

Media Information

For immediate release

11th March 2021

Swire Pacific reports an underlying loss of HK\$3,969 million in 2020

The progress of many of the Group's businesses was arrested in 2020 by COVID-19. Cathay Pacific was particularly hard hit. The Group recorded an underlying loss of HK\$3,969 million in 2020, compared with an underlying profit of HK\$17,797 million in 2019. The deterioration in the results was primarily due to a significant reduction in profits on the sale of investment properties and to losses (including impairment charges and restructuring costs) at Cathay Pacific. Disregarding significant non-recurring items in both years, the 2020 recurring underlying loss was HK\$609 million, compared with a profit of HK\$7,221 million in 2019. Dividends for the full year are HK\$1.70 per A share and HK\$0.34 per B share.

Below is a summary of the 2020 annual results:

2020 Annual Results Summary

	2020	2019	Change %
	HK\$M	HK\$M	
Revenue	80,032	85,652	-7%
(Loss) / profit attributable to the Company's shareholders			
As reported	(10,999)	9,007	N/A
Underlying (loss) / profit	(3,969)	17,797	N/A
Recurring underlying (loss) / profit	(609)	7,221	N/A
	HK\$	HK\$	Change %
(Loss) / earnings per share			
As reported			
'A' share	(7.32)	6.00	N/A
'B' share	(1.46)	1.20	N/A
Underlying			
'A' share	(2.64)	11.85	N/A
'B' share	(0.53)	2.37	N/A
	HK\$	HK\$	Change %
Full year dividends per share			
'A' share	1.70	3.00	-43%
'B' share	0.34	0.60	-43%

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Divisional Highlights:

Property Division

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

Aviation Division

Cathay Pacific Group

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

HAECO Group

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

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Beverages Division

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

Marine Services Division

- Swire Pacific Offshore (SPO) reported an attributable loss of HK\$5,263 million in 2020, compared to a loss of HK\$3,672 million in 2019.
- The loss for 2020 included impairment charges in respect of the carrying value of vessels and other assets aggregating HK\$4,345 million. Excluding impairment charges and other non-recurring items in both years and the gain on the reduction of the interest in Cadeler in 2020, SPO made an attributable loss of HK\$1,042 million in 2020 (compared to a loss of HK\$1,385 million in 2019).
- Offshore industry conditions were very difficult. Vessel utilisation rates and charter hire rates were lower in 2020 than in 2019. The oversupply of offshore support vessels continued to put pressure on charter hire rates.
- At the end of the year, SPO reduced its interest in its windfarm installation business when the business was subject to an IPO.

Trading & Industrial Division

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

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

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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

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SWIRE PACIFIC LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

2020 Final Results

2020 Performance Highlights

	Note	2020	2019	Change	
Return on equity		-4.1%	3.3%	-7.4% pt	
Dividend per 'A' share (HK\$)		1.70	3.00	-43%	
		HK\$M	HK\$M		
(Loss)/profit attributable to the Company's shareholders					
As reported		(10,999)	9,007	N/A	
Underlying (loss)/profit	(a)	(3,969)	17,797	N/A	
Recurring underlying (loss)/profit	(a)	(609)	7,221	N/A	
Revenue		80,032	85,652	-7%	
Operating profit		2,695	13,792	-80%	
Operating profit excluding change in fair value of investment properties		7,116	10,064	-29%	
Change in fair value of investment properties		(4,421)	3,728	N/A	
Cash generated from operations		15,124	12,817	+18%	
Net cash inflow before financing		13,184	22,910	-42%	
Total equity (including non-controlling interests)		319,146	329,494	-3%	
Net debt		38,900	46,688	-17%	
Gearing ratio (excluding lease liabilities)		12.2%	14.2%	-2.0% pt	
		HK\$	HK\$		
(Loss)/earnings per share	(b)				
As reported					
'A' share		(7.32)	6.00	N/A	
'B' share		(1.46)	1.20	N/A	
Underlying					
'A' share		(2.64)	11.85	N/A	
'B' share		(0.53)	2.37	N/A	
Dividends per share					
'A' share		1.70	3.00	-43%	
'B' share		0.34	0.60	-43%	
Equity attributable to the Company's shareholders per share	(c)				
'A' share		174.94	182.04	-4%	
'B' share		34.99	36.41	-4%	
2020 Sustainable Development Performance		(d)	2020	2019	Change
GHG emissions (Million tonnes of CO ₂ e)		8.4	19.3	-57%	
Energy consumed (GJ Million)		112.1	264.3	-58%	
Water consumed (cbm Million)		17.8	18.4	-3%	
LTIR (Number of injuries per 100 full-time equivalent employees)		0.83	2.01	-59%	
Employee fatalities (Number of fatalities)		1	2	-50%	

Notes:

- (a) Reconciliations between the reported and underlying (loss)/profit, and between underlying (loss)/profit and recurring underlying (loss)/profit are provided on page 48.
- (b) Refer to note 7 in the financial statements for the daily weighted average number of shares in issue throughout the year.
- (c) Refer to note 10 in the financial statements for the number of shares at the year end.
- (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 2,000 retail outlets. Its offices house a working population estimated to exceed 70,000. In Hong Kong, Swire Properties is one of the largest commercial landlords and operators of retail space, principally through the ownership and management of its core centres at Pacific Place and Taikoo Place. In the Chinese mainland, it has developed six retail led mixed-use projects, in Beijing, Shanghai, Guangzhou and Chengdu. In the USA, it has a mixed-use development in Miami.

Corporate Statement (continued)

Cathay Pacific, with its subsidiaries HK Express and Air Hong Kong, had 239 aircraft at the end of 2020. Before the onset of COVID-19, Cathay Pacific directly connected Hong Kong to 119 destinations in 35 countries worldwide (255 and 54 respectively with codeshare agreements), including 26 destinations in the Chinese mainland. Cathay Pacific has an interest of 18.13% in Air China.

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

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

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

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

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

Chairman's Statement

Year In Review

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

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

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

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

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

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

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

Chairman's Statement (continued)**Dividends**

Our dividend policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profits in ordinary dividends over time. This remains our policy. However, given COVID-19 and the consequential challenging operating environment and uncertain outlook, we consider it appropriate to reduce our 2020 dividends. Dividends for the year are HK\$1.70 per 'A' share and HK\$0.34 per 'B' share. During the five years ending with 2020, our dividends represented 59% of underlying profits.

Sustainability

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

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

Our People

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

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

Board

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

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

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

Outlook

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

Merlin Swire

Chairman

Hong Kong, 11th March 2021

Finance Director's Statement**Results Summary**

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

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

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

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

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

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

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

Finance Director's Statement (continued)

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

Dividends

The Directors have declared second interim dividends of HK\$1.00 per 'A' share and HK\$0.20 per 'B' share which, together with the first interim dividends paid in October 2020, amount to full year dividends of HK\$1.70 per 'A' share and HK\$0.34 per 'B' share.

Implementing Our Aims

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

The second phase of the Taikoo Place redevelopment in Hong Kong will be completed in 2022. Swire Properties has a 50% interest in a 1.24 million square feet retail development in Shanghai. Construction was completed in December 2020. A non-managed hotel is expected to open at Citygate in Hong Kong in 2021. In September 2020, Swire Properties announced a joint venture to develop a luxury residential property in Ho Chi Minh City, Vietnam. In December 2020, in joint venture with the Sino-Ocean group, Swire Properties agreed to develop two plots of land next to the existing INDIGO development in Beijing into an office-led, mixed-use Phase Two extension of INDIGO with a gross floor area of 4.1 million square feet. In March 2021, Swire Properties made a minority investment in a residential-led mixed-use development (with residential, retail, office, hotel and serviced apartment components) in Ho Chi Minh City, Vietnam. Swire Properties completed the sale of two office towers in Miami, USA in July 2020 and of the Cityplaza One office tower in Hong Kong in December 2020.

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

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

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

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

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

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

Finance Director's Statement (continued)**Outlook By Division**

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

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

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

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

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

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

Finance Director's Statement (continued)

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

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

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

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

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

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

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

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

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

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

Michelle Low*Finance Director*

Hong Kong, 11th March 2021

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 the Chinese mainland, 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 12.0 million square feet of gross floor area, with an additional 1.2 million square feet under development. In the Chinese mainland, Swire Properties owns and operates major mixed-use commercial developments in Beijing, Shanghai, Guangzhou and Chengdu, in joint venture in most cases, which will total 11.3 million square feet on completion. Of this, 9.6 million square feet has already been completed. In the USA, Swire Properties is the primary developer of a 0.8 million square feet mixed-use commercial development at Brickell City Centre in Miami, with an adjoining 1.4 million square feet development under planning.

Hotel Investment:

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST, Hong Kong at Taikoo Shing. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In the Chinese mainland, Swire Hotels manages four hotels. The Opposite House at Taikoo Li Sanlitun in Beijing is wholly-owned by Swire Properties. 50% interests are owned in EAST at INDIGO in Beijing, in The Temple House at Sino-Ocean Taikoo Li Chengdu, and in The Middle House at HKRI Taikoo Hui in Shanghai. Swire Properties owns 97% and 50% interests in the Mandarin Oriental at Taikoo Hui in Guangzhou and The Sukhothai Shanghai at HKRI Taikoo Hui respectively. In the USA, Swire Properties wholly-owns and manages, through Swire Hotels, EAST, Miami and owns a 75% interest in the Mandarin Oriental in Miami. A non-managed hotel (The Silveri Hong Kong – MGallery) which is part of the 20% owned Citygate extension in Hong Kong is expected to open later this year.

Property Trading:

Swire Properties' trading portfolio comprises completed developments available for sale at the Reach and Rise developments at Brickell City Centre in Miami, USA and EDEN in Singapore. There are six residential projects under development, three in Hong Kong, one in Indonesia and two new investments (made in September 2020 and March 2021 respectively) in Vietnam. There are also land banks in Miami, USA.

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

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

Location	At 31st December 2020						At 31st
	Office	Retail	Hotels	Residential	Under Planning	Total	December 2019 Total
Completed							
Pacific Place	2,186	711	496	443	-	3,836	3,836
Taikoo Place	5,571	12	-	63	-	5,646	5,646
Cityplaza	-	1,097	200	-	-	1,297	1,934
Others	450	668	73	50	-	1,241	1,229
- Hong Kong	8,207	2,488	769	556	-	12,020	12,645
Taikoo Li Sanlitun	-	1,296	169	-	-	1,465	1,465
Taikoo Hui	1,732	1,473	584	52	-	3,841	3,841
INDIGO	294	470	179	-	-	943	943
Sino-Ocean Taikoo Li							
Chengdu	-	678	98	55	-	831	831
HKRI Taikoo Hui	914	587	194	73	-	1,768	1,768
Taikoo Li Qiantan	-	619	-	-	-	619	-
Others	20	91	-	-	-	111	111
- Chinese mainland	2,960	5,214	1,224	180	-	9,578	8,959
- USA	-	497	477	109	-	1,083	1,346
Total completed	11,167	8,199	2,470	845	-	22,681	22,950
Under and pending development							
- Hong Kong ^	1,218	3	-	15	-	1,236	1,247
- Chinese mainland	-	256	-	-	1,429	1,685	879
- USA	-	-	-	-	1,444	1,444	1,444
Total	12,385	8,458	2,470	860	2,873	27,046	26,520

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

^The office portfolio principally comprises Two Taikoo Place.

STRATEGY:

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

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

2020 PERFORMANCE
Property Division – Financial Highlights

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

* Other revenue is mainly estate management fees.

Property Division – Underlying Profit/(Loss) by Segment

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

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

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

Notes:

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

2020 PROPERTY INDUSTRY REVIEW**Office and Retail:****Hong Kong:****Office**

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

Retail

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

Chinese mainland:**Retail**

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

Office

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

USA:**Retail**

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

Property Sales Markets:

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

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

2020 RESULTS SUMMARY

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

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

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

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

KEY DEVELOPMENTS

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

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

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

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

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

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

INVESTMENT PROPERTIES

Hong Kong

Office

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

Pacific Place

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

Taikoo Place

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

South Island Place

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

Retail

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

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

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

Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wanchai and a number of luxury houses on Hong Kong Island and Lantau Island. The occupancy rate at the residential portfolio was approximately 69% at 31st December 2020.

Investment Properties under Development

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

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

Others

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

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

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

Chinese mainland

Retail

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

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

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

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

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

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

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

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

Office

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

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

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

Investment Properties under Development

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

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

USA

The first phase of the Brickell City Centre development consists of a shopping centre, two office towers (Two and Three Brickell City Centre, which have been sold), a hotel and serviced apartments (EAST, Miami) managed by Swire Hotels and two residential towers

(Reach and Rise). The residential towers have been developed for sale.

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

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

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

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

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2020 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK\$266,133 million, compared to HK\$276,008 million at 31st December 2019 and HK\$272,684 million at 30th June 2020.

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

reduction of 25 basis points in the capitalisation rate applicable to some properties.

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

Hong Kong Lease Expiry Profile – at 31st December 2020

% of the total rental income attributable to the Group for the month ended 31st December 2020	2023 and later		
	2021	2022	later
Office	8.9%	18.4%	72.7%
Retail	18.2%	23.7%	58.1%

HOTELS

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

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

<u>Profile of Capital Commitments for Investment Properties and Hotels</u>							
(HK\$M)	Expenditure	Forecast expenditure				Total Commitments At 31st December 2020	Commitments relating to joint venture companies *
		2020	2021	2022	2023		
Hong Kong	1,452	3,778	3,775	1,590	4,184	13,327	76
Chinese mainland	5,770	1,468	502	1,011	2,356	5,337	4,300
USA	65	6	-	-	-	6	-
Total	7,287	5,252	4,277	2,601	6,540	18,670	4,376

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

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

PROPERTY TRADING**Hong Kong**

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

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

In 2019, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited completed the acquisition of a plot of land in Chai Wan, Hong Kong (Inland Lot No. 88). Subject to agreement with the Hong Kong government, the plot of land is expected to be redeveloped into a residential complex with an aggregate gross floor area of approximately 694,000 square feet.

USA

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

Singapore

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

Indonesia

In 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land is being developed into a residential development with an aggregate gross floor area of approximately 1,123,000 square feet. Demolition works have been completed and foundation works have commenced. The development is expected to comprise over 400 residential units and to be completed in 2024. Swire Properties has a 50% interest in the joint venture.

Vietnam

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

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

OUTLOOK

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

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

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

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

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

Guy Bradley

REVIEW OF OPERATIONS

AVIATION DIVISION

OVERVIEW OF THE BUSINESS

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

The Cathay Pacific group:

Cathay Pacific Airways Limited (Cathay Pacific) is listed on The Stock Exchange of Hong Kong Limited. The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiaries Hong Kong Dragon Airlines Limited (Cathay Dragon, which ceased operations in October 2020) (Cathay Pacific and Cathay Dragon together the Airlines), Hong Kong Express Airways Limited (HK Express) and AHK Air Hong Kong Limited (Air Hong Kong) and associate interests in Air China Limited (Air China) and Air China Cargo Co., Ltd. (Air China Cargo). Cathay Pacific also has interests in companies providing flight catering and passenger and ramp handling services, and owns and operates a cargo terminal at Hong Kong International Airport.

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

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

Air Hong Kong operates express cargo services for DHL Express to 17 Asian cities. At 31st December 2020, Air Hong Kong operated 12 freighters.

Cathay Pacific owns 18.13% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in the Chinese mainland. Cathay Pacific has a cargo joint venture in the Chinese mainland, Air China Cargo, which operated 15 freighters at 31st December 2020 and carries cargo in the bellies of Air China's passenger aircraft.

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

The HAECO group:

The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO Hong Kong), in Xiamen (by HAECO Xiamen) and in the USA (by HAECO Americas), and engine overhaul work in Hong Kong (by HAECO's 50% joint venture company, Hong Kong Aero Engine Services Limited (HAESL)) and in Xiamen (by Taikoo Engine Services (Xiamen) Company Limited (TEXL)).

HAECO Americas manufactures aircraft seats. The HAECO group has other subsidiaries and joint venture companies in the Chinese mainland, which offer a range of aircraft engineering services, and has a 70% interest in HAECO ITM Limited, an inventory technical management joint venture with Cathay Pacific in Hong Kong.

HAECO is a wholly-owned subsidiary of Swire Pacific.

STRATEGY:

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

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

Aviation Division – Financial Highlights

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

Accounting for the Aviation Division

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

Cathay Pacific and Cathay Dragon* – 2020 Performance

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

* Cathay Dragon ceased its operations in October 2020.

Cathay Pacific group**2020 AIRLINE INDUSTRY REVIEW**

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

2020 RESULTS SUMMARY

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

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

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

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

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

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

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

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

Passenger Services

Cathay Pacific and Cathay Dragon

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

HK Express

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

Cargo Services

Cathay Pacific and Cathay Dragon

The cargo revenue of Cathay Pacific and Cathay Dragon in 2020 was HK\$24,573 million, an increase of 16% compared to 2019. This reflected the imbalance in the market between demand and available capacity. RFTK traffic decreased by 27%,

while AFTK capacity decreased by 36%. Consequently the load factor increased by 8.9 percentage points to 73.3%. Yield increased by 58% to HK\$2.96.

Air Hong Kong

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

Operating Costs

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

Fleet Profile

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

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

Fleet profile*

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

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

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

*** The nine Airbus A300-600F, one Airbus A330-243F and two A330-300P2F freighters are considered to be operated by Air Hong Kong, even though the arrangement does not constitute a lease in accordance with HKFRS 16.

(a) The operating lease of one Airbus A320-200 aircraft expired in February 2021. The aircraft was returned to its lessor.

(b) Three Airbus A321neo aircraft and one A320neo aircraft are on operating leases.

(c) One aircraft was delivered in March 2021.

Air China and Air China Cargo

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrears. Consequently, the 2020 results include Air China's results for the 12 months ended 30th September 2020, adjusted for any significant events or transactions for the period from 1st October 2020 to 31st December 2020.

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

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

OUTLOOK

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

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

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

Augustus Tang

Hong Kong Aircraft Engineering Company (HAECO) group
HAECO group – Financial Highlights

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

* representing impairment charges of HAECO Americas

^ representing impairment charges of HAECO ITM

HAECO group – Operating Highlights

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

2020 AVIATION MAINTENANCE AND REPAIR INDUSTRY REVIEW

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

2020 RESULTS SUMMARY

The HAECO group reported an attributable profit of HK\$96 million for 2020, including post-tax impairment charges of HK\$184 million in respect of rotatable aircraft parts at HAECO ITM, and HK\$90 million in respect of intangible assets at HAECO Americas. This compares with a profit of HK\$825 million in 2019, including impairment charges of HK\$234 million in respect of intangible assets (including goodwill) attributable to HAECO Americas.

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

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

HAECO Hong Kong

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

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

HAECO Americas

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

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

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

As required by applicable accounting standards, a review of the carrying value of the business of HAECO Americas was undertaken. As a result of this review (which took into account the prospects for the cabin solutions business), impairment charges of HK\$90 million were made in 2020 in respect of intangible assets.

HAECO Xiamen

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

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

TEXL

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

HAESL

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

Other Principal Subsidiary and Joint Venture Companies

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

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

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

OUTLOOK

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

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

Frank Walschot

REVIEW OF OPERATIONS
BEVERAGES DIVISION
OVERVIEW OF THE BUSINESS

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

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

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

FRANCHISE TERRITORIES

	Franchise population (millions) (end 2020)	GDP per capita (US\$)	Sales volume (million unit cases)		Per capita consumption of Coca-Cola beverages (8-oz servings)	
			2020	2010	2020	2010
			Chinese mainland	679.9	13,715	1,307
Hong Kong	7.5	45,510	56	60	180	204
Taiwan	23.6	28,180	63	62	64	64
USA	30.3	53,902	317	82	251	316
	741.3		1,743	923		

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

We are fully aligned with The Coca-Cola Company's commitment to providing drinks that meet the needs of consumers and will capture growth in a fast-changing marketplace. We must not just increase sales of sparkling drinks. We must also develop winning propositions across other major categories of drinks, so as to increase our share of the value of the total non-alcoholic beverage market.

- Commercial leadership

Continuous improvements in execution, customer service, delivery and route-to-market metrics, with a view to being our customers' preferred supplier.

- Digital leadership

Becoming a digital leader, first in the beverage industry, then in the entire fast-moving consumer goods industry, in each of our markets.

- Benchmarking

Benchmarking our operational and financial performance against peers in the Coca-Cola system and learning from such peers in order to adopt global best practices quickly.

- Sustainability

Identifying and implementing sustainable practices in order to meet our commitments to decarbonisation, to reductions in the consumption of water and packaging materials and in the production of waste, to wider product choice, to sustainable sourcing, to supporting our communities and to creating a safe, diverse and inclusive working environment.

2020 PERFORMANCE
Financial Highlights

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

Segment Financial Highlights

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

Accounting for the Beverages Division

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

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

Segment Performance

	Note	Percentage Change in 2020				Swire Coca-Cola
		Chinese mainland	Hong Kong	Taiwan	USA	
Active Outlets		6%	-9%	0%	-5%	4%
Revenue	1	1%	-6%	9%	7%	2%
Sales Volume	2	-4%	-12%	5%	4%	-2%
Gross Profit per unit case		9%	7%	12%	5%	7%
Water Use Ratio		3%	7%	2%	1%	3%
Energy Use Ratio		7%	6%	-9%	10%	7%
LTIR		-41%	8%	-54%	8%	-15%
		Chinese mainland	Hong Kong	Taiwan	USA	Swire Coca-Cola
EBITDA Margin	3					
2020		11.4%	16.1%	11.8%	10.0%	11.1%
2019		9.4%	14.5%	9.8%	9.3%	9.6%
EBIT Margin	3					
2020		7.7%	11.5%	8.0%	5.9%	7.2%
2019		5.9%	10.6%	5.9%	5.3%	5.9%

Note 1: Revenue for Swire Coca-Cola, including that of a joint venture company and excluding sales to other bottlers, was HK\$45,657 million (2019: HK\$44,719 million).

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

Note 3: (i) EBITDA and EBIT for Swire Coca-Cola (including that of a joint venture company and excluding non-recurring gains and central costs) were HK\$5,064 million (2019: HK\$4,300 million) and HK\$3,286 million (2019: HK\$2,636 million) respectively.
(ii) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which includes that of a joint venture company and excludes sales to other bottlers).

2020 RESULTS SUMMARY

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

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

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

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

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

Chinese mainland

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

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

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

Total sales volume decreased by 4%.

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

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

Hong Kong

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

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

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

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

Taiwan

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

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

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

Total sales volume increased by 5%.

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

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

USA

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

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

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

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

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

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

OUTLOOK

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

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

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

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

Patrick Healy

REVIEW OF OPERATIONS**MARINE SERVICES DIVISION****OVERVIEW OF THE BUSINESS**

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

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

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

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

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 2020, SPO operated a fleet of 61 vessels. The fleet consists of anchor handling tug supply vessels (AHTSs), platform supply vessels (PSVs) and construction and specialist vessels (CSVs). The CSVs consist of a subsea multi-purpose vessel, a seismic survey vessel, an accommodation barge and a high-speed catamaran crew boat.

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

SPO – Fleet Size

Vessel class	Year-end		Disposals ²	Year-end
	2019	Redelivery ¹		
Anchor Handling Tug Supply Vessels	41	-	(5)	36
Platform Supply Vessels	22	-	(1)	21
Construction and Specialist Vessels	10	(1)	(5)	4
	73	(1)	(11)	61

¹ A vessel subject to an operating lease was returned upon lease expiry in the first half of 2020.

² Two CSVs were removed from the operating fleet following the completion of the initial public offering of Cadeler.

SPO's Geographical Distribution:

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

2020 PERFORMANCE
Marine Services Division – Financial Highlights

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

Swire Pacific Offshore group**2020 OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY REVIEW**

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

2020 RESULTS SUMMARY

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

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

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

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

Charter Hire

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

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

Core Fleet (AHTSs and PSVs)

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

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

Specialist Fleet

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

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

Non-charter Hire

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

Operating Costs

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

FLEET

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

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

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

OUTLOOK

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

Peter Langslow

SPO – Charter Hire Revenue by Vessel Class

Vessel Class	2020 HK\$M	2020 %	2019 HK\$M	2019 %
Anchor Handling Tug Supply Vessels	861	51%	1,003	45%
Platform Supply Vessels	570	33%	689	30%
Construction and Specialist Vessels	274	16%	571	25%
Total	1,705	100%	2,263	100%

Hongkong United Dockyards group**2020 INDUSTRY REVIEW**

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

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

2020 RESULTS SUMMARY

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

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

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

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

OUTLOOK

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

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

David Cogman

REVIEW OF OPERATIONS**TRADING & INDUSTRIAL DIVISION****OVERVIEW OF THE BUSINESS**

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

Swire Resources:

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

Taikoo Motors:

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

Swire Foods:**(i) Chongqing New Qinyuan Bakery:**

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

(ii) Taikoo Sugar:

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

Swire Environmental Services:

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

STRATEGY:

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

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

2020 PERFORMANCE
Trading & Industrial Division - Financial Highlights

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

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

2020 INDUSTRY REVIEW**Footwear and apparel business in Hong Kong and the Chinese mainland –**

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

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

Bakery sales in the Chinese mainland –

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

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

2020 RESULTS SUMMARY

The attributable profit of the Trading & Industrial Division in 2020 was HK\$12 million compared to an attributable loss of HK\$452 million in 2019. The 2019 results included a write-off of the investment in an associated company of HK\$281 million, an impairment charge of HK\$200 million in respect of goodwill and other provisions of HK\$152 million at the Qinyuan Bakery, and the write-back of provisions (of HK\$140 million) relating to the disposal of the cold storage business. Disregarding these non-recurring items, the Division made an attributable profit of HK\$41 million in 2019. The deterioration (to HK\$12 million in 2020) mainly reflects worse results from Swire Resources, partly offset by improved results from Swire Environmental Services and Taikoo Motors.

Swire Resources

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

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

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

Taikoo Motors

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

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

Swire Foods

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

Qinyuan Bakery recorded an attributable loss of HK\$36 million in 2020 compared with an attributable loss of HK\$389 million in 2019. The 2019 results included an impairment charge in respect of goodwill of HK\$200 million and other business rationalisation costs of HK\$152 million. Excluding these non-recurring items, the loss of Qinyuan Bakery in 2019 was HK\$37 million.

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

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

Swire Environmental Services

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

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

OUTLOOK

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

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

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

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

David Cogman

FINANCIAL REVIEW

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

Audited Financial Information

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

Notes:

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

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

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

**Consolidated Statement of Profit or Loss
For the year ended 31st December 2020**

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

**Consolidated Statement of Other Comprehensive Income
For the year ended 31st December 2020**

	2020	2019
	HK\$M	HK\$M
(Loss)/profit for the year	(10,095)	11,838
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group gains recognised during the year	127	294
deferred tax	(4)	(2)
Defined benefit plans		
remeasurement gains recognised during the year	157	76
deferred tax	(18)	7
Changes in the fair value of equity investments at fair value through other comprehensive income	34	(59)
Share of other comprehensive income of joint venture and associated companies	309	494
	605	810
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
(losses)/gains recognised during the year	(187)	495
transferred to net finance charges	26	(61)
transferred to operating profit	23	84
deferred tax	25	(75)
Share of other comprehensive income/(loss) of joint venture and associated companies	1,202	(350)
Net translation differences on foreign operations recognised during the year	2,898	(1,022)
reclassified to profit or loss on disposal	(6)	-
	3,981	(929)
Other comprehensive income/(loss) for the year, net of tax	4,586	(119)
Total comprehensive (loss)/income for the year	(5,509)	11,719
Total comprehensive (loss)/income attributable to:		
The Company's shareholders	(7,096)	9,000
Non-controlling interests	1,587	2,719
	(5,509)	11,719

**Consolidated Statement of Financial Position
At 31st December 2020**

	Note	2020 HK\$M	2019 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		25,413	32,680
Investment properties		266,305	276,250
Intangible assets		13,096	12,852
Right-of-use assets		9,490	9,899
Properties held for development		1,200	1,212
Joint venture companies		21,475	19,112
Loans due from joint venture companies		15,593	16,827
Associated companies		28,497	30,695
Loans due from associated companies		85	9
Investments at fair value		1,351	193
Other receivables	8	562	67
Derivative financial instruments		216	384
Deferred tax assets		562	667
Retirement benefit assets		196	97
		384,041	400,944
Current assets			
Properties for sale		3,538	3,604
Stocks and work in progress		5,112	5,539
Contract assets		950	1,301
Trade and other receivables	8	9,788	8,618
Derivative financial instruments		33	46
Bank balances and short-term deposits		29,264	21,345
		48,685	40,453
Assets classified as held for sale		384	-
		49,069	40,453
Current liabilities			
Trade and other payables	9	24,927	23,230
Contract liabilities		916	721
Taxation payable		856	1,170
Derivative financial instruments		5	14
Short-term loans		105	110
Long-term loans and bonds due within one year		6,824	11,459
Lease liabilities due within one year		793	858
		34,426	37,562
Net current assets		14,643	2,891
Total assets less current liabilities		398,684	403,835
Non-current liabilities			
Long-term loans and bonds		61,235	56,464
Long-term lease liabilities		4,359	4,517
Derivative financial instruments		154	92
Other payables	9	1,143	1,095
Deferred tax liabilities		11,556	11,014
Retirement benefit liabilities		1,091	1,159
		79,538	74,341
NET ASSETS		319,146	329,494
EQUITY			
Share capital	10	1,294	1,294
Reserves	11	261,398	272,058
Equity attributable to the Company's shareholders		262,692	273,352
Non-controlling interests		56,454	56,142
TOTAL EQUITY		319,146	329,494

Consolidated Statement of Cash Flows
For the year ended 31st December 2020

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

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



1. Segment Information

(a) Information about reportable segments – Analysis of Consolidated Statement of Profit or Loss
Year ended 31st December 2020

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

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.

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

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

[^] New in 2020 with no comparative.



1. Segment Information (continued)

(a) Information about reportable segments – Analysis of Consolidated Statement of Profit or Loss (continued)
Year ended 31st December 2019

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

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 (continued)

Analysis of total assets of the Group

At 31st December 2020

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

Note:

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

The assets relating to joint venture and associated companies include the loans due from these companies.

1. Segment Information (continued)

 (a) Information about reportable segments (continued)
 Analysis of total liabilities and non-controlling interests of the Group

At 31st December 2020		Current and	Inter-segment	External	Lease	Total	Non-controlling
Segment	deferred tax	borrowings/	External	Lease	Total	Non-controlling	
liabilities	liabilities	(advances)	borrowings	liabilities	liabilities	interests	
HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	
Property							
Property investment	7,711	10,658	(1,648)	24,603	580	41,904	51,953
Property trading	305	1	1,326	1,717	-	3,349	801
Hotels	166	-	322	937	-	1,425	1,127
	8,182	10,659	-	27,257	580	46,678	53,881
Aviation							
HAECO group	2,568	451	2,066	88	2,461	7,634	2,055
Beverages							
Swire Coca-Cola	14,141	1,191	1,683	2,556	668	20,239	537
Marine Services							
Swire Pacific							
Offshore group	1,060	48	198	-	13	1,319	(19)
Trading & Industrial							
Swire Resources	677	9	(49)	-	702	1,339	-
Taikoo Motors	565	25	-	-	498	1,088	-
Swire Foods	420	21	(60)	-	230	611	-
Other activities	18	-	60	-	-	78	-
	1,680	55	(49)	-	1,430	3,116	-
Head Office and							
Swire Investments	605	8	(3,898)	38,263	-	34,978	-
	28,236	12,412	-	68,164	5,152	113,964	56,454
At 31st December 2019							
Segment	Current and	Inter-segment	External	Lease	Total	Non-controlling	
liabilities	deferred tax	borrowings/	borrowings	liabilities	liabilities	interests	
HK\$M	HK\$M	(advances)	HK\$M	HK\$M	HK\$M	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

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 and the Chinese mainland. Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

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

	Revenue		Non-current assets (Note)	
	2020	2019	2020	2019
	HK\$M	HK\$M	HK\$M	HK\$M
Hong Kong	17,379	20,746	241,341	254,042
Chinese mainland and Asia (excluding Hong Kong)	39,798	41,415	55,182	50,708
USA	20,879	20,948	16,265	18,000
Others	98	105	-	-
Ship owning and operating activities	1,878	2,438	2,716	10,143
	80,032	85,652	315,504	332,893

Note:

In this analysis, the total of non-current assets excludes joint venture and associated companies (and loans advanced to these companies), investments at fair value, other receivables, financial instruments, deferred tax assets and retirement benefit assets.

2. Revenue

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

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

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

3. Operating Profit

	2020	2019
	HK\$M	HK\$M
<i>Operating profit has been arrived at after charging:</i>		
Depreciation of property, plant and equipment	3,207	3,467
Depreciation of right-of-use assets		
- leasehold land held for own use	32	32
- land use rights	46	46
- property	898	903
- plant and equipment	81	77
- vessels	-	28
Amortisation of		
- intangible assets	242	222
- initial leasing costs in respect of investment properties	33	35
- others	15	13
Impairment charges recognised on		
- property, plant and equipment	4,562	2,162
- intangible assets	97	434
- investment in and goodwill in respect of an associated company	-	281
Provision for restructuring costs	-	125
Loss on sale of investment properties	147	17
	<hr/>	<hr/>
<i>And after crediting:</i>		
Profit on disposal of subsidiary companies	2,026	1,384
Profit on disposal of joint venture companies	-	994
Profit on sale of property, plant and equipment	18	50
Receipt of government subsidies	1,035	108
	<hr/>	<hr/>

4. Net Finance Charges

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

5. Taxation

	2020	2019
	HK\$M	HK\$M
Current taxation		
Hong Kong profits tax	837	760
Overseas tax	1,281	1,195
Over-provisions in prior years	(59)	(49)
	2,059	1,906
Deferred taxation		
Changes in fair value of investment properties	215	366
Origination and reversal of temporary differences	146	485
Effect of change in tax rate in the USA	-	(11)
	361	840
	2,420	2,746

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

6. Dividends

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

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

The Directors have declared second interim dividends of HK\$1.00 per 'A' share and HK\$0.20 per 'B' share which, together with the first interim dividends of HK\$0.70 per 'A' share and HK\$0.14 per 'B' share paid in October 2020, amount to full year dividends of HK\$1.70 per 'A' share and HK\$0.34 per 'B' share, compared to full year dividends of HK\$3.00 per 'A' share and HK\$0.60 per 'B' share in respect of 2019. The second interim dividends will be paid on 7th May 2021 to shareholders registered at the close of business on the record date, being Friday, 9th April 2021. Shares of the Company will be traded ex-dividend from Wednesday, 7th April 2021.

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

To facilitate the processing of proxy voting for the annual general meeting to be held on 13th May 2021, the register of members will be closed from 10th May 2021 to 13th May 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 7th May 2021.

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

(Loss)/earnings per share is calculated by dividing the loss attributable to the Company's shareholders of HK\$10,999 million (2019: profit of HK\$9,007 million) by the daily weighted average number of 905,206,000 'A' shares and 2,981,870,000 'B' shares in issue during the year (2019: 905,206,000 'A' shares and 2,981,870,000 'B' shares), in the proportion five to one.

8. Trade and Other Receivables

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

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

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

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

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

9. Trade and Other Payables

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

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

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

10. Share Capital

	'A' shares	'B' shares	Total HK\$M
Issued and fully paid with no par value			
At 31st December 2019 and 2020	905,206,000	2,981,870,000	1,294

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year (2019: none).

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

11. Reserves

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

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

12. Event after the Reporting Period

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

13. Changes in Accounting Policies and Disclosures

- (a) The following new and revised standards and a new interpretation were required to be adopted by the Group effective from 1st January 2020:

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

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

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

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

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30th June 2021; and
- There is no substantive change to other terms and conditions of the lease.

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

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

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

13. Changes in Accounting Policies and Disclosures (continued)

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

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

1 To be applied by the Group from 1st January 2021.

2 To be applied by the Group from 1st January 2022.

3 To be applied by the Group from 1st January 2023.

4 The effective date is to be determined.

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

14. 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 2019 and 2020 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 2019 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 2020 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 2019 and 2020. 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 2020, committed loan facilities and debt securities amounted to HK\$101,337 million, of which HK\$32,971 million (33%) were undrawn. In addition, there were lease liabilities amounting to HK\$5,152 million. The Group had undrawn uncommitted facilities totalling HK\$7,743 million. Sources of gross borrowings at 31st December 2020 comprised:

	<u>Available</u> HK\$M	<u>Drawn</u> HK\$M	<u>Undrawn expiring within one year</u> HK\$M	<u>Undrawn expiring beyond one year</u> HK\$M	<u>Total undrawn</u> HK\$M
Committed facilities					
Loans and bonds					
Bonds	49,497	49,497	-	-	-
Bank loans, overdrafts and other loans	51,840	18,869	6,266	26,705	32,971
Total committed facilities	<u>101,337</u>	<u>68,366</u>	<u>6,266</u>	<u>26,705</u>	<u>32,971</u>
Uncommitted facilities					
Bank loans, overdrafts and other loans	7,848	105	7,743	-	7,743
Total	<u>109,185</u>	<u>68,471</u>	<u>14,009</u>	<u>26,705</u>	<u>40,714</u>

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

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

Corporate Governance

The Company complied with all the code provisions set out in the Corporate Governance Code (the CG Code) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) throughout the 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 a code of conduct (the Securities Code) regarding securities transactions by Directors and officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. These rules are available on the Company's website.

On specific enquiries made, all the Directors of the Company have confirmed that, in respect of the accounting period covered by the annual report, they have complied with the required standard set out in 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 2020 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 2021.

List of Directors

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

Executive Directors: M.B. Swire (Chairman), D.P. Cogman, M.M.S. Low, Z.P. Zhang;

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, 11th March 2021

Disclaimer

This document may contain 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, 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 the effects of COVID-19, changes in the economies and industries in which the Group operates (in particular in Hong Kong and the Chinese mainland), 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.

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