

	Note	2019	2018	Change
		HK$M	HK$M	
Revenue		**85,652**	84,606	+1%
Operating profit		**13,792**	30,888	-55%
Profit attributable to the Company's shareholders		**9,007**	23,629	-62%
Cash generated from operations		**12,817**	18,328	-30%
Net cash inflow before financing		**22,910**	17,919	+28%
Total equity (including non-controlling interests)		**329,494**	325,115	+1%
Net debt		**46,688**	62,667	-25%
Gearing ratio		**14.2%**	19.3%	-5.1% pt
		HK$	HK$	
Earnings per share	(a)			
'A' share		**6.00**	15.74	-62%
'B' share		**1.20**	3.15	
		HK$	HK$	
Dividends per share				
'A' share		**3.00**	3.00	-
'B' share		**0.60**	0.60	
		HK$	HK$	
Equity attributable to the Company's shareholders per share	(b)			
'A' share		**182.04**	180.09	+1%
'B' share		**36.41**	36.02	

Underlying Profit

	Note			
		HK$M	HK$M	Change
Underlying profit attributable to the Company's shareholders	(c)	**17,797**	8,523	+109%
		HK$	HK$	
Underlying earnings per share	(a)			
'A' share		**11.85**	5.68	+109%
'B' share		**2.37**	1.14	

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

Notes:
(a) Refer to note 7 in the financial statements for the daily weighted average number of shares in issue throughout the year.
(b) Refer to note 10 in the financial statements for the number of shares at the year end.
(c) A reconciliation between the reported and underlying profit attributable to the Company's shareholders is provided on page 48.
(d) Including the Cathay Pacific group.

Corporate Statement

Sustainable Growth

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

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

Our Values

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

Our Core Principles

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

Our Investment Principles

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

Our Businesses

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

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

Corporate Statement (continued)

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

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

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

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

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

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

Chairman's Statement

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

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

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

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

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

The talent and dedication of our 94,000 employees are central to our operations. I would like to thank them for their hard work, determination and commitment to our values. In particular, I should like to commend our staff for the tremendous professionalism and resilience of their responses to the operational challenges arising from social unrest in Hong Kong and COVID-19.

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

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

Chairman's Statement (continued)

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

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

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

Merlin Swire
Chairman
Hong Kong, 12th March 2020

Finance Director's Statement

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

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

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

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

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

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

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

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

Dividends

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

Implementing Our Aims

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

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

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

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

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

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

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

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

Finance Director's Statement (continued)

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

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

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

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

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

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

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

The passenger business is expected to be under severe pressure this year and the cargo business will continue to face headwinds. However, there is cautious optimism about cargo following the recent reduction in US-China trade tensions and cargo capacity has been maintained intact. The US dollar

Finance Director's Statement (continued)

is expected to remain strong in 2020, and intense competition, especially in long-haul economy class, will continue to place significant pressure on passenger yields.

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

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

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

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

Michelle Low
Finance Director
Hong Kong, 12th March 2020

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

Hotel Investment:

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

Property Trading:

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

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

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

^The office portfolio principally comprises Two Taikoo Place.

STRATEGY:

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

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

2019 PERFORMANCE

Property Division – Financial Highlights

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

* Other revenue is mainly estate management fees.

Property Division – Underlying Profit/(Loss) by Segment

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

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 the USA, and for other deferred tax provisions in relation to investment properties. Amortisation of right-of-use assets classified as investment properties is charged to underlying profit.

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

Notes:

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

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

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

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

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

2019 PROPERTY INDUSTRY REVIEW

Office and Retail:

Hong Kong:

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

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

Mainland China:

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

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

USA:

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

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

Property Sales Markets:

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

2019 RESULTS SUMMARY

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

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

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

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

KEY DEVELOPMENTS

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

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

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

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

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

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

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

INVESTMENT PROPERTIES

Hong Kong

Office

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

Pacific Place

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

Cityplaza

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

Taikoo Place

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

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

South Island Place

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

Retail

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

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

Residential

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

Investment Properties under Development

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

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

Others

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

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

Mainland China

Retail

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

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

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

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

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

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

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

Office

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

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

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

Investment Properties Under Development

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

USA

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

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

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

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

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2019 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK$276,008 million, compared to HK$271,256 million at 31st December 2018 and HK$275,649 million at 30th June 2019.

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

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

Hong Kong Lease Expiry Profile – at 31st December 2019

% of the total rental income attributable to the Group for the month ended 31st December 2019	2020	2021	2022 and later
Office	14.7%	14.9%	70.4%
Retail	17.0%	22.6%	60.4%

HOTELS

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

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

Profile of Capital Commitments for Investment Properties and Hotels

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

Note: The capital commitments represent 100% of the capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies.

* The Group is committed to funding HK$18 million and HK$465 million of the capital commitments of joint venture companies in Hong Kong and Mainland China respectively.

PROPERTY TRADING

Hong Kong

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

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

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

Mainland China

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

USA

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

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

Singapore

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

Indonesia

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

OUTLOOK

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

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

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

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

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

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

Guy Bradley

REVIEW OF OPERATIONS

AVIATION DIVISION

OVERVIEW OF THE BUSINESS

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

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

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

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

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

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

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

The HAECO group:

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

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

HAECO is a wholly-owned subsidiary of Swire Pacific.

STRATEGY:

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

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

Aviation Division – Financial Highlights

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

Accounting for the Aviation Division

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

Cathay Pacific and Cathay Dragon – 2019 Performance

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

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

Cathay Pacific group

2019 AIRLINE INDUSTRY REVIEW

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

2019 RESULTS SUMMARY

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

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

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

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

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

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

Passenger Services

Cathay Pacific and Cathay Dragon

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

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

HK Express

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

Cargo Services

Cathay Pacific and Cathay Dragon

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

Air Hong Kong

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

Operating Costs

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

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

Fleet Profile

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

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

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

Fleet profile*

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

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

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

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

(a) The operating lease of one Airbus A320-200 aircraft expired in February 2020. The aircraft was returned to its lessor.

(b) 11 of these aircraft are owned by Cathay Pacific and leased by Cathay Dragon.

(c) These aircraft are operating leased.

(d) These aircraft, ordered by Cathay Dragon, will be operated by HK Express from 2022.

Air China and Air China Cargo

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

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

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

ACC's 2019 financial results worsened from 2018.

Outlook

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

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

Augustus Tang

Hong Kong Aircraft Engineering Company (HAECO) group

HAECO group – Financial Highlights

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

* representing impairment charges of HAECO Americas

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

HAECO group – Operating Highlights

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

2019 AVIATION MAINTENANCE AND REPAIR INDUSTRY REVIEW

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

2019 RESULTS SUMMARY

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

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

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

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

<u>HAECO Hong Kong</u>

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

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

<u>HAECO Americas</u>

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

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

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

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

HAECO Xiamen

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

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

TEXL

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

HAESL

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

Other Principal Subsidiary and Joint Venture Companies

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

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

Outlook

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

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

Frank Walschot

REVIEW OF OPERATIONS

BEVERAGES DIVISION

OVERVIEW OF THE BUSINESS

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

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

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

FRANCHISE TERRITORIES

	Franchise population (millions) (end 2019)	**GDP per capita (US$)**	**Sales volume (million unit cases) 2019**	Sales volume (million unit cases) 2009	**Per capita consumption (8 oz servings) 2019**	Per capita consumption (8 oz servings) 2009
Mainland China	**674.9**	**11,015**	**1,356**	700	**48**	41
Hong Kong	**7.5**	**48,367**	**64**	61	**204**	208
Taiwan	**23.6**	**25,932**	**60**	61	**61**	63
USA	**29.8**	**48,091**	**306**	82	**246**	319
	735.8		**1,786**	904		

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

STRATEGY:

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

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

2019 PERFORMANCE

Financial Highlights

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

Segment Financial Highlights

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

Accounting for the Beverages Division

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

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

Segment Performance

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

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

Note 1: Revenue for Swire Coca-Cola, including that of a joint venture company and excluding sales to other bottlers, was HK$44,719 million (2018: HK$42,659 million).

Note 2: The sales volume for Mainland China shown in the table above represents sales in 13 franchise territories, in each case including products supplied by CCBMH.

Note 3: (i) EBITDA and EBIT for Swire Coca-Cola (including that of a joint venture company and excluding non-recurring gains and central costs) were HK$4,300 million (2018: HK$3,840 million) and HK$2,636 million (2018: HK$2,299 million) respectively.
(ii) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which includes that of a joint venture company and excludes sales to other bottlers).

2019 RESULTS SUMMARY

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

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

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

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

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

Mainland China

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

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

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

Total sales volume increased by 2%.

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

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

Hong Kong

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

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

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

Total sales volume decreased by 3%.

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

Taiwan

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

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

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

Total sales volume increased by 8%.

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

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

USA

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

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

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

Total sales volume increased by 2%.

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

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

OUTLOOK

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

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

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

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

Patrick Healy

REVIEW OF OPERATIONS

MARINE SERVICES DIVISION

OVERVIEW OF THE BUSINESS

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

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

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

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

STRATEGY:

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

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

SPO:

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

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

SPO – Fleet Size

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

Note: One vessel is subject to an operating lease.

SPO's Geographical Distribution:

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

2019 PERFORMANCE

Marine Services Division – Financial Highlights

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

Marine Services Division – Fleet Size

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

Swire Pacific Offshore group

2019 OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY REVIEW

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

2019 RESULTS SUMMARY

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

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

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

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

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

Charter Hire

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

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

Core Fleet (AHTSs and PSVs)

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

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

Specialist Fleet

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

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

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

Non-charter Hire

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

Operating Costs

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

FLEET

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

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

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

OUTLOOK

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

SPO - Profile of Capital Commitments (HK$M)

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

SPO – Charter Hire Revenue by Vessel Class

Vessel Class	**2019 HK$M**	**2019 %**	2018 HK$M	2018 %
Anchor Handling Tug Supply Vessels	**1,003**	**45%**	915	34%
Platform Supply Vessels	**689**	**30%**	568	22%
Construction and Specialist Vessels	**571**	**25%**	1,157	44%
Total	**2,263**	**100%**	2,640	100%

Hongkong United Dockyards group

2019 INDUSTRY REVIEW

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

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

2019 RESULTS SUMMARY

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

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

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

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

OUTLOOK

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

Peter Langslow
Derrick Chan

REVIEW OF OPERATIONS

TRADING & INDUSTRIAL DIVISION

OVERVIEW OF THE BUSINESS

Swire Resources:

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

Taikoo Motors:

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

Swire Foods:

(i) Chongqing New Qinyuan Bakery:

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

(ii) Taikoo Sugar:

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

Swire Environmental Services:

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

STRATEGY:

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

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

2019 PERFORMANCE

Trading & Industrial Division - Financial Highlights

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

* Including gains on disposal of interests in the relevant companies

2019 INDUSTRY REVIEW

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

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

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

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

2019 RESULTS SUMMARY

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

Swire Resources

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

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

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

Taikoo Motors

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

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

Swire Foods group

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

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

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

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

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

Swire Environmental Services

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

OUTLOOK

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

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

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

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

David Cogman / Ivan Chu

FINANCIAL REVIEW

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

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

Notes:

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

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

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

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

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

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

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

Consolidated Statement of Profit or Loss
For the year ended 31st December 2019

	Note	2019 HK$M	2018 HK$M
Revenue	2	**85,652**	84,606
Cost of sales		**(53,831)**	(53,739)
Gross profit		**31,821**	30,867
Distribution costs		**(14,565)**	(14,086)
Administrative expenses		**(6,563)**	(6,331)
Other operating expenses		**(304)**	(398)
Other net (losses)/gains		**(325)**	1,458
Change in fair value of investment properties		**3,728**	19,378
Operating profit	3	**13,792**	30,888
Finance charges		**(2,494)**	(2,525)
Finance income		**452**	201
Net finance charges	4	**(2,042)**	(2,324)
Share of profits less losses of joint venture companies		**1,949**	2,458
Share of profits less losses of associated companies		**885**	1,324
Profit before taxation		**14,584**	32,346
Taxation	5	**(2,746)**	(2,926)
Profit for the year		**11,838**	29,420
Profit for the year attributable to:			
The Company's shareholders		**9,007**	23,629
Non-controlling interests		**2,831**	5,791
		11,838	29,420
Underlying profit attributable to the Company's shareholders		**17,797**	8,523
		HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	7		
'A' share		**6.00**	15.74
'B' share		**1.20**	3.15

Consolidated Statement of Other Comprehensive Income
For the year ended 31st December 2019

	2019 **HK$M**	2018 HK$M
Profit for the year	**11,838**	29,420
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group		
gains recognised during the year	**294**	19
deferred tax	**(2)**	(1)
Defined benefit plans		
remeasurement gains/(losses) recognised during the year	**76**	(204)
deferred tax	**7**	38
Changes in the fair value of equity investments at fair value through other comprehensive income	**(59)**	(135)
Share of other comprehensive income of joint venture and associated companies	**494**	(120)
	810	(403)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
gains/(losses) recognised during the year	**495**	(139)
transferred to net finance charges	**(61)**	(77)
transferred to operating profit	**84**	(14)
deferred tax	**(75)**	36
Share of other comprehensive income of joint venture and associated companies	**(350)**	(540)
Net translation differences on foreign operations		
losses recognised during the year	**(1,022)**	(2,081)
reclassified to profit or loss on disposal	**-**	35
	(929)	(2,780)
Other comprehensive income for the year, net of tax	**(119)**	(3,183)
Total comprehensive income for the year	**11,719**	26,237
Total comprehensive income attributable to:		
The Company's shareholders	**9,000**	20,973
Non-controlling interests	**2,719**	5,264
	11,719	26,237

Consolidated Statement of Financial Position
At 31st December 2019

	Note	2019 HK$M	2018 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**32,680**	39,644
Investment properties		**276,250**	271,515
Land use rights		**-**	1,415
Intangible assets		**12,852**	12,918
Right-of-use assets		**9,899**	-
Properties held for development		**1,212**	1,360
Joint venture companies		**19,112**	18,870
Loans due from joint venture companies		**16,827**	15,470
Associated companies		**30,695**	31,533
Loans due from associated companies		**9**	167
Equity investments at fair value through other comprehensive income		**193**	244
Other receivables	8	**67**	67
Derivative financial instruments		**384**	80
Deferred tax assets		**667**	454
Retirement benefit assets		**97**	89
		400,944	393,826
Current assets			
Properties for sale		**3,604**	1,469
Stocks and work in progress		**5,539**	5,242
Contract assets		**1,301**	1,176
Trade and other receivables	8	**8,618**	9,945
Derivative financial instruments		**46**	109
Bank balances and short-term deposits		**21,345**	9,112
		40,453	27,053
Assets classified as held for sale		**-**	15,526
		40,453	42,579
Current liabilities			
Trade and other payables	9	**23,230**	25,102
Contract liabilities		**721**	438
Taxation payable		**1,170**	636
Derivative financial instruments		**14**	28
Short-term loans		**110**	3,227
Long-term loans and bonds due within one year		**11,459**	8,301
Lease liabilities due within one year		**858**	-
		37,562	37,732
Liabilities directly associated with assets classified as held for sale		**-**	207
		37,562	37,939
Net current assets		**2,891**	4,640
Total assets less current liabilities		**403,835**	398,466
Non-current liabilities			
Long-term loans and bonds		**56,464**	60,251
Long-term lease liabilities		**4,517**	-
Derivative financial instruments		**92**	170
Other payables	9	**1,095**	1,679
Deferred tax liabilities		**11,014**	10,034
Retirement benefit liabilities		**1,159**	1,217
		74,341	73,351
NET ASSETS		**329,494**	325,115
EQUITY			
Share capital	10	**1,294**	1,294
Reserves	11	**272,058**	269,130
Equity attributable to the Company's shareholders		**273,352**	270,424
Non-controlling interests		**56,142**	54,691
TOTAL EQUITY		**329,494**	325,115

Consolidated Statement of Cash Flows
For the year ended 31st December 2019

	2019 HK$M	2018 HK$M
Operating activities		
Cash generated from operations	**12,817**	18,328
Interest paid	**(2,603)**	(2,629)
Interest received	**397**	201
Tax paid	**(1,397)**	(2,180)
	9,214	13,720
Dividends received from joint venture and associated companies	**1,327**	1,716
Net cash generated from operating activities	**10,541**	15,436
Investing activities		
Purchase of property, plant and equipment	**(3,782)**	(4,103)
Additions of investment properties	**(1,962)**	(3,917)
Additions of other current assets	**-**	(88)
Additions of assets classified as held for sale	**-**	(364)
Purchase of intangible assets	**(736)**	(126)
Proceeds from disposals of property, plant and equipment	**303**	450
Proceeds from disposals of investment properties	**295**	350
Proceeds from disposals of subsidiary companies, net of cash disposed of	**17,534**	9,584
Proceeds from disposal of a joint venture company	**2,352**	3,594
Proceeds from disposal of an associated company	**140**	-
Purchase of shares in new subsidiary companies	**-**	(14)
Purchase of shares in joint venture companies	**(276)**	(1,670)
Adjustment for previous year's purchase of new businesses	**-**	187
Purchase of equity investments at fair value through other comprehensive income	**(8)**	(4)
Loans to joint venture companies	**(2,588)**	(1,635)
Loans to associated companies	**-**	(176)
Repayment of loans by joint venture companies	**1,120**	363
Repayment of loans by associated companies	**9**	2
(Increase)/decrease in deposits maturing after more than three months	**(13)**	110
Initial leasing costs incurred	**(19)**	(60)
Net cash generated from investing activities	**12,369**	2,483
Net cash inflow before financing activities	**22,910**	17,919
Financing activities		
Loans drawn and refinancing	**10,564**	10,624
Repayment of loans and bonds	**(14,135)**	(17,571)
Principal elements of lease payments	**(950)**	-
	(4,521)	(6,947)
Repurchase of the Company's shares	**-**	(21)
Purchase of shares in existing subsidiary companies	**(226)**	(3,018)
Proceeds from partial disposal of interest in a subsidiary company	**171**	-
Dividends paid to the Company's shareholders	**(4,730)**	(3,454)
Dividends paid to non-controlling interests	**(1,246)**	(1,128)
Net cash used in financing activities	**(10,552)**	(14,568)
Increase in cash and cash equivalents	**12,358**	3,351
Cash and cash equivalents at 1st January	**9,102**	5,951
Effect of exchange differences	**(138)**	(200)
Cash and cash equivalents at 31st December	**21,322**	9,102
Represented by:		
Bank balances and short-term deposits maturing within three months	**21,322**	9,102

1. Segment Information

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

Year ended 31st December 2019

	External revenue	Inter-segment revenue	Operating profit/(loss)	Finance charges	Finance income	Share of profits less losses of joint venture companies	Share of profits less losses of associated companies	Tax (charge)/credit	Profit/(loss) for the year	Profit/(loss) attributable to the Company's shareholders	Underlying profit / (loss) attributable to the Company's shareholders	Depreciation and amortisation charged to operating profit
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property												
Property investment	12,323	87	10,725	(760)	335	942	-	(1,121)	10,121	8,243	19,869	(191)
Change in fair value of investment properties	-	-	3,728	-	-	433	-	(728)	3,433	2,836	-	-
Property trading	516	-	4	(41)	3	30	-	(14)	(18)	(15)	(15)	-
Hotels	1,296	-	(62)	(36)	-	(46)	71	3	(70)	(57)	(57)	(224)
	14,135	**87**	**14,395**	**(837)**	**338**	**1,359**	**71**	**(1,860)**	**13,466**	**11,007**	**19,797**	**(415)**
Aviation												
Cathay Pacific group	-	-	-	-	-	-	761	-	761	761	761	-
HAECO group*	15,901	-	1,048	(255)	42	483	-	(217)	1,101	825	825	(816)
Others	-	-	(55)	-	-	3	(4)	-	(56)	(36)	(36)	(55)
	15,901	**-**	**993**	**(255)**	**42**	**486**	**757**	**(217)**	**1,806**	**1,550**	**1,550**	**(871)**
Beverages												
Mainland China	22,087	-	1,423	(107)	36	55	98	(439)	1,066	941	941	(904)
Hong Kong	2,339	1	240	(4)	-	-	-	(29)	207	207	207	(87)
Taiwan	1,694	-	97	(1)	-	-	-	(21)	75	75	75	(67)
USA	17,196	-	831	(150)	15	-	-	(129)	567	567	567	(645)
Central costs	-	-	(104)	-	-	-	-	-	(104)	(104)	(104)	(1)
	43,316	**1**	**2,487**	**(262)**	**51**	**55**	**98**	**(618)**	**1,811**	**1,686**	**1,686**	**(1,704)**
Marine Services												
Swire Pacific Offshore group*	2,451	1	(3,421)	(196)	2	-	(4)	(62)	(3,681)	(3,672)	(3,672)	(1,058)
HUD group	-	-	-	-	-	38	-	-	38	38	38	-
	2,451	**1**	**(3,421)**	**(196)**	**2**	**38**	**(4)**	**(62)**	**(3,643)**	**(3,634)**	**(3,634)**	**(1,058)**
Trading & Industrial												
Swire Resources	3,113	-	(3)	(35)	7	2	-	5	(24)	(24)	(24)	(486)
Taikoo Motors	5,190	-	173	(12)	-	-	-	(29)	132	132	132	(139)
Swire Foods*	1,540	65	(348)	(16)	3	2	-	(6)	(365)	(365)	(365)	(149)
Swire Pacific Cold Storage#	-	-	104	-	-	-	-	36	140	140	140	-
Swire Environmental Services*	-	-	(285)	-	-	7	(37)	-	(315)	(315)	(315)	-
Central costs	-	-	(20)	(1)	1	-	-	-	(20)	(20)	(20)	-
	9,843	**65**	**(379)**	**(64)**	**11**	**11**	**(37)**	**6**	**(452)**	**(452)**	**(452)**	**(774)**
Head Office												
Net income/(expenses)	**6**	**35**	**(283)**	**(1,277)**	**405**	**-**	**-**	**5**	**(1,150)**	**(1,150)**	**(1,150)**	**(1)**
Inter-segment elimination	**-**	**(189)**	**-**	**397**	**(397)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**85,652**	**-**	**13,792**	**(2,494)**	**452**	**1,949**	**885**	**(2,746)**	**11,838**	**9,007**	**17,797**	**(4,823)**

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

* Impairment charges included under operating profit/(loss) in the HAECO group, the Swire Pacific Offshore group, Swire Foods and Swire Environmental Services were HK$234 million, HK$2,121 million, HK$239 million and HK$281 million respectively.

\# This represents the write-back of provisions made in 2018 in relation to the sale of Swire Pacific Cold Storage.

1. Segment Information (continued)

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

Year ended 31st December 2018

	External revenue	Inter-segment revenue	Operating profit/(loss)	Finance charges	Finance income	Share of profits less losses of joint venture companies	Share of profits less losses of associated companies	Tax (charge)/credit	Profit/(loss) for the year	Profit/(loss) attributable to the Company's shareholders	Underlying profit / (loss) attributable to the Company's shareholders	Depreciation and amortisation charged to operating profit
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property												
Property investment	12,139	115	9,861	(913)	112	772	-	(1,049)	8,783	7,152	8,284	(172)
Change in fair value of investment properties	-	-	19,378	-	-	1,063	-	(654)	19,787	16,238	-	-
Property trading	1,061	-	65	(40)	1	107	-	(24)	109	81	81	-
Hotels	1,404	-	(25)	(42)	-	(117)	153	(10)	(41)	(34)	(34)	(234)
	14,604	**115**	**29,279**	**(995)**	**113**	**1,825**	**153**	**(1,737)**	**28,638**	**23,437**	**8,331**	**(406)**
Aviation												
Cathay Pacific group	-	-	-	-	-	-	1,056	-	1,056	1,056	1,056	-
HAECO group	14,892	-	1,140	(115)	23	451	-	(233)	1,266	760	760	(654)
Others	-	-	(54)	-	-	3	(11)	-	(62)	(35)	(35)	(54)
	14,892	**-**	**1,086**	**(115)**	**23**	**454**	**1,045**	**(233)**	**2,260**	**1,781**	**1,781**	**(708)**
Beverages												
Mainland China	21,358	-	1,059	(137)	35	48	103	(357)	751	634	634	(764)
Hong Kong	2,342	1	255	-	-	-	-	(25)	230	230	230	(68)
Taiwan	1,551	-	224	(2)	-	-	-	(11)	211	211	211	(53)
USA	15,938	-	819	(121)	2	-	-	(77)	623	623	623	(588)
Central costs	-	-	(68)	-	-	-	-	-	(68)	(68)	(68)	(2)
	41,189	**1**	**2,289**	**(260)**	**37**	**48**	**103**	**(470)**	**1,747**	**1,630**	**1,630**	**(1,475)**
Marine Services												
Swire Pacific Offshore group*	3,018	1	(4,787)	(264)	4	-	2	(31)	(5,076)	(5,070)	(5,070)	(1,047)
HUD group	-	-	-	-	-	37	-	-	37	37	37	-
	3,018	**1**	**(4,787)**	**(264)**	**4**	**37**	**2**	**(31)**	**(5,039)**	**(5,033)**	**(5,033)**	**(1,047)**
Trading & Industrial												
Swire Resources	3,338	-	69	(1)	8	1	57	(32)	102	102	102	(22)
Taikoo Motors	5,810	-	155	(1)	1	-	-	(32)	123	123	123	(73)
Swire Foods	1,666	82	(30)	-	3	(52)	-	(12)	(91)	(91)	(91)	(92)
Swire Pacific Cold Storage#	82	-	24	(14)	-	(4)	-	(51)	(45)	(45)	(45)	(27)
Akzo Nobel Swire Paints#	-	-	3,086	-	-	143	-	(335)	2,894	2,894	2,894	-
Swire Environmental Services	-	-	(24)	-	-	6	(36)	-	(54)	(54)	(54)	-
Central costs	-	-	(25)	-	-	-	-	-	(25)	(25)	(25)	-
	10,896	**82**	**3,255**	**(16)**	**12**	**94**	**21**	**(462)**	**2,904**	**2,904**	**2,904**	**(214)**
Head Office												
Net income/(expenses)	**7**	**32**	**(234)**	**(1,409)**	**546**	**-**	**-**	**7**	**(1,090)**	**(1,090)**	**(1,090)**	**(1)**
Inter-segment elimination	**-**	**(231)**	**-**	**534**	**(534)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**84,606**	**-**	**30,888**	**(2,525)**	**201**	**2,458**	**1,324**	**(2,926)**	**29,420**	**23,629**	**8,523**	**(3,851)**

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

* Impairment charge made by the Swire Pacific Offshore group included under operating profit/loss was HK$3,872 million.

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

1. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2019	Segment assets	Joint venture companies#	Associated companies#	Bank deposits	Total assets	Additions to non-current assets (note)
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property						
Property investment	281,370	25,609	-	14,703	321,682	2,282
Property trading	4,876	3,281	-	130	8,287	8
Hotels	5,782	1,276	409	152	7,619	80
	292,028	**30,166**	**409**	**14,985**	**337,588**	**2,370**
Aviation						
Cathay Pacific group	-	-	28,697	-	28,697	-
HAECO group	13,065	1,774	-	1,453	16,292	699
Others	4,352	2,820	-	-	7,172	-
	17,417	**4,594**	**28,697**	**1,453**	**52,161**	**699**
Beverages						
Swire Coca-Cola	**27,355**	**1,088**	**1,584**	**3,323**	**33,350**	**3,149**
Marine Services						
Swire Pacific Offshore group	11,191	-	14	293	11,498	436
HUD group	-	12	-	-	12	-
	11,191	**12**	**14**	**293**	**11,510**	**436**
Trading & Industrial						
Swire Resources	1,462	36	-	175	1,673	503
Taikoo Motors	2,236	-	-	135	2,371	215
Swire Foods	1,318	6	-	250	1,574	75
Swire Environmental Services	-	37	-	-	37	-
Other activities	30	-	-	56	86	-
	5,046	**79**	**-**	**616**	**5,741**	**793**
Head Office	**372**	**-**	**-**	**675**	**1,047**	**-**
	353,409	**35,939**	**30,704**	**21,345**	**441,397**	**7,447**

At 31st December 2018	Segment assets	Joint venture companies#	Associated companies#	Bank deposits	Total assets	Additions to non-current assets (note)
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property						
Property investment	292,779	26,133	-	1,820	320,732	4,937
Property trading	3,034	1,411	-	118	4,563	52
Hotels	5,975	1,247	413	156	7,791	(19)
	301,788	**28,791**	**413**	**2,094**	**333,086**	**4,970**
Aviation						
Cathay Pacific group	-	-	29,225	-	29,225	-
HAECO group	10,755	1,738	-	2,167	14,660	562
Others	4,407	2,820	-	-	7,227	-
	15,162	**4,558**	**29,225**	**2,167**	**51,112**	**562**
Beverages						
Swire Coca-Cola (formerly Swire Beverages)	**25,609**	**955**	**1,552**	**2,397**	**30,513**	**1,988**
Marine Services						
Swire Pacific Offshore group	13,953	-	56	199	14,208	1,112
HUD group	-	(31)	-	-	(31)	-
	13,953	**(31)**	**56**	**199**	**14,177**	**1,112**
Trading & Industrial						
Swire Resources	696	34	137	326	1,193	26
Taikoo Motors	1,658	-	-	275	1,933	173
Swire Foods	1,454	3	-	247	1,704	140
Swire Environmental Services	39	30	317	-	386	-
Other activities	522	-	-	59	581	-
	4,369	**67**	**454**	**907**	**5,797**	**339**
Head Office	**372**	**-**	**-**	**1,348**	**1,720**	**1**
	361,253	**34,340**	**31,700**	**9,112**	**436,405**	**8,972**

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

1. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2019	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Lease liabilities HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property							
Property investment	7,785	10,263	(1,523)	26,792	548	43,865	51,534
Property trading	327	41	1,268	1,926	-	3,562	926
Hotels	238	-	255	1,011	-	1,504	1,124
	8,350	**10,304**	**-**	**29,729**	**548**	**48,931**	**53,584**
Aviation							
HAECO group	**2,910**	**611**	**1,756**	**424**	**2,516**	**8,217**	**2,089**
Beverages							
Swire Coca-Cola	**11,728**	**1,122**	**3,394**	**3,136**	**683**	**20,063**	**468**
Marine Services							
Swire Pacific Offshore group	**1,043**	**54**	**5,168**	**-**	**30**	**6,295**	**1**
Trading & Industrial							
Swire Resources	730	33	(54)	-	855	1,564	-
Taikoo Motors	595	28	-	-	513	1,136	-
Swire Foods	458	8	(57)	-	230	639	-
Other activities	24	-	58	-	-	82	-
	1,807	**69**	**(53)**	**-**	**1,598**	**3,421**	**-**
Head Office	**473**	**24**	**(10,265)**	**34,744**	**-**	**24,976**	**-**
	26,311	**12,184**	**-**	**68,033**	**5,375**	**111,903**	**56,142**

At 31st December 2018	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	10,736	9,050	(186)	29,461	49,061	50,457
Property trading	257	45	144	1,414	1,860	562
Hotels	241	-	42	1,124	1,407	1,171
	11,234	**9,095**	**-**	**31,999**	**52,328**	**52,190**
Aviation						
HAECO group	**3,099**	**397**	**-**	**3,248**	**6,744**	**2,042**
Beverages						
Swire Coca-Cola (formerly Swire Beverages)	**10,810**	**649**	**4,280**	**2,350**	**18,089**	**448**
Marine Services						
Swire Pacific Offshore group	**920**	**44**	**4,521**	**-**	**5,485**	**11**
Trading & Industrial						
Swire Resources	855	54	(53)	-	856	-
Taikoo Motors	615	17	-	-	632	-
Swire Foods	427	10	(58)	-	379	-
Other activities	279	381	60	-	720	-
	2,176	**462**	**(51)**	**-**	**2,587**	**-**
Head Office	**602**	**23**	**(8,750)**	**34,182**	**26,057**	**-**
	28,841	**10,670**	**-**	**71,779**	**111,290**	**54,691**

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 Board.

(b) Information about geographical areas

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

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

	Revenue		Non-current assets (Note)	
	2019	2018	**2019**	2018
	HK$M	HK$M	**HK$M**	HK$M
Hong Kong	**20,746**	21,140	**254,042**	246,424
Asia (excluding Hong Kong)	**41,415**	40,927	**50,708**	49,991
USA	**20,948**	19,493	**18,000**	17,454
Others	**105**	42	**-**	-
Ship owning and operating activities	**2,438**	3,004	**10,143**	12,983
	85,652	84,606	**332,893**	326,852

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

2. Revenue

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

	2019	2018
	HK$M	HK$M
Gross rental income from investment properties	**12,185**	12,002
Property trading	**516**	1,061
Hotels	**1,296**	1,404
Aircraft and engine maintenance services	**13,924**	13,131
Sales of goods	**53,933**	52,878
Charter hire*	**2,263**	2,640
Rendering of other services	**1,535**	1,490
Total	**85,652**	84,606

* Charter hire revenue included leasing of vessels amounting to HK$723 million for the year ended 31st December 2019 (2018: HK$797 million). The remaining revenue of HK$1,540 million (2018: HK$1,843 million) was related to ship management services for the provision of crew.

3. Operating Profit

	2019 HK$M	2018 HK$M
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment	**3,467**	3,559
Depreciation of right-of-use assets		
- leasehold land held for own use	**32**	-
- land use rights	**46**	-
- property	**903**	-
- plant and equipment	**77**	-
- vessels	**28**	-
Amortisation of		
- land use rights	**-**	53
- intangible assets	**222**	190
- initial leasing costs on investment properties and others	**48**	49
Impairment losses recognised on		
- property, plant and equipment	**2,162**	3,792
- intangible assets	**434**	86
- investment in and goodwill in respect of an associated company	**281**	98
Provision on restructuring costs	**125**	-
Loss on sale of investment properties	**17**	-
And after crediting:		
Remeasurement gains on interests in joint venture companies which became subsidiary companies	**-**	14
Profit on disposal of subsidiary companies	**1,384**	1,309
Profit on disposal of joint venture companies	**994**	3,177
Bargain purchase gain on acquisition of a subsidiary company	**-**	28
Final purchase consideration adjustment on acquisition of assets in the USA	**-**	107
Profit on sale of investment properties	**-**	53
Profit on sale of property, plant and equipment	**50**	57

4. Net Finance Charges

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

5. Taxation

	2019	2018
	HK$M	HK$M
Current taxation		
Hong Kong profits tax	**760**	1,042
Overseas taxation	**1,195**	1,272
Over-provisions in prior years	**(49)**	(16)
	1,906	2,298
Deferred taxation		
Changes in fair value of investment properties	**366**	501
Origination and reversal of temporary differences	**485**	127
Effect of change in tax rate in the USA	**(11)**	-
	840	628
	2,746	2,926

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

6. Dividends

	2019	2018
	HK$M	HK$M
First interim dividend paid on 4th October 2019 of HK$1.35 per 'A' share and HK$0.27 per 'B' share (2018: HK$1.20 and HK$0.24)	**2,027**	1,802
Second interim dividend declared on 12th March 2020 of HK$1.65 per 'A' share and HK$0.33 per 'B' share (2018 actual dividend paid: HK$1.80 and HK$0.36)	**2,478**	2,703
	4,505	4,505

The second interim dividend is not accounted for in 2019 because it had not been declared or approved at the year end date. The actual amount payable in respect of 2019 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2020.

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

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

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

7. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$9,007 million (2018: HK$23,629 million) by the daily weighted average number of 905,206,000 'A' shares and 2,981,870,000 'B' shares in issue during the year (2018: 905,206,000 'A' shares and 2,981,872,466 'B' shares), in the proportion five to one.

8. Trade and Other Receivables

	2019	2018
	HK$M	HK$M
Trade debtors	**4,074**	4,469
Amounts due from immediate holding company	**1**	1
Amounts due from joint venture companies	**26**	17
Amounts due from associated companies	**230**	229
Mortgage loan receivable - Non-current portion	**36**	37
Prepayments and accrued income	**1,822**	2,014
Other receivables	**2,496**	3,245
	8,685	10,012
Amounts due after one year included under non-current assets	**(67)**	(67)
	8,618	9,945

The amounts due from joint venture and associated companies are unsecured, interest free (except where specified) and on normal trade credit terms.

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

	2019	2018
	HK$M	HK$M
Up to three months	**3,812**	4,112
Between three and six months	**170**	255
Over six months	**92**	102
	4,074	4,469

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

9. Trade and Other Payables

	2019 HK$M	2018 HK$M
Trade creditors	**4,299**	3,969
Amounts due to immediate holding company	**159**	245
Amounts due to joint venture companies	**7**	30
Amounts due to associated companies	**448**	309
Interest-bearing advances from joint venture companies	**54**	53
Interest-bearing advances from an associated company	**291**	293
Advances from non-controlling interests	**187**	35
Rental deposits from tenants	**2,905**	2,751
Put options over non-controlling interests	**677**	700
Deposits received on the sale of subsidiary companies	**-**	3,238
Contingent consideration	**1,194**	1,170
Accrued capital expenditure	**1,260**	1,343
Provision for restructuring costs	**125**	-
Other accruals	**8,359**	8,169
Other payables	**4,360**	4,476
	24,325	26,781
Amounts due after one year included under non-current liabilities	**(1,095)**	(1,679)
	23,230	25,102

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

	2019 HK$M	2018 HK$M
Up to three months	**4,138**	3,841
Between three and six months	**78**	70
Over six months	**83**	58
	4,299	3,969

10. Share Capital

	'A' shares	'B' shares	Total HK$M
Issued and fully paid			
At 1st January 2019 and 31st December 2019	**905,206,000**	**2,981,870,000**	**1,294**
At 1st January 2018	905,206,000	2,982,570,000	1,294
Repurchased during the year	-	700,000	-
At 31st December 2018	905,206,000	2,981,870,000	1,294

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

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

11. Reserves

	Revenue reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2019						
as originally stated	266,842	2,205	(116)	-	199	269,130
adjustment on adoption of HKFRS 16	(1,279)	-	-	-	-	(1,279)
as restated	265,563	2,205	(116)	-	199	267,851
Profit for the year	9,007	-	-	-	-	9,007
Other comprehensive income						
Defined benefit plans						
- remeasurement gains recognised during the year	67	-	-	-	-	67
- deferred tax	8	-	-	-	-	8
Cash flow hedges						
- gains recognised during the year	-	-	-	430	-	430
- transferred to net finance charges	-	-	-	(57)	-	(57)
- transferred to operating profit	-	-	-	84	-	84
- deferred tax	-	-	-	(65)	-	(65)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	(59)	-	-	(59)
Revaluation of property previously occupied by the Group						
- gains recognised during the year	-	241	-	-	-	241
- deferred tax	-	(2)	-	-	-	(2)
Share of other comprehensive income of joint venture and associated companies	478	-	16	132	(429)	197
Net translation differences on foreign operations	-	-	-	-	(851)	(851)
Total comprehensive income for the year	9,560	239	(43)	524	(1,280)	9,000
Acquisition of non-controlling interests	(183)	-	-	-	-	(183)
Change in composition of the Group	120	-	-	-	-	120
2018 second interim dividend (note 6)	(2,703)	-	-	-	-	(2,703)
2019 first interim dividend (note 6)	(2,027)	-	-	-	-	(2,027)
At 31st December 2019	270,330	2,444	(159)	524	(1,081)	272,058

11. Reserves (continued)

	Revenue 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
At 1st January 2018	247,538	2,190	16	(762)	3,218	252,200
Profit for the year	23,629	-	-	-	-	23,629
Other comprehensive income						
Defined benefit plans						
- remeasurement losses recognised during the year	(196)	-	-	-	-	(196)
- deferred tax	37	-	-	-	-	37
Cash flow hedges						
- losses recognised during the year	-	-	-	(110)	-	(110)
- transferred to net finance charges	-	-	-	(72)	-	(72)
- transferred to operating profit	-	-	-	(14)	-	(14)
- deferred tax	-	-	-	30	-	30
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	(135)	-	-	(135)
Revaluation of property previously occupied by the Group						
- gains recognised during the year	-	16	-	-	-	16
- deferred tax	-	(1)	-	-	-	(1)
Share of other comprehensive income of joint venture and associated companies	(123)	-	3	928	(1,344)	(536)
Net translation differences on foreign operations						
- losses recognised during the year	-	-	-	-	(1,710)	(1,710)
- reclassified to profit or loss on disposal	-	-	-	-	35	35
Total comprehensive income for the year	23,347	15	(132)	762	(3,019)	20,973
Acquisition of non-controlling interests	(580)	-	-	-	-	(580)
Repurchase of the Company's shares	(9)	-	-	-	-	(9)
2017 second interim dividend	(1,652)	-	-	-	-	(1,652)
2018 first interim dividend (note 6)	(1,802)	-	-	-	-	(1,802)
At 31st December 2018	266,842	2,205	(116)	-	199	269,130

12. Changes in Accounting Policies and Disclosures

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

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

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

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 "Leases" and related interpretations where the distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised in the statement of financial position for all leases by lessees, except for leases that have a lease term of 12 months or less and leases of low-value assets. In the statement of profit or loss, operating lease rentals are replaced with depreciation and interest expenses. HKFRS 16 also amends the definition of investment property under HKAS 40 to include property held by a lessee as right-of-use assets to earn rentals or for capital appreciation or both and requires the Group to account for such right-of-use assets at their fair value. The standard does not significantly change the accounting of lessors.

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

Adjustment recognised on adoption of HKFRS 16

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

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

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

12. Changes in Accounting Policies and Disclosures (continued)

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

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

Assets	As originally stated HK$M	Adjustments on adoption of HKFRS 16 HK$M	As restated HK$M
Property, plant and equipment	39,644	(4,315)	35,329
Investment properties	271,515	336	271,851
Leasehold land and land use rights	1,415	(1,415)	-
Right-of-use assets	-	10,676	10,676
Joint venture companies	18,870	58	18,928
Associated companies	31,533	(1,056)	30,477
Trade and other receivables	9,945	(8)	9,937
		4,276	
Liabilities			
Trade and other payables	25,102	(70)	25,032
Long-term loans and bonds	68,552	(4)	68,548
Lease liabilities	-	5,659	5,659
		5,585	
Equity			
Reserves	269,130	(1,279)	267,851
Non-controlling interests	54,691	(30)	54,661
		(1,309)	

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

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

12. Changes in Accounting Policies and Disclosures (continued)

(b) The Group has not early adopted the following relevant new and revised standards that have been issued but are effective for annual periods beginning on or after 1st January 2020 and such standards have not been applied in preparing these consolidated financial statements.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 To be applied by the Group from 1st January 2020.
2 To be applied by the Group from 1st January 2021.
3 The effective date is to be determined.

None of these new and revised standards is expected to have a significant effect on the Group's financial statements.

13. Requirement in Connection with Publication of "Non-statutory Accounts" under Section 436 of the Hong Kong Companies Ordinance Cap. 622

The financial information relating to the years ended 31st December 2018 and 2019 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the Ordinance)) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2018 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2019 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31st December 2018 and 2019. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

Sources of Finance

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

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

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

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

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) throughout the year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

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

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 to 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 2019 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Group website www.swirepacific.com. Printed copies will be available to shareholders on 8th April 2020.

List of Directors

As at the date of this announcement, the Directors of the Company are:

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

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

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

By Order of the Board
SWIRE PACIFIC LIMITED
Merlin Swire
Chairman
Hong Kong, 12th March 2020

Disclaimer

This document may contain certain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including changes in the economies and industries in which the Group operates (in particular in Hong Kong and Mainland China), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.