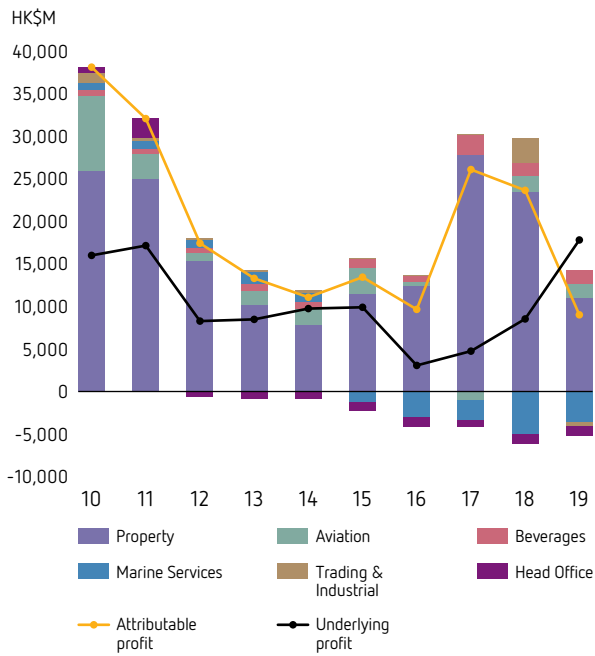
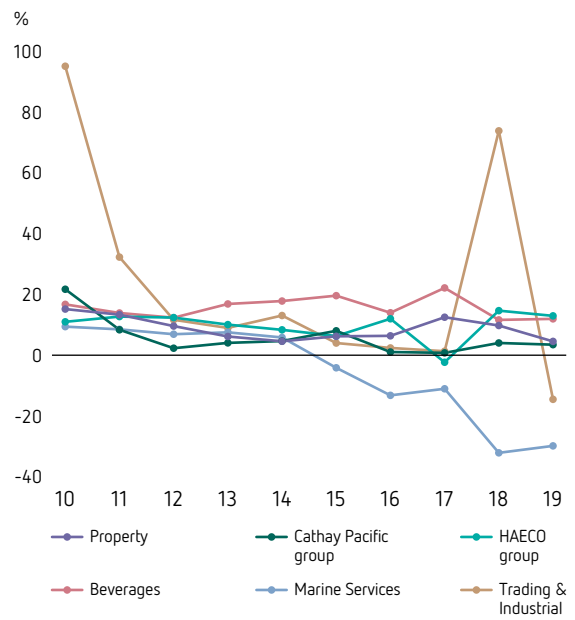


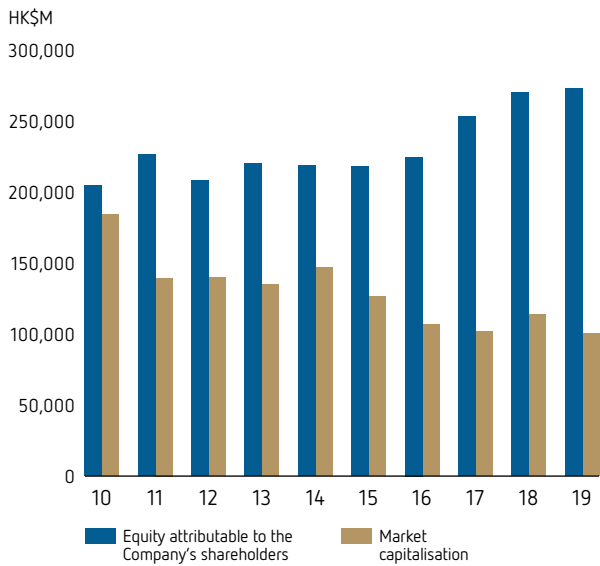
### Profit Attributable to the Company's Shareholders



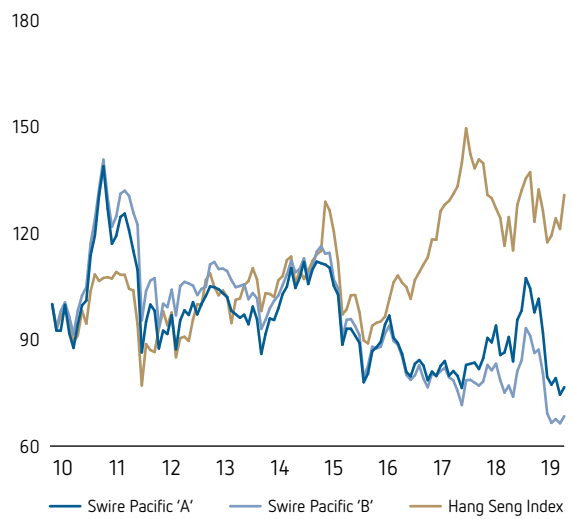
### Return on Capital Employed



### Equity Attributable to the Company's Shareholders and Market Capitalisation at Year-end



### Swire Pacific Share Price Relative to Hang Seng Index



## FINANCE DIRECTOR'S STATEMENT

### Results Summary

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

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

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

Swire Pacific's attributable share of Cathay Pacific's 2019 profit was HK\$761 million, compared to HK\$1,056 million in 2018. The operating environment for Cathay Pacific was extremely challenging in 2019. The passenger business was adversely affected by social unrest in Hong Kong in the second half. The cargo business was affected by global trade tensions during

the whole year. Passenger and cargo yields were under intense pressure. Yields and load factors decreased for both passenger and cargo businesses. Fuel prices decreased, but the strength of the US dollar adversely affected net income. The acquisition of HK Express was completed in July 2019.

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

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

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

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

## Dividends

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

## Implementing Our Aims

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

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

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

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

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

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

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

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

## Outlook By Division

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

COVID-19 is adversely affecting Swire Properties' retail investment properties and its hotel business in Hong Kong and Mainland China. Lower rental income is expected from the retail properties and serviced apartments in 2020. Temporary rental subsidies are being provided to retail tenants on a case by case basis. Occupancy and revenue are significantly down at Swire

Properties' hotels. Costs will be saved where this can be done without damaging the long-term relationship with tenants and other customers.

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

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

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

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

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

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

cargo capacity has been maintained intact. The US dollar is expected to remain strong in 2020, and intense competition, especially in long-haul economy class, will continue to place significant pressure on passenger yields.

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

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

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

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

**Michelle Low**

Finance Director

Hong Kong, 12th March 2020